

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

FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

ADURO BIOTECH, INC.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

2834  
(Primary Standard Industrial  
Classification Code Number)

94-3348934  
(I.R.S. Employer  
Identification Number)

626 Bancroft Way, 3C  
Berkeley, California 94710  
(510) 848-4400  
(Address, including zip code and telephone number, of Registrant’s principal executive offices)

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(510) 848-4400  
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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, check the following box. ☐

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

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. ☐

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 statement number of the earlier effective registration statement for the same offering. ☐

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.

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

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, \$0.0001 par value per share	\$86,250,000	\$10,022.25

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.  
(2) Includes offering price of any additional 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. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion.  
Preliminary Prospectus dated March 11, 2015.

## PROSPECTUS

### Shares



### Common Stock

This is an initial public offering of shares of common stock of Aduro Biotech, Inc. We are selling \_\_\_\_\_ shares of our common stock in this offering.

We expect the public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect the shares will trade on the NASDAQ Global Market under the symbol “ADRO.”

We are an “emerging growth company” under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements.

**Investing in our common stock involves risks that are described in the “[Risk Factors](#)” section beginning on page 11 of this prospectus.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ _____	\$ _____
Underwriting discount(1)	\$ _____	\$ _____
Proceeds to us, before expenses	\$ _____	\$ _____

(1) We refer you to “Underwriting” beginning on page 163 for additional information regarding total underwriting compensation.

The underwriters may also exercise their option to purchase up to an additional \_\_\_\_\_ shares from us, at the public offering price, less the underwriting discount for 30 days after the date of this prospectus.

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 shares will be ready for delivery on or about \_\_\_\_\_, 2015.

**BofA Merrill Lynch**

**Leerink Partners**

**William Blair**

**Canaccord Genuity**

The date of this prospectus \_\_\_\_\_, 2015.

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Neither we nor the underwriters have authorized anyone to provide you with any information or to make any representation, other than those contained in this prospectus or any free writing prospectus we have prepared. We take no responsibility for, and 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 in circumstances and in jurisdictions where it is lawful to so do. The information contained in this prospectus is accurate only as of its date, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourself about, and to observe any restrictions relating to, this offering and the distribution of this prospectus.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should read the entire prospectus carefully, including the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus. Unless the context suggests otherwise, references in this prospectus to “Aduro,” “Aduro Biotech,” “we,” “us” and “our” refer to Aduro Biotech, Inc.*

### ADURO BIOTECH, INC.

#### Overview

We are a clinical-stage immuno-oncology company focused on the development of first-in-class technology platforms designed to stimulate robust and durable immune responses against cancer, and our lead product candidate is in a randomized controlled Phase 2b clinical trial in metastatic pancreatic cancer. Immuno-oncology encompasses a class of therapies that leverage the patient’s immune system to slow the growth and spread of, or eliminate, tumor cells. We believe a critical distinguishing factor in our approach to immuno-oncology is that our novel therapies initiate powerful innate immune responses and drive targeted, durable adaptive immune responses. The immunotherapy field is rapidly advancing with new immuno-oncology combinations that focus on strengthening therapeutic efficacy in a wide range of cancers. We intend to pursue a broad strategy of combining our technology platforms with conventional and novel immuno-oncology therapies, based on their mechanisms of action, safety profiles and versatility. Our pipeline of immuno-oncology product candidates is derived from two proprietary technology platforms: Live, Attenuated, Double-Deleted, or LADD, *Listeria monocytogenes* and cyclic dinucleotides, or CDNs. Our lead LADD product candidate, CRS-207, is currently being developed in metastatic pancreatic cancer and unresectable malignant pleural mesothelioma. In a completed randomized controlled Phase 2a clinical trial in metastatic pancreatic cancer patients, CRS-207 demonstrated a statistically significant improvement in overall survival when combined with GVAX Pancreas, a cellular vaccine product candidate. The 93-patient two-arm Phase 2a clinical trial was designed to compare the combination of CRS-207 and GVAX Pancreas versus GVAX Pancreas alone. The trial met the primary efficacy endpoint of overall survival at an interim analysis and was stopped upon recommendation from the Data Monitoring Committee. Based on the data from this study, our lead immuno-oncology regimen of CRS-207 and GVAX Pancreas was granted Breakthrough Therapy designation by the U.S. Food and Drug Administration, or FDA. Breakthrough Therapy designation is intended to expedite the development and review of products that treat serious or life-threatening conditions. We have obtained orphan drug designations from the FDA for CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer. Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition. Orphan drug designation entitles a party to certain financial incentives and can provide limited market exclusivity in certain circumstances. We are developing a pipeline of proprietary product candidates, including two product candidates in collaboration with Janssen Biotech, Inc., or Janssen, targeting prostate and lung cancers. We have intellectual property protection on both of our technology platforms and each of our product candidates, which we believe we will maintain into the 2030s.

Immuno-oncology is an emerging field of cancer therapy that aims to activate the immune system in the tumor microenvironment to create and enhance anti-tumor immune responses, as well as to overcome the immuno-suppressive mechanisms that cancer cells have developed against the immune system. Recent developments in the field of immuno-oncology, including checkpoint inhibitors—therapies that have mechanisms focused on unmasking hidden cancer cells—have shown the potential to provide dramatic efficacy responses and extended survival, even in cancers where conventional therapies, such as surgery, chemotherapy and radiotherapy, have failed.

Product candidates from our two immuno-oncology technology platforms are engineered to prime and enhance a patient's innate and tumor-specific adaptive immune responses to deliver enhanced efficacy over current therapies. Since our product candidates act by stimulating the patient's own immune system, we believe they have the potential to be safer and more tolerable than existing therapies, such as chemotherapy and radiotherapy. Based on the mechanism of action and safety profile of our technology platforms, we intend to build a deep pipeline of LADD- and CDN-based product candidates that can be readily combinable and synergistic with both conventional and novel therapies, such as checkpoint inhibitors.

Our vision is to leverage our scientific expertise and understanding of the body's natural defense systems, including the interplay between the innate and adaptive immune responses, to develop safe and effective therapies for the benefit of patients.

## **Our Proprietary Technology Platforms and Pipeline**

### ***Live, Attenuated, Double-Deleted Listeria Monocytogenes***

Our proprietary LADD product candidates have been engineered for safety and optimal efficacy. We seek to optimize tumor-specific immune responses by engineering our LADD product candidates to express the encoded tumor-specific antigens and deliver them to antigen-presenting cells. Antigen-presenting cells, which include dendritic cells, lead to efficient priming of a class of immune cells known as T cells. Once primed, these T cells seek out and eliminate the targeted tumor cells. Our LADD product candidates have been engineered for safety in humans through the deletion of two genes critical for virulence of unmodified *Listeria*: *actA* and *inlB*. The deletion of the *actA* gene prevents the spread of our LADD product candidates from cell to cell, which controls the spread of infection. The deletion of the *inlB* gene prevents the infection of hepatocytes, or liver cells, which can lead to toxicity. We believe key attributes of our LADD technology platform include:

- *Early Evidence of Efficacy.* Our randomized controlled Phase 2a clinical trial in patients with metastatic pancreatic cancer who had received or refused prior therapy demonstrated improved overall survival.
- *Novel Mechanism.* Our LADD product candidates are designed to initiate a powerful innate immune response and drive a targeted, durable adaptive immune response.
- *Early Evidence of Safety in Preclinical Studies and Clinical Trials.* Through our proprietary deletion of two genes that contribute to *Listeria*'s virulence, we substantially reduce the natural disease-causing properties of *Listeria*, creating stable product candidates suitable for therapeutic use.
- *Versatility.* Individual LADD product candidates can be engineered to target a wide range of cancers by promoting anti-tumor immune responses against antigens associated with specific tumors.
- *Combinability.* The mechanisms of action and safety profile of our LADD product candidates may give them the potential for combination with conventional and novel therapies, such as cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.
- *Repeatable Administration.* Our LADD product candidates are not neutralized by the patient's immune system and are designed for repeat administration, thus allowing a chronic therapy for a sustained tumor antigen-specific response.
- *Cost-effectiveness.* Our LADD product candidates are not personalized for each patient and can be manufactured through a relatively simple and cost-effective fermentation process.

### ***Cyclic Dinucleotides***

Our proprietary CDN product candidates are synthetic small molecule immune modulators that are designed to target and activate a receptor known as the Stimulator of Interferon Genes, or STING, receptor. Once activated, the STING receptor initiates a profound innate immune response by signaling through three distinct pathways, inducing the expression of a broad profile of cytokines that activate the development of an effective tumor antigen-specific T cell adaptive immune response. The STING receptor is generally expressed at high levels in the cytosol of immune cells, including dendritic cells. Recent advancements reported in numerous leading scientific journals have created interest in the potential for STING receptor-targeting drug candidates across diverse applications. We believe the STING receptor represents an attractive target for novel drug candidates because it is known to be critical for immune surveillance and control of cancer progression. We are developing CDN product candidates as therapies that are intended to prime and enhance the innate and adaptive immune responses. Our proprietary synthetic CDN product candidates are significantly more potent than naturally occurring CDN molecules, indicating a high translational potential as a therapeutic approach to elicit an effective immune response. We believe key attributes of our CDN technology platform include:

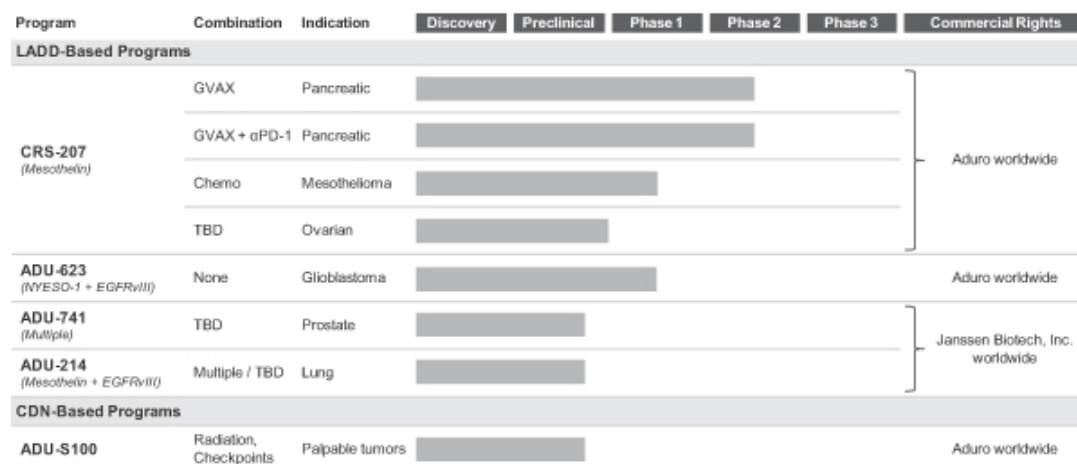
- *Early Evidence of Potency.* Our CDN product candidates have demonstrated significant anti-tumor activity in pre-clinical studies.
- *Novel Mechanism.* Our CDN product candidates are designed to initiate broad and strong innate and adaptive immune responses through the activation of the STING receptor signaling pathway.
- *Versatility of Delivery.* We believe our CDN product candidates can be effectively delivered via intratumoral injection, systemic delivery via formulation and other novel modalities, such as conjugation with antibodies.
- *Combinability.* Based on their mechanism of action, we believe our CDN product candidates may have synergistic or additive benefits of immune-mediated tumor killing mechanisms when combined with conventional and novel therapies, such as cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.
- *Ease of Manufacture.* Our CDN product candidates are small molecules manufactured through a relatively simple and cost-effective process.
- *Broad Applicability.* We believe our CDN product candidates will have broad application in oncology and the potential to expand into other therapeutic areas such as infectious and autoimmune diseases.

### ***Pipeline***

Our most advanced immuno-oncology regimen, currently in a randomized controlled Phase 2b clinical trial known as ECLIPSE, assesses the combination of our lead LADD product candidate, CRS-207, with GVAX Pancreas to treat late-stage metastatic pancreatic cancer patients who have received at least one prior line of therapy. GVAX Pancreas is an important synergistic combination candidate because it is designed to induce T cells against an array of pancreatic cancer antigens and enable a broad-based immune response and has demonstrated a favorable safety profile in clinical trials to date. We expect to report top line results from ECLIPSE in the first half of 2016. In addition, we are evaluating CRS-207 in combination with chemotherapy in unresectable malignant pleural mesothelioma and have a planned study of CRS-207 in combination with GVAX Pancreas and an anti-PD-1 checkpoint inhibitor in metastatic pancreatic cancer. We also have ongoing and planned clinical development programs evaluating LADD regimens for glioblastoma multiforme and ovarian cancer, and with Janssen, lung and prostate cancers.

We also envision multiple product opportunities for our CDN technology platform. Because STING receptors are known to be critical for immune surveillance and control of cancer progression, we believe that STING receptors represent an attractive target for novel drug candidates. We are developing our CDN product candidates as impactful therapies that are intended to prime and enhance the innate and adaptive immune responses. Based on their mechanism of action, our CDN product candidates may also have synergistic or additive benefits when combined with other cancer therapies.

Our pipeline of product candidates is depicted in the following chart:



## Our Strategy

Our current focus is to develop and commercialize best-in-class cancer therapies using our LADD and CDN technology platforms. Key elements of our strategy include:

- **Rapidly advance CRS-207 through clinical development and regulatory approval.** We are currently conducting our Phase 2b ECLIPSE clinical trial of CRS-207 in combination with GVAX Pancreas in patients with metastatic pancreatic cancer who have received at least one prior line of therapy. We expect to complete enrollment in the third quarter of 2015 and to report top line results in the first half of 2016.
- **Maximize the commercial value of our proprietary LADD and CDN technology platforms.** We currently have global development, marketing and commercialization rights for our lead product candidate, CRS-207, as well as additional LADD product candidates and our CDN product candidates. If we obtain regulatory approvals for CRS-207 in pancreatic cancer or other indications, we plan to build a commercial organization with a specialty sales force to market CRS-207. We also plan to retain commercial rights to additional LADD and CDN product candidates.
- **Develop novel drug candidates by leveraging our proprietary technology platforms and our understanding of combination therapy in immuno-oncology.** We have proprietary technology platforms that we believe can generate novel and combinable therapies to target a wide range of cancers with significant unmet medical need. We plan to invest in these technology platforms to develop additional product candidates. We intend to further explore combination opportunities with conventional and novel treatments, including cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.

- **Expand on the value of our product candidates through collaborations in areas outside of our core strategic focus.** We may decide to selectively partner large and complex oncology indications or geographies where a partner could bring additional resources and expertise to maximize the value of our product candidates. We entered into two strategic collaborations with Janssen for the treatment of prostate, lung and certain other cancers.
- **Leverage the expertise of our scientific founders and key advisors to develop innovative technologies at the forefront of the immuno-oncology field.** Our scientific founders and advisors are from some of the world's leading research institutions and have a history of seminal discoveries and significant experience in oncology, immuno-oncology and vaccines. As such, we plan to continue to leverage the collective talent of our scientists, clinicians and a network of highly influential advisors to inform our development strategy and enable our technology to be at the forefront of the immuno-oncology field. We strive to protect our commercially important discoveries and product candidates by applying for, maintaining and defending our patent rights. At January 27, 2015, our owned U.S. patent portfolio consisted of 21 issued patents and 14 pending patent applications.

### **Risks Associated with Our Business**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. Some of these risks are:

- We have incurred net losses in every year since our inception and anticipate that we will continue to incur substantial and increasing net losses in the foreseeable future. We will require substantial additional financing to achieve our goals, and a failure to obtain this necessary capital when needed could force us to delay, limit, reduce or terminate our product development or commercialization efforts.
- Our business is highly dependent on the success of our lead product candidate, CRS-207, and GVAX Pancreas. CRS-207, GVAX Pancreas and our other product candidates will require significant additional clinical testing before we can seek regulatory approval and potentially launch commercial sales.
- Clinical development involves a lengthy and expensive process with uncertain outcomes, and results of earlier studies and trials may not be predictive of future clinical trial results.
- Our technology platforms and product candidates are based on novel technologies, and the development and regulatory approval pathways for such product candidates are unproven and may never lead to marketable products.
- Our product candidates may cause undesirable side effects or have other properties that could halt their clinical development, prevent their regulatory approval, limit their commercial potential, if approved, or result in significant negative consequences.
- If we are unable to protect our intellectual property rights or if our intellectual property rights are inadequate for our technology and product candidates, our competitive position could be harmed.
- We face significant competition from other biotechnology and pharmaceutical companies, and our operating results will suffer if we fail to compete effectively.
- We are subject to a complicated regulatory regime subject to change and may fail to obtain regulatory approval for any of our product candidates.



## **Corporate Information**

We were incorporated in California as Oncologic, Inc. in 2000. In 2008, we merged with Triton BioSystems, Inc. and subsequently changed our name to Aduro Biotech, Inc. in 2009. In June 2011, we reincorporated as a Delaware corporation. Our principal executive offices are located at 626 Bancroft Way, 3C, Berkeley, California 94710 and our telephone number is (510) 848-4400. Our website address is [www.aduro.com](http://www.aduro.com). Information contained on or accessible through our website is not a part of this prospectus and should not be relied upon in determining whether to make an investment decision.

Aduro, Aduro Biotech, the Aduro logo and other trade names, trademarks or service marks of Aduro appearing in this prospectus are the property of Aduro. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.

## **JOBS Act**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, and therefore we may take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an “emerging growth company.” We may remain an “emerging growth company” for up to five years. We will cease to be an “emerging growth company” upon the earliest of: (1) the last day of the fiscal year following the fifth anniversary of this offering, (2) the last day of the first fiscal year in which our annual gross revenues are \$1.0 billion or more, (3) the date on which we have, during the previous rolling three-year period, issued more than \$1.0 billion in non-convertible debt securities, and (4) the date on which we are deemed to be a “large accelerated filer” as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act. We are choosing to irrevocably opt out of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards.

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## THE OFFERING

Common stock offered by us	shares.
Common stock to be outstanding after this offering	shares.
Underwriters' option to purchase additional shares	shares.
Use of proceeds	<p>We estimate that our net proceeds from this offering will be approximately \$       million, or approximately \$       million if the underwriters exercise in full their option to purchase additional shares of our common stock, based on an assumed initial public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, to complete our Phase 2b ECLIPSE and STELLAR clinical trials, to advance the development of CRS-207 in pancreatic cancer and mesothelioma, and for planned clinical development programs evaluating LADD regimens for glioblastoma multiforme and ovarian cancer, to manufacture CRS-207 and GVAX Pancreas at commercial scale in preparation for potential regulatory approval, for development of CDN product candidates and other planned research and development programs, and for general corporate and working capital purposes. See "Use of Proceeds" for additional information.</p>
Risk factors	See "Risk Factors" beginning on page 12 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Reserved Share Program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to       shares offered by this prospectus for sale to certain of our directors, officers, employees, business associates and related persons through a Reserved Share Program. If these persons purchase reserved shares it will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.
Proposed NASDAQ Global Market symbol	"ADRO"

The number of shares of common stock to be outstanding after this offering is based on 70,111,221 shares of our common stock (including preferred stock on an as-converted basis) outstanding at December 31, 2014, and excludes the following:

- 8,292,303 shares of common stock issuable upon the exercise of outstanding stock options at December 31, 2014, with a weighted-average exercise price of \$0.57 per share;

- 108,006 shares of common stock issuable upon the exercise of preferred stock warrants at December 31, 2014, with a weighted-average exercise price of \$1.21 per share;
- 1,603,197 shares of common stock issuable upon the exercise of outstanding common stock warrants at December 31, 2014, with a weighted-average exercise price of \$0.17 per share;
- 4,381,609 shares of common stock reserved for future issuance under our 2009 Stock Plan, which will become available for issuance under our 2015 Equity Incentive Plan, or 2015 Plan, after consummation of this offering;
- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2015 Plan, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan; and
- shares of common stock to be reserved for issuance under our 2015 Employee Stock Purchase Plan, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan.

In addition, unless we specifically state otherwise, all information in this prospectus assumes:

- a        -for-        reverse split of our outstanding common stock and preferred stock prior to the closing of this offering;
- the automatic conversion of all outstanding shares of our preferred stock at December 31, 2014 into an aggregate of 69,608,339 shares of common stock upon the closing of this offering;
- the automatic conversion of all outstanding warrants exercisable for shares of our preferred stock at December 31, 2014 into warrants exercisable for 108,006 shares of our common stock upon the closing of this offering;
- the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the adoption of our amended and restated bylaws, each of which will occur upon the completion of this offering;
- no exercise of outstanding stock options or warrants subsequent to December 31, 2014; and
- no exercise of the underwriters' option to purchase up to an additional        shares of common stock.

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. You should read this summary financial data together with the sections titled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as our audited consolidated financial statements included elsewhere in this prospectus.

The summary consolidated statements of operations data presented below for the years ended December 31, 2013 and 2014 are derived from our audited consolidated financial statements included elsewhere in this prospectus. Our results of operations for any prior period are not necessarily indicative of results of operations that should be expected in any future periods.

	<div> <div>Year Ended December 31,</div> <div>20132014</div> <div>(in thousands, except share and per share information)</div> </div>	
Consolidated Statements of Operations Data:		
Revenue:		
Collaboration and license revenue	\$ —	\$ 13,038 <sup>(3)</sup>
Grant revenue	828	351
Total revenue	828	13,389
Operating expenses:		
Research and development <sup>(1)</sup>	10,687	23,513
General and administrative <sup>(1)</sup>	4,677	8,994
Total operating expenses	15,364	32,507
Loss from operations	(14,536)	(19,118)
Interest expense	(1,371)	(2,395) <sup>(4)</sup>
Gain on extinguishment of convertible promissory notes	—	3,553 <sup>(5)</sup>
Other (expense) income, net	(147)	946
Net loss and comprehensive loss	\$ (16,054)	\$ (17,014)
Net loss per common share, basic and diluted <sup>(2)</sup>	\$ (40.16)	\$ (38.19)
Shares used in computing net loss per common share, basic and diluted <sup>(2)</sup>	399,706	445,505
Pro forma net loss per common share, basic and diluted <sup>(2)</sup>		\$ (0.51)
Shares used in computing pro forma net loss per common share, basic and diluted <sup>(2)</sup>		38,948,479

(1) Includes stock-based compensation as follows:

	Year Ended December 31, 2013                      2014 (in thousands)	
Research and development	\$ 194	\$ 202
General and administrative	215	368
Total stock-based compensation	\$ 409	\$ 570

- (2) See Note 16 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per common share, pro forma net loss per common share, and the weighted-average number of shares used in the computation of the per share amounts.
- (3) Represents the revenue recognized in connection with our collaboration agreements entered into with Janssen Biotech, Inc. in May and November 2014. See Note 7 to our audited consolidated financial statements included elsewhere in this prospectus.
- (4) Includes amortization of debt discount associated with convertible promissory notes due to the issuance of warrants and beneficial conversion feature associated with such convertible promissory notes. See Note 5 to our audited consolidated financial statements included elsewhere in this prospectus.
- (5) Upon the conversion of convertible promissory notes issued to related parties into Series C convertible preferred stock in May 2014, a gain on extinguishment was recorded because the amount allocated to reacquire the convertible promissory notes was less than the carrying value of the notes. See Note 5 to our audited consolidated financial statements included elsewhere in this prospectus.

	<u>At December 31, 2014</u>		
	<u>Actual</u>	<u>Pro Forma(1)</u> (in thousands)	<u>Pro Forma As Adjusted(2)(3)</u>
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 119,456	\$ 119,456	\$
Working capital	81,006	81,006	
Total assets	126,462	126,462	
Convertible preferred stock warrant liability	100	—	
Common stock warrant liability	889	889	
Convertible preferred stock	139,963	—	
Accumulated deficit	(61,643)	(61,643)	
Total stockholders' (deficit) equity	126,462	78,766	

- (1) The pro forma column reflects the automatic conversion of all outstanding shares of our convertible preferred stock and convertible preferred stock warrants into common stock and common stock warrants, respectively, immediately prior to the closing of this offering.
- (2) The pro forma as adjusted column further reflects the receipt of the estimated net proceeds from the sale of \_\_\_\_\_ shares of common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated expenses payable by us.
- (3) A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, working capital, total assets and total stockholders' equity by \$ \_\_\_\_\_ million, assuming that the number of shares offered as set forth on the cover page of this prospectus remains the same, and after deducting the underwriting discount and estimated expenses payable by us. Each increase (decrease) of 1,000,000 shares in the number of shares of common stock offered by us would increase (decrease) each of cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ \_\_\_\_\_ million, assuming an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated expenses payable by us. The pro forma 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.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and all of the other information contained in this prospectus, including our financial statements and related notes, before investing in our common stock. While we believe that the risks and uncertainties described below are the material risks currently facing us, additional risks that we do not yet know of or that we currently think are immaterial may also arise and materially affect our business. If any of the following risks materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.*

### Risks Related to Our Business

***We have incurred net losses in every year since our inception and anticipate that we will continue to incur substantial and increasing net losses in the foreseeable future.***

We are a clinical-stage biopharmaceutical company with a limited operating history. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval and become commercially viable. 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, on our future expenses and our ability to generate revenue, if any. We have no products approved for commercial sale and have not generated any revenue from product sales to date, and we continue to incur significant research and development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period since our inception. For the years ended December 31, 2013 and 2014, we reported a net loss of \$16.1 million and \$17.0 million, respectively. At December 31, 2014, we had an accumulated deficit of \$61.6 million. We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates.

Even if we succeed in commercializing one or more of our product candidates, we will continue to incur substantial research and development and other expenditures to develop and market additional product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' equity and working capital.

***We will require substantial additional financing to achieve our goals, and a failure to obtain this necessary capital when needed could force us to delay, limit, reduce or terminate our product development or commercialization efforts.***

Our operations have consumed substantial amounts of cash since inception. At December 31, 2014, our cash and cash equivalents were \$119.5 million. We expect to continue to spend substantial amounts to continue the clinical development of our product candidates. If we are able to gain regulatory approval for any of our product candidates, we will require significant additional amounts of cash in order to launch and commercialize any such product candidates. In addition, other unanticipated costs may arise. Because the design and outcome of our planned and anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates.

Our future capital requirements depend on many factors, including:

- the scope, progress, results and costs of researching and developing our product candidates, and conducting preclinical studies and clinical trials;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates if clinical trials are successful;
- the cost of commercialization activities for our product candidates, if any of our product candidates is approved for sale, including marketing, sales and distribution costs;
- the cost of manufacturing our product candidates for clinical trials in preparation for regulatory approval and in preparation for commercialization;
- our ability to establish and maintain strategic licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, prosecuting, maintaining, expanding, defending and enforcing patent claims, including litigation costs and the outcome of such litigation;
- the timing, receipt and amount of sales of, or royalties on, our future products, if any; and
- the emergence of competing cancer therapies and other adverse market developments.

We do not have any committed external source of funds or other support for our development efforts other than our license agreements with Janssen, which may be terminated by Janssen upon delivery of notice. Until we can generate sufficient product and royalty revenue to finance our cash requirements, which we may never do, we expect to finance our future cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing or distribution arrangements. Additional financing may not be available to us when we need it or it may not be available on favorable terms.

If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable rights to our product candidates, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable to us. If we raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our clinical trials or research and development programs or our commercialization efforts.

#### **Risks Related to the Development and Commercialization of Our Current and Future Product Candidates**

***Our technology platforms and product candidates are based on novel technologies, and the development and regulatory approval pathway for such product candidates is unproven and may never lead to marketable products.***

We are developing our pipeline of immuno-oncology product candidates via two technology platforms: Live, Attenuated, Double-Deleted, or LADD, *Listeria monocytogenes* and cyclic dinucleotides, or CDNs. Immuno-oncology encompasses a class of therapies that leverage the patient's immune system to slow the

growth and spread of, or eliminate, tumor cells. Any products we develop may not effectively modulate the immune response to slow the spread of or eliminate cancer cells. The scientific evidence to support the feasibility of developing product candidates based on impacting the anti-tumor immune response is preliminary and limited. Advancing these novel immuno-oncology therapies creates significant challenges for us, including, among others:

- obtaining approval from regulatory authorities to conduct clinical trials with our product candidates;
- successful enrollment and completion of preclinical studies and clinical trials with favorable results;
- obtaining approvals from regulatory authorities to manufacture and market our product candidates;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- making arrangements with third-party manufacturers for, or establishing, commercial manufacturing capabilities;
- manufacturing our product candidates at an acceptable cost;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with Janssen or other partners;
- acceptance of our product candidates, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other cancer therapies;
- obtaining and maintaining coverage and adequate reimbursement by third-party payors, including government payors, for our product candidates;
- protecting rights in our intellectual property portfolio;
- maintaining a continued acceptable safety profile of our product candidates, if approved, following approval; and
- maintaining and growing an organization of scientists and business people who can develop and commercialize our products and technology.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully develop and commercialize our product candidates, which could materially harm our business, financial condition and results of operations.

***We may not be successful in our efforts to use and expand our technology platforms to build a pipeline of product candidates.***

A key element of our strategy is to use and expand our technology platforms to build a pipeline of product candidates, combine our product candidates with existing and novel therapies, and progress these product candidates and combinations through clinical development for the treatment of various diseases. Although our research and development efforts to date have resulted in a pipeline of product candidates directed at various cancers, we may not be able to develop product candidates that are safe and effective. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for



clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not continue to successfully develop and begin to commercialize product candidates, we will face difficulty in obtaining product revenues in future periods.

***Our business is highly dependent on the success of our lead product candidate, CRS-207, and GVAX Pancreas. CRS-207, GVAX Pancreas and our other product candidates from our LADD and CDN technology platforms will require significant additional clinical testing before we can seek regulatory approval and potentially launch commercial sales.***

We do not have any products that have gained regulatory approval. Our business and future success depend on our ability to obtain regulatory approval of and then successfully commercialize our lead product candidate, CRS-207, and GVAX Pancreas. CRS-207, GVAX Pancreas and our other product candidates are in the early stages of development. We are currently conducting our Phase 2b ECLIPSE clinical trial of CRS-207 in combination with GVAX Pancreas to treat late-stage metastatic pancreatic cancer patients who have received at least one prior line of therapy. Our ability to develop, obtain regulatory approval for, and successfully commercialize CRS-207 and GVAX Pancreas effectively will depend on several factors, including the following:

- successful completion of our Phase 2b ECLIPSE clinical trial or other clinical trials, which will depend substantially upon the satisfactory performance of third-party contractors;
- successful achievement of the objectives of the our Phase 2b ECLIPSE clinical trial, including the demonstration of a survival benefit and a favorable risk-benefit outcome;
- receipt of marketing approvals for CRS-207 and GVAX Pancreas from the U.S. Food and Drug Administration, or FDA, and similar regulatory authorities outside the United States;
- establishing commercial manufacturing and supply arrangements;
- establishing a commercial infrastructure;
- acceptance of the product by patients, the medical community and third-party payors;
- establishing market share while competing with other therapies;
- successfully executing our pricing and reimbursement strategy;
- a continued acceptable safety and adverse event profile of the product following regulatory approval; and
- qualifying for, identifying, registering, maintaining, enforcing and defending intellectual property rights and claims covering the product.

All of our product candidates, including CRS-207 and GVAX Pancreas, will require additional clinical and non-clinical development, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the FDA or comparable foreign regulatory authorities, and we may never receive such regulatory approval for any of our product candidates. If we are unable to develop or receive marketing approval for CRS-207 or GVAX Pancreas in a timely manner or at all, we could experience significant delays or an inability to commercialize CRS-207 and GVAX Pancreas, which would materially and adversely affect our business, financial condition and results of operations.

***Clinical development involves a lengthy and expensive process with uncertain outcomes, and results of earlier studies and trials may not be predictive of future clinical trial results. Our clinical trials may fail to demonstrate adequately the safety and efficacy of one or more of our product candidates, which would prevent or delay regulatory approval and commercialization.***

Before obtaining regulatory approvals for the commercial sale of our product candidates, including CRS-207, we must demonstrate through lengthy, complex and expensive preclinical testing and clinical trials that our product candidates are both safe and effective for use in each target indication. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. For example, the positive results generated to date in preclinical studies and in our Phase 2a metastatic pancreatic cancer study for CRS-207 do not ensure that future studies will demonstrate similar results. There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. We cannot be certain that we will not face similar setbacks. Most product candidates that commence clinical trials are never approved as commercial products.

We may experience delays in our ongoing clinical trials and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including delays related to:

- obtaining regulatory approval to commence a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining institutional review board, or IRB, approval at each site;
- recruiting suitable patients to participate in a trial;
- having patients complete a trial or return for post-treatment follow-up;
- clinical sites deviating from trial protocol or dropping out of a trial;
- adding new clinical trial sites; or
- manufacturing sufficient quantities of product candidate for use in clinical trials.

We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by the Data Safety Monitoring Board, or DSMB, for such trial or by the FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.

Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over

their actual performance. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive cash compensation in connection with such services. We also give grants to investigators' institutions from time to time. If certain of these relationships exceed specific financial thresholds, they must be reported to the FDA. If these relationships and any related compensation paid results in perceived or actual conflicts of interest, or the FDA concludes that the financial relationship may have affected interpretation of the study, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay in approval, or rejection, of our marketing applications by the FDA. Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

In addition, even if the trials are successfully completed, we cannot guarantee that the FDA or foreign regulatory authorities will interpret the results as we do, and we may need to conduct additional trials before we submit applications seeking regulatory approval of our product candidates.

To the extent that the results of the trials are not satisfactory to the FDA or foreign regulatory authorities for support of a marketing application, approval of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates.

***Our product candidates may cause undesirable side effects or have other properties that could halt their clinical development, prevent their regulatory approval, limit their commercial potential, if approved, or result in significant negative consequences.***

Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, 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 regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics.

To date, patients treated with CRS-207 have experienced drug-related side effects including Grade 3 adverse events, or AEs, which are considered moderate, and Grade 4 AEs which are considered severe. In our Phase 2a clinical trial of CRS-207, the most frequent drug-related Grade 3 or 4 AE was lymphopenia (an abnormally low level of white blood cells), with three patients experiencing Grade 3 lymphopenia and two patients experiencing Grade 4 lymphopenia. Lymphopenia is expected based on prior nonclinical studies and CRS-207's mechanism of action, and the AEs of lymphopenia were self-correcting or did not reveal an unexpected pattern of toxicity. We currently do not plan to alter our development plan for CRS-207 based on these observed AEs of lymphopenia. There were no other Grade 4 AEs, and there were no other Grade 3 AEs with frequencies higher than five percent in either arm. The most common Grade 3 AEs were transient lymphopenia, fevers, elevated liver enzymes and fatigue.

If unacceptable side effects arise in the development of our product candidates, we could suspend or terminate our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff. We expect to have to train medical personnel using our product candidates to understand the side effect profiles for our clinical trials and upon any commercialization of any of our product candidates. Inadequate training in recognizing or managing the potential side effects of our product candidates

could result in patient injury or death. Any of these occurrences may harm our business, financial condition and prospects significantly.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

***If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.***

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. The enrollment of patients depends on many factors, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion.

In addition, our clinical trials will compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials in such clinical trial site. Moreover, because our product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy and hematopoietic cell transplantation, rather than enroll patients in any future clinical trial.

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Delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

### ***Clinical trials are expensive, time-consuming and difficult to design and implement.***

Human clinical trials are expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Because our product candidates are based on new technologies and engineered on a patient-by-patient basis, we expect that they will require extensive research and development and have substantial manufacturing and processing costs. In addition, costs to treat patients with relapsed/refractory cancer and to treat potential side effects that may result from our product candidates may be significant. Accordingly, our clinical trial costs are likely to be significantly higher than for more conventional therapeutic technologies or drug products.

### ***The market opportunities for our product candidates may be limited to those patients who are ineligible for established therapies or for whom prior therapies have failed, and may be small.***

Cancer therapies are sometimes characterized as first line, second line or third line, and the FDA often approves new therapies initially only for third line use. When cancer is detected early enough, first-line therapy, usually chemotherapy, hormone therapy, surgery, radiotherapy or a combination of these, is sometimes adequate to cure the cancer or prolong life without a cure. Second- and third-line therapies are administered to patients when prior therapy is not effective. We expect to initially seek approval of our product candidates as a therapy for patients who have received one or more prior treatments. Subsequently, for those products that prove to be sufficiently beneficial, if any, we would expect to seek approval potentially as a first-line therapy, but there is no guarantee that our product candidates, even if approved, would be approved for first-line therapy, and, prior to any such approvals, we may have to conduct additional clinical trials.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers who have received one or more prior treatments, and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. Even if we obtain significant market share for our product candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications, including to be used as first or second line therapy.

### ***We have obtained orphan drug designations from the FDA for CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer, but we may be unable to maintain the benefits associated with orphan drug designation, including the potential for market exclusivity.***

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition, which is defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug or biologic will be recovered from sales in the United States. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full Biologics License Application, or BLA, to market the same biologic for the

same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the manufacturer is unable to assure sufficient product quantity.

Even though we have received orphan drug designation for both CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer, we may not be the first to obtain marketing approval of either product candidate for the orphan-designated indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition. Even after an orphan product is approved, the FDA can subsequently approve the same drug with the same active moiety for the same condition if the FDA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process. In addition, while we intend to seek orphan drug designation for other product candidates, we may never receive such designations.

***We have obtained Breakthrough Therapy designation from the FDA for the combination of CRS-207 and GVAX Pancreas in pancreatic cancer, but we may be unable to maintain the benefits associated with this designation.***

In 2012, the FDA established a new Breakthrough Therapy designation, which is intended to expedite the development and review of products that treat serious or life-threatening conditions where “preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development.” The designation of a product candidate as a Breakthrough Therapy provides potential benefits that include but are not limited to more frequent meetings with the FDA to discuss the development plan for the product candidate and ensure collection of appropriate data needed to support approval; more frequent written correspondence from FDA about such things as the design of the proposed clinical trials and use of biomarkers; intensive guidance on an efficient drug development program; organizational commitment involving senior managers; and eligibility for rolling review and priority review. Breakthrough Therapy designation does not change the standards for product approval. We have obtained Breakthrough Therapy designation for our CRS-207 and GVAX Pancreas combination. Despite the potential advantages of Breakthrough Therapy designation, we may fail to obtain regulatory approval of CRS-207 and GVAX Pancreas, and if we do obtain approval, we may fail to do so on an accelerated basis. In addition, while we intend to seek Breakthrough Therapy designation for other product candidates, we may never receive such designation.

***If we fail to develop additional product candidates, our commercial opportunity will be limited.***

We expect to initially develop our lead product candidate, CRS-207. However, one of our strategies is to pursue clinical development of additional product candidates. Developing, obtaining regulatory approval for and commercializing additional product candidates will require substantial additional funding beyond the net proceeds of this offering and are prone to the risks of failure inherent in medical product development. We cannot assure you that we will be able to successfully advance any of these additional product candidates through the development process.

Even if we obtain FDA approval to market additional product candidates for the treatment of cancer, we cannot assure you that any such product candidates will be successfully commercialized, widely accepted in the marketplace or more effective than other commercially available alternatives. If we are unable to successfully develop and commercialize additional product candidates, our commercial opportunity will be limited. Moreover, a failure in obtaining regulatory approval of additional product candidates may have a negative effect on the approval process of any other, or result in losing approval of any approved, product candidate.

***We are subject to a multitude of manufacturing and supply chain risks, any of which could substantially increase our costs and limit the supply of our product candidates.***

The process of manufacturing our product candidates is complex, highly regulated and subject to several risks, including:

- The manufacturing of drug products is susceptible to product loss due to contamination, equipment failure, improper installation or operation of equipment or vendor or operator error. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If foreign microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our products are made, these manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.
- The manufacturing facilities in which our product candidates are made could be adversely affected by equipment failures, labor shortages, natural disasters, power failures and numerous other factors.
- We and our contract manufacturers must comply with the FDA's cGMP regulations and guidelines. Any failure to follow cGMP or other regulatory requirements or any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to comply with regulatory requirements or pass any regulatory authority inspection could significantly impair our ability to develop and commercialize our products, including leading to significant delays in the availability of products for our clinical studies or the termination or hold on a clinical study, or the delay or prevention of a filing or approval of marketing applications for our product candidates. Significant noncompliance could also result in the imposition of sanctions, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approvals for our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could damage our reputation. If we are not able to maintain regulatory compliance, we may not be permitted to market our products and/or may be subject to product recalls, seizures, injunctions, or criminal prosecution.
- Our LADD product candidates and GVAX Pancreas are temperature sensitive and must be frozen during storage and transportation, which adds complexity and expense. We rely on third parties to provide controlled temperature storage and shipping. If any third-party provider fails to maintain proper temperature control or if a shipment is delayed in transit for a prolonged period of time, the product could become unsuitable for use.

Any adverse developments affecting manufacturing operations for our product candidates and/or damage that occurs during shipping may result in delays, inventory shortages, lot failures, withdrawals or recalls or other interruptions in the supply of our drug substance and drug product. We may also have to write off inventory, incur other charges and expenses for supply of drug product that fails to meet specifications, undertake costly remediation efforts, or seek more costly manufacturing alternatives. Inability to meet the demand for any of our product candidates, if approved, could damage our reputation and the reputation of our products among physicians, healthcare payors, patients or the medical community, which could adversely affect our ability to operate our business and our results of operations.

***We currently have no marketing and sales organization and have no experience in marketing products. If we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to generate product revenue.***

We currently have no sales, marketing or distribution capabilities and have no experience in marketing products. We intend to develop an in-house marketing organization and sales force, which will require significant

capital expenditures, management resources and time. We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel.

If we are unable or decide not to establish internal sales, marketing and distribution capabilities, we will pursue collaborative arrangements regarding the sales and marketing of our products; however, we cannot assure you that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts of our product candidates.

We cannot assure you that we will be able to develop in-house sales and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product in the United States or elsewhere.

***A variety of risks associated with marketing our product candidates internationally could materially adversely affect our business.***

We plan to seek regulatory approval of our product candidates outside of the United States and, accordingly, we expect that we will be subject to additional risks related to operating in foreign countries if we obtain the necessary approvals, including:

- differing regulatory requirements in foreign countries;
- unexpected changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- difficulties staffing and managing foreign operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- potential liability under the Foreign Corrupt Practices Act of 1977 or comparable foreign regulations;
- challenges enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism.



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These and other risks associated with our international operations may materially adversely affect our ability to attain or maintain profitable operations.

***We face significant competition from other biotechnology and pharmaceutical companies, and our operating results will suffer if we fail to compete effectively.***

The biopharmaceutical industry is characterized by intense competition and rapid innovation. Our competitors may be able to develop other compounds or drugs that are able to achieve similar or better results. Many major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies and universities and other research institutions continue to invest time and resources in developing novel approaches to immuno-oncology. Promising results have spurred significant competition from major pharmaceutical and biotechnology companies alike. Our competitors in the field of immuno-oncology and cancer vaccines include AdaptImmune LLC, Advaxis, Inc., AstraZeneca PLC, Bristol Myers-Squibb Company, Celgene Corporation, GlaxoSmithKline plc, Idera Pharmaceuticals, Inc., Immune Design Corp., Incyte Corporation, Merck & Co., Inc., Merrimack Pharmaceuticals, Inc., NewLink Genetic Corporation, Novartis AG, Pfizer Inc., Roche Holding Ltd, Sanofi SA, and Verastem, Inc., among others. Many of our competitors have substantially greater financial, technical and other resources than we do, such as larger research and development staff and experienced marketing and manufacturing organizations and well-established sales forces. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors, either alone or with collaborative partners, may succeed in developing, acquiring or licensing on an exclusive basis drug or biologic products that are more effective, safer, more easily commercialized or less costly than our product candidates or may develop proprietary technologies or secure patent protection that we may need for the development of our technologies and products. We believe the key competitive factors that will affect the development and commercial success of our product candidates are efficacy, safety, tolerability, reliability, convenience of use, price and reimbursement.

Even if we obtain regulatory approval of our product candidates, the availability and price of our competitors' products could limit the demand and the price we are able to charge for our product candidates. We may not be able to implement our business plan if the acceptance of our product candidates is inhibited by price competition or the reluctance of physicians to switch from existing methods of treatment to our product candidates, or if physicians switch to other new drug or biologic products or choose to reserve our product candidates for use in limited circumstances. For additional information regarding our competition, see "Business—Competition."

***We are highly dependent on our key personnel, and if we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.***

Our ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. We are highly dependent on our management, scientific and medical personnel, including our President and Chief Executive Officer, our Chief Scientific Officer and our Chief Operating Officer. The loss of the services of any of our executive officers, other key employees, and other scientific and medical advisors, and our inability to find suitable replacements could result in delays in product development and harm our business.

We conduct our operations at our facility in Northern California. This region is headquarters to many other biopharmaceutical companies and many academic and research institutions. Competition for skilled personnel in our market is intense and may limit our ability to hire and retain highly qualified personnel on acceptable terms or at all.

To induce valuable employees to remain at our company, in addition to salary and cash incentives, we have provided stock options that vest over time. The value to employees of stock options that vest over time may be significantly affected by movements in our stock price that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Despite our efforts to retain valuable employees, members of our management, scientific and development teams may terminate their employment with us on short notice. Although we have employment agreements with our key employees, these employment agreements provide for at-will employment, which means that any of our employees could leave our employment at any time, with or without notice. We do not maintain “key man” insurance policies on the lives of these individuals or the lives of any of our other employees. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level and senior managers as well as junior, mid-level and senior scientific and medical personnel.

***We will need to grow the size of our organization, and we may experience difficulties in managing this growth.***

At January 31, 2015, we had 50 full-time employees, including 39 employees engaged in research and development. As our development and commercialization plans and strategies develop, and as we transition into operating as a public company, we expect to need additional managerial, operational, sales, marketing, financial and other personnel. Future growth would impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and FDA review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants to provide certain services, including substantially all aspects of regulatory approval, clinical management, and manufacturing. We cannot assure you that the services of independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by consultants is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval of our product candidates or otherwise advance our business. We cannot assure you that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, or at all.

If we are not able to effectively expand our organization by hiring new employees and expanding our groups of consultants and contractors, we may not be able to successfully implement the tasks necessary to further develop and commercialize our product candidates and, accordingly, may not achieve our research, development and commercialization goals.

***Our internal computer systems, or those used by our CROs or other contractors or consultants, may fail or suffer security breaches.***

Despite the implementation of security measures, our internal computer systems and those of our future CROs and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized

access. While we have not to our knowledge experienced any such material system failure 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 development programs and our business operations. For example, the loss of 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. Likewise, we rely on third parties for the manufacture of our product candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. 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 development and commercialization of our product candidates could be delayed.

***Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.***

Our operations, and those of our CROs and other contractors and consultants, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We rely on third-party manufacturers to produce and process our product candidates on a patient by patient basis. Our ability to obtain clinical supplies of our product candidates could be disrupted if the operations of these suppliers are affected by a man-made or natural disaster or other business interruption. Our corporate headquarters is in Northern California near major earthquake faults and fire zones. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural disaster.

***Our employees, independent contractors, consultants, commercial partners and vendors 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, consultants, commercial partners and vendors may engage in fraudulent or illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (1) the laws of the FDA and other similar foreign regulatory bodies, including those laws requiring the reporting of true, complete and accurate information to such regulators; (2) manufacturing standards; (3) healthcare fraud and abuse laws in the United States and similar foreign fraudulent misconduct laws; or (4) laws that require the true, complete and accurate reporting of financial information or data. If we obtain FDA approval of any of our product candidates and begin commercializing those products in the United States, our potential exposure under such laws will increase significantly, and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators and research patients, as well as proposed and future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, structuring and commissions, certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials.

Effective upon the completion of this offering, we intend to adopt a code of business conduct and ethics, but it is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent these activities may not be effective in controlling unknown or

unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant fines or other sanctions, 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 operations, any of which could adversely affect our ability to operate our business and our results of operations. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, and divert the attention of management in defending ourselves against any of these claims or investigations.

***Even if we obtain regulatory approval of our product candidates, the products may not gain market acceptance among physicians, patients, hospitals, cancer treatment centers and others in the medical community.***

The use of LADD or CDN product candidates as potential cancer treatments, even if approved, may not become broadly accepted by physicians, patients, hospitals, cancer treatment centers and others in the medical community. For example, certain of the product candidates that we are developing target a cell surface marker that may be present on non-cancerous cells as well as cancer cells. It is possible that our product candidates may kill these non-cancerous cells, which may result in unacceptable side effects, including death. Additional factors will influence whether our product candidates are accepted in the market, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, cancer treatment centers and patients considering our product candidates as a safe and effective treatment;
- the potential and perceived advantages of our product candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of the FDA or other regulatory authorities;
- limitations or warnings contained in the labeling approved by the FDA;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

In addition, we are utilizing replication competent vectors, and adverse publicity due to the ethical and social controversies surrounding the therapeutic use of such technologies, and reported side effects from any

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clinical trials using these technologies or the failure of such trials to demonstrate that these therapies are safe and effective may limit market acceptance of our product candidates. If our product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centers or others in the medical community, we will not be able to generate significant revenue.

Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

***If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.***

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. For example, we may be sued if our product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any product candidate; and
- a decline in our share price.

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop, alone or with corporate collaborators.

We currently hold \$5.0 million in product liability insurance in the aggregate, which we believe is customary for similarly situated companies and adequate to provide us with insurance coverage for foreseeable risks, but which may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly

expensive. We may not be able to maintain insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise, if at all. Our insurance policy contains various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

### **Risks Related to Our Reliance on Third Parties**

***We have entered into licensing agreements with third parties for certain product candidates and as a result have placed restrictions on our development of certain product candidates for particular indications. We may elect to enter into additional licensing or collaboration agreements to partner our product candidates in territories we currently retain. Our dependence on such relationships may adversely affect our business.***

Because we have limited resources, we may seek to enter into collaboration agreements with other pharmaceutical or biotechnology companies. Any failure by our partners to perform their obligations or any decision by our partners to terminate these agreements could negatively impact our ability to successfully develop, obtain regulatory approvals for and commercialize our product candidates. In the event we grant exclusive rights to such partners, we would be precluded from potential commercialization of our product candidates within the territories in which we have a partner. For example, we have entered into exclusive research and license agreements with Janssen for the development and commercialization of ADU-741, GVAX for prostate cancer and ADU-214. Under these agreements, we have granted Janssen exclusive rights to develop and commercialize LADD product candidates for prostate and lung cancers. In addition, we have granted Janssen exclusive rights to develop and commercialize LADD product candidates with certain antigens and antigen combinations implicated in lung and other cancers for all fields of use. In addition, any termination of our collaboration agreements will terminate the funding we may receive under the relevant collaboration agreement and may impair our ability to fund further development efforts and our progress in our development programs.

Our commercialization strategy for our product candidates may depend on our ability to enter into agreements with collaborators to obtain assistance and funding for the development and potential commercialization of our product candidates in the territories in which we seek to partner. Despite our efforts, we may be unable to secure additional collaborative licensing or other arrangements that are necessary for us to further develop and commercialize our product candidates. Supporting diligence activities conducted by potential collaborators and negotiating the financial and other terms of a collaboration agreement are long and complex processes with uncertain results. Even if we are successful in entering into one or more collaboration agreements, collaborations may involve greater uncertainty for us, as we have less control over certain aspects of our collaborative programs than we do over our proprietary development and commercialization programs. We may determine that continuing a collaboration under the terms provided is not in our best interest, and we may terminate the collaboration. Our potential future collaborators could delay or terminate their agreements, and as a result our product candidates may never be successfully commercialized.

Further, our potential future collaborators may develop alternative products or pursue alternative technologies either on their own or in collaboration with others, including our competitors, and the priorities or focus of our collaborators may shift such that our product candidates receive less attention or resources than we would like, or they may be terminated altogether. We may also enter into agreements with collaborators to share in the burden of conducting clinical trials, manufacturing and marketing our product candidates. Any such actions by our potential future collaborators may adversely affect our business prospects and ability to earn revenues. In addition, we could have disputes with our potential future collaborators, such as the interpretation of terms in our agreements. Any such disagreements could lead to delays in the development or commercialization of our product candidates or could result in time-consuming and expensive litigation or arbitration, which may not be resolved in our favor.

***We rely and will rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval of or commercialize our product candidates.***

We depend and plan to continue to depend upon independent investigators, other third parties and collaborators, such as universities, medical institutions, CROs and strategic partners, to conduct our preclinical and clinical trials under agreements with us. We expect to have to negotiate budgets and contracts with CROs and study sites, which may result in delays to our development timelines and increased costs. We rely and plan to continue relying heavily on these third parties over the course of our clinical trials, and we control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities. We and these third parties are required to comply with good clinical practices, or GCPs, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for product candidates in clinical development. Regulatory authorities enforce these GCPs 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 regulations, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, such regulatory authorities will determine that any of our clinical trials comply with the GCP regulations. In addition, our clinical trials must be conducted with biologic product produced under current good manufacturing practices, or cGMPs, regulations and will require a large number of test patients. Our failure or any failure by these third parties to comply with these regulations or to recruit a sufficient number of patients may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be implicated if any of these third parties violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

Any third parties conducting our clinical trials are not our employees and, except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our ongoing preclinical, clinical and nonclinical programs. These third parties may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical studies or other drug development activities, which could affect their performance on our behalf. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to complete development of, obtain regulatory approval of or successfully commercialize our product candidates. As a result, our financial results and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

Switching or adding third parties to conduct our clinical trials involves substantial cost and requires extensive management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with third parties conducting our clinical trials, we cannot assure you that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

***We rely and expect to continue to rely on third parties to manufacture our clinical product supplies, and we intend to rely on third parties to produce and process our product candidates, if approved, and our commercialization of any of our product candidates could be stopped, delayed or made less profitable if those third parties fail to obtain approval of government regulators, fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels or prices.***

We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical supplies for use in the conduct of our clinical trials, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. We currently rely on outside vendors to manufacture our clinical supplies of our product candidates and plan to continue relying on third parties to manufacture our product candidates on a commercial scale, if approved.

The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our marketing applications to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with the regulatory requirements, known as cGMPs, for manufacture of our product candidates. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved.

We do not yet have sufficient information to reliably estimate the cost of the commercial manufacturing of our product candidates, and the actual cost to manufacture our product candidates could materially and adversely affect the commercial viability of our product candidates. As a result, we may never be able to develop a commercially viable product.

In addition, our reliance on third-party manufacturers exposes us to the following additional risks:

- We may be unable to identify manufacturers on acceptable terms or at all.
- Our third-party manufacturers might be unable to timely formulate and manufacture our product or produce the quantity and quality required to meet our clinical and commercial needs, if any.
- Contract manufacturers may not be able to execute our manufacturing procedures appropriately.
- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.
- Manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state agencies to ensure strict compliance with cGMP and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.
- We may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our products.
- Our third-party manufacturers could breach or terminate their agreement with us.



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Each of these risks could delay our clinical trials, the approval, if any of our product candidates by the FDA or the commercialization of our product candidates or result in higher costs or deprive us of potential product revenue. In addition, we rely on third parties to perform release testing on our product candidates prior to delivery to patients. If these tests are not appropriately conducted and test data are not reliable, patients could be put at risk of serious harm and could result in product liability suits.

The manufacture of medical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of biologic products often encounter difficulties in production, particularly in scaling up and validating initial production and absence of contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Furthermore, if contaminants are discovered in our supply of our product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability or other issues relating to the manufacture of our product candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide our product candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely.

***We may form or seek strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.***

We may form or seek strategic alliances, create joint ventures or collaborations or enter into additional licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy. If we license products or businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. We cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. Any delays in entering into new strategic partnership agreements related to our product candidates could delay the development and commercialization of our product candidates in certain geographies for certain indications, which would harm our business prospects, financial condition and results of operations.

***If our third-party manufacturers use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.***

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical and biological materials, by our third-party manufacturers. Our manufacturers are subject to federal, state and local laws and regulations in the United States governing the use, manufacture, storage, handling and disposal of medical and hazardous materials. Although we believe that our manufacturers' procedures for using, handling, storing and disposing of these materials comply with legally prescribed

standards, we cannot completely eliminate the risk of contamination or injury resulting from medical or hazardous materials. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from medical or hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, prospects, financial condition or results of operations.

### **Risks Related to Government Regulation**

***The FDA regulatory approval process is lengthy and time-consuming, and we may experience significant delays in the clinical development and regulatory approval of our product candidates.***

The time required to obtain approval by the FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not previously submitted a BLA or NDA to the FDA, or similar marketing applications filings to comparable foreign authorities. A BLA or NDA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety, purity and potency, or safety and effectiveness for each desired indication. The BLA or NDA must also include significant information regarding the chemistry, manufacturing and controls for the product. We expect the novel nature of our product candidates to create further challenges in obtaining regulatory approval. For example, the FDA has limited experience with commercial development of immunotherapies for cancer. We also intend to obtain regulatory approval of future product candidates regardless of cancer type or origin, which the FDA may have difficulty accepting if our clinical trials only involved cancers of certain origins. Accordingly, the regulatory approval pathway for our product candidates may be uncertain, complex, expensive and lengthy, and approval may not be obtained.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a BLA or other submission or to obtain regulatory approval in the United States or elsewhere;

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- the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; or
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market our product candidates, which would significantly harm our business, results of operations and prospects.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

***Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our product candidates in other jurisdictions.***

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other jurisdiction, while a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. For example, even if the FDA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion of the product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials as clinical studies conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval.

We may also submit marketing applications in other countries. Regulatory authorities in jurisdictions outside of the United States have requirements for approval of product candidates with which we must comply prior to marketing in those jurisdictions. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. If we fail to comply with the regulatory requirements in international markets and/or receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

***Even if we receive regulatory approval of our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our product candidates.***

Any regulatory approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or the conditions of approval, or contain requirements for potentially costly post-market testing and surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a risk evaluation and mitigation strategy, or REMS, as a condition of approval of our product candidates, which could include requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient

registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and GCPs for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of our product candidates, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;
- product seizure or detention, or refusal to permit the import or export of our product candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

In addition, if we were able to obtain accelerated approval of our pancreatic cancer combination of CRS-207 and GVAX Pancreas, the FDA would require us to conduct a confirmatory study to verify the predicted clinical benefit and additional safety studies. The results from the confirmatory study may not support the clinical benefit, which would result in the approval being withdrawn.

***Coverage and reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our product candidates profitably.***

Successful sales of our product candidates, if approved, depend, in part, on the availability of adequate coverage and reimbursement from third-party payors. In addition, because our product candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our product candidates.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Adequate coverage and reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and commercial payors is critical to new product acceptance.

Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs and treatments they will cover and the amount of reimbursement. Reimbursement by a third-party payor may depend upon a number of factors, including, but not limited to, the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;

- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data for the use of our products. Even if we obtain coverage for a given product, the resulting reimbursement payment rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Further, we plan to develop our product candidates for use in combination with other products, which may make them cost prohibitive or less likely to be covered by third-party payors. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates.

In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for 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, clinical and cost-effectiveness data and support for the use of our product candidates to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained. We intend to seek approval to market our product candidates in both the United States and in selected foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in the EU, the pricing of biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate.

***Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.***

Third-party payors, whether domestic or foreign, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the health care system that could impact our ability to sell our products profitably. In particular, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the Affordable Care Act, was enacted. The Affordable Care Act and its implementing regulations, among other things, subjected biologic products to potential competition by lower-cost biosimilars, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for certain drugs and biologics, including our product candidates, that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program, extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations, subjected manufacturers to new annual fees and taxes for certain branded prescription drugs, provided incentives to programs that increase the federal government's comparative effectiveness research and established 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.

Other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. In August 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 of 2% per fiscal year, which went into effect in April 2013, and will remain in effect through 2024 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

- the demand for our product candidates, if we obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors, which may adversely affect our future profitability.

***Our current and future relationships with customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.***

Healthcare providers, physicians and third-party payors in the United States and elsewhere will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act, which may constrain the business or financial arrangements and relationships through which we sell, market and distribute any drugs for which we obtain marketing approval. In addition, we may be subject to transparency laws and patient privacy regulation by the U.S. federal and state governments and by governments in foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws and regulations that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. A person or entity can be found guilty of violating the statute without actual knowledge of the statute or specific intent to violate it. In addition, the government may assert 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 False Claims Act;

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- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other third-party payors that are false or fraudulent or knowingly making a false statement to improperly 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 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) 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. Similar to the federal Anti-Kickback Statute, a person or entity can be found guilty of violating these statutes without actual knowledge of the statutes or specific intent to violate them;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization;
- the federal Physician Payment Sunshine Act, created under the Affordable Care Act, and its implementing regulations, which require manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services, or HHS, information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members and payments or other "transfers of value" made to such physician owners;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available under such laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to

rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Additionally, as a result of these investigations, healthcare providers and entities may have to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

If our operations are found to be in violation of any of the laws described above or any other government regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in federal and state healthcare programs and the curtailment or restricting of our operations, any of which could harm our ability to operate our business and our financial results. In addition, the approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

### **Risks Related to Our Intellectual Property**

***If we are unable to protect our intellectual property rights or if our intellectual property rights are inadequate for our technology and product candidates, our competitive position could be harmed.***

Our commercial success will depend in part on our ability to obtain and maintain patent and other intellectual property protection in the United States and other countries with respect to our proprietary technology and products. We rely on trade secret, patent, copyright and trademark laws, and confidentiality, licensing and other agreements with employees and third parties, all of which offer only limited protection. We seek to protect our proprietary position by filing and prosecuting patent applications in the United States and abroad related to our novel technologies and products that are important to our business.

The patent positions of biotechnology and pharmaceutical companies generally are highly uncertain, involve complex legal and factual questions and have in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patents, including those patent rights licensed to us by third parties, are highly uncertain. The steps we or our licensors have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, both inside and outside of the United States. Further, the examination process may require us or our licensors to narrow the claims for our pending patent applications, which may limit the scope of patent protection that may be obtained if these applications issue. The rights already granted under any of our currently issued patents or those licensed to us and those that may be granted under future issued patents may not provide us with the proprietary protection or competitive advantages we are seeking. If we or our licensors are unable to obtain and maintain patent protection for our technology and products, or if the scope of the patent protection obtained is not sufficient, our competitors could develop and commercialize technology and products similar or superior to ours, and our ability to successfully commercialize our technology and products may be adversely affected. It is also possible that we or our licensors will fail to identify patentable aspects of inventions made in the course of our development and commercialization activities before it is too late to obtain patent protection on them.

With respect to patent rights, we do not know whether any of the pending patent applications for any of our compounds or biologic products will result in the issuance of patents that effectively protect our technology or products, or if any of our issued patents or if any of our or our licensors' issued patents will effectively prevent others from commercializing competitive technologies and products. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing or in some cases not at all, until they are



issued as a patent. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions.

Our pending applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications. Because the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, issued patents that we own or have licensed from third parties may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in the loss of patent protection, the narrowing of claims in such patents or the invalidity or unenforceability of such patents, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection for our technology and products. Protecting against the unauthorized use of our or our licensor's patented technology, trademarks and other intellectual property rights is expensive, difficult and may in some cases not be possible. In some cases, it may be difficult or impossible to detect third-party infringement or misappropriation of our intellectual property rights, even in relation to issued patent claims, and proving any such infringement may be even more difficult. For example, two of our patents, U.S. Patent Nos. 7,842,289 and 7,935,804, related to our LADD technology platform were challenged in an *ex parte* reexamination proceeding, which is now concluded. No claims of U.S. Patent No. 7,842,289 were canceled or amended as a result of the *ex parte* reexamination. Of the original 84 claims of U.S. Patent No. 7,935,804, 12 were amended and 22 were canceled to overcome the objections raised in the *ex parte* reexamination, but we believe the remaining claims still cover our LADD technology platform.

***Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could harm our business.***

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates, and to use our related proprietary technologies without infringing the intellectual property rights of third parties. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our product candidates, including interference or derivation proceedings before the U.S. Patent and Trademark Office, or USPTO. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue commercializing our product candidates. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Under certain circumstances, we could be forced, including by court order, to cease commercializing our product candidates. In addition, in any such proceeding or litigation, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business.

While our product candidates are in preclinical studies and clinical trials, we believe that their use in these preclinical studies and clinical trials falls within the scope of the exemptions provided by 35 U.S.C. Section 271(e) in the United States, which exempts from patent infringement liability activities reasonably related to the development and submission of information to the FDA. As our product candidates progress toward commercialization, the possibility of a patent infringement claim against us increases. We attempt to ensure that our product candidates and the methods we employ to manufacture them, as well as the methods for their use we intend to promote, do not infringe other parties' patents and other proprietary rights. We cannot assure you they do not, however, and competitors or other parties may assert that we infringe their proprietary rights in any event.

In addition, we are testing our product candidates administered with other product candidates or products that are covered by patents held by other companies or institutions. In the event that a labeling instruction is required in product packaging recommending that combination, we could be accused of, or held liable for, infringement of the third-party patents covering the product candidate or product recommended for

administration with our product candidates. In such a case, we could be required to obtain a license from the other company or institution to use the required or desired package labeling, which may not be available on commercially reasonable terms, or at all.

We are aware of certain U.S. and foreign patents owned by a certain third party with claims that are broadly directed to a *Listeria* vaccine strain that contains certain proteins, some of which expire as late as 2021. These patents could be construed to cover CRS-207. In addition, we are aware of certain U.S. and foreign patents owned by a certain third party with claims that are broadly directed methods of using *Listeria*-based vaccines to treat certain cancers, which expire in 2017. The patents expiring in 2017 may be construed to cover our LADD product candidate, CRS-207, as well as the product candidates licensed to Janssen, ADU-214 and ADU-741. Notwithstanding, we do not currently expect a product launch prior to 2017 and, therefore, the patents expiring in 2017 would not appear relevant to our commercialization plans unless our approval was accelerated or they somehow were extended. Generally, conducting clinical trials and other development activities in the United States is not considered an act of infringement. If and when products are approved by the FDA, that certain third party may then seek to enforce its patents by filing a patent infringement lawsuit against us or our licensee(s). In such lawsuit, we or our licensee(s) may incur substantial expenses defending our rights or our licensee(s) rights to commercialize such product candidates, and in connection with such lawsuit and under certain circumstances, it is possible that we or our licensee(s) could be required to cease or delay the commercialization of a product candidate and/or be required to pay monetary damages or other amounts, including royalties on the sales of such products. Moreover, such lawsuit may also consume substantial time and resources of our or our licensee(s) management team and board of directors. The threat or consequences of such a lawsuit may also result in royalty and other monetary obligations, which may adversely affect our results of operations and financial condition.

***If we breach any of our license agreements, it could have a material adverse effect on our commercialization efforts for our product candidates.***

Our commercial success depends on our ability, and the ability of our licensors and collaborators, to develop, manufacture, market and sell our product candidates and use our licensors' or collaborators' proprietary technologies without infringing the property rights of third parties. For example, we have entered into license agreements with the Johns Hopkins University and the Regents of the University of California related to our LADD product candidates, and license agreements with Karagen Pharmaceuticals, Inc. and the Regents of the University of California related to our CDN product candidates, and we expect to enter into additional licenses in the future. If we fail to comply with the obligations under these agreements, including payment and diligence terms, our licensors may have the right to terminate these agreements, in which event we may not be able to develop, manufacture, market or sell any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements, which may not be available to us on equally favorable terms, or at all, or cause us to lose our rights under these agreements, including our rights to intellectual property or technology important to our development programs.

***We have granted Janssen certain rights to file, prosecute, maintain and enforce specific patents that relate to ADU-214, ADU-741 and GVAX Prostate. Our inability to control the filing, prosecution, maintenance and enforcement of such patents could materially harm our business.***

As part of the agreements with Janssen related to ADU-214, ADU-741 and GVAX Prostate, we have granted Janssen the initial right and responsibility to file, prosecute, maintain and enforce any patents and patent applications that contain pending or issued claims that are specifically directed to the antigens contained in ADU-214, ADU-741 and GVAX Prostate. For example, if a third party is infringing one of the antigen-specific patents by marketing a product that is identical or similar to ADU-214 for the treatment of lung cancer (such as a biosimilar of ADU-214), Janssen would have the initial right to enforce the antigen-specific patents against the

third party. If we do not have the ability to control the enforcement of the antigen-specific patents against a third party that is marketing a product that is identical or similar to ADU-214, ADV-741 or GVAX Prostate, our business may be materially harmed.

***We have granted Janssen the right to determine patent term extension strategy for specific patents that relate to ADU-214, ADU-741 and GVAX Prostate. Our inability to control the patent term extension strategy could materially harm our business.***

As part of the license agreements with Janssen related to ADU-214, ADU-741 and GVAX Prostate, we have granted Janssen the right and responsibility to determine the strategy to apply for the extension of the term of any licensed patents that are specifically directed to the antigen contained in ADU-214 or the antigens contained in ADU-741. Janssen may decide not to apply for extension of any term of a licensed patent that may otherwise be eligible for extension, which could decrease the royalties received from Janssen for the sale of ADU-214, ADU-741 and/or GVAX Prostate. If we allow Janssen to also apply for extension of a licensed patent for ADU-214, ADU-741 and/or GVAX Prostate that may also be relevant to another product candidates that we may be developing and commercializing, we could be prevented from seeking extension of the same patent for our product. If we do not have the ability to control the strategy for patent term extension of any of our licensed patents, our business may be materially harmed.

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

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive, and our or our licensors' intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws and practices of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we and our licensors may not be able to prevent third parties from practicing our and our licensors' inventions in all countries outside the United States, or from selling or importing products made using our and our licensors' inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and may export otherwise infringing products to territories where we or our licensors have patent protection, but where enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain 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 biopharmaceuticals, which could make it difficult for us to stop the infringement of our or our licensor's patents or marketing of competing products in violation of our proprietary rights generally in those countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business, could put our and our licensors' patents at risk of being invalidated or interpreted narrowly and our and our licensors' patent applications at risk of not issuing and could provoke third parties to assert claims against us or our licensors. We or our licensors may not prevail in any lawsuits that we or our licensors initiate and the damages or other remedies awarded, if any, may not be commercially meaningful.

The laws of certain foreign countries may not protect our rights to the same extent as the laws of the United States, and these foreign laws may also be subject to change. For example, methods of treatment and manufacturing processes may not be patentable in certain jurisdictions, and the requirements for patentability may differ in certain countries, particularly developing countries. Furthermore, generic and/or biosimilar product manufacturers or other competitors may challenge the scope, validity or enforceability of our or our licensors' patents, requiring us or our licensors to engage in complex, lengthy and costly litigation or other proceedings.

Generic or biosimilar product manufacturers may develop, seek approval for, and launch biosimilar versions or generic versions, respectively, of our products. The FDA has published four draft guidance documents on biosimilar product development. For the FDA to approve a biosimilar product as interchangeable with a reference product, the agency must find that the biosimilar product can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biosimilar and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. However, complexities associated with the larger, and often more complex, structures of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation, which are still being worked out by the FDA. To date, no biosimilar or interchangeable biologic has been licensed under the Biologics Price Competition and Innovation Act of 2009, or BPCIA, framework, although such approvals have occurred in Europe, and it is anticipated that the FDA will approve a biosimilar in the relatively near future. If any of our product candidates are approved by the FDA, the approval of a biologic product biosimilar to one of our products could have a material impact on our business. In particular, a biosimilar could be significantly less costly to bring to market and priced significantly lower than our products, if approved by the FDA. See “Business—Government Regulation and Product Approval—U.S. Patent Term Restoration and Marketing Exclusivity” for a more detailed description of the BPCIA.

***Some jurisdictions may require us to grant licenses to third parties. Such compulsory licenses could be extended to include some of our product candidates, which may limit our potential revenue opportunities.***

Many countries, including European Union countries, have compulsory licensing laws under which a patent owner may be compelled under certain circumstances to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our and our licensors’ efforts to enforce intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license.

***Patent terms may be inadequate to protect our competitive position on our products for an adequate amount of time, and our product candidates for which we intend to seek approval as biologic products may face competition sooner than anticipated.***

Given the amount of time required for the development, testing and regulatory review of new product candidates, such as our product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Currently, we own or license patent families that cover our LADD technology platform, which expire between 2022 and 2027, subject to any extensions, and we own or license patent families that cover *Listeria* strains engineered to express particular antigens, which expire between 2031 and 2033. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

The BPCIA established legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as “interchangeable” based on its similarity to an existing brand product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years

after the original branded product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We anticipate being awarded market exclusivity for each of our biological product candidates that is subject to its own BLA for 12 years in the United States, 10 years in Europe and significant durations in other markets. However, the term of the patents that cover such product candidates may not extend beyond the applicable market exclusivity awarded by a particular country. For example, in the United States, if all of the patents that cover our particular biologic product expire before the 12-year market exclusivity expires, a third party could submit a marketing application for a biosimilar product four years after approval of our biologic product, and the FDA could immediately review the application and approve the biosimilar product for marketing 12 years after approval of our biologic. Alternatively, a third party could submit a BLA for a similar or identical product any time after approval of our biologic product, and the FDA could immediately review and approve the similar or identical product for marketing and the third party could begin marketing the similar or identical product upon expiry of all of the patents that cover our particular biologic product.

Additionally, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. The extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

***Changes in patent law, including recent patent reform legislation, could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.***

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involve technological and legal complexity, and obtaining and enforcing pharmaceutical patents is costly, time-consuming, and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. For example, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' ability to obtain new patents or to enforce existing patents and patents we and our licensors may obtain in the future. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' patent applications and the enforcement or defense of our or our licensors' issued patents.

In September 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. In particular, under the Leahy-Smith Act, the United States transitioned in March 2013 to a "first to file" system in which the first inventor to file a patent application will be entitled to the patent. Third parties are allowed to submit prior art before the issuance of a patent by the USPTO and may become involved in opposition, derivation, reexamination, inter-partes review or interference proceedings challenging our patent rights or the patent rights of our licensors. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our or our licensors' patent rights, which could adversely affect our competitive position.

The USPTO is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, did not become effective until March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act 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 and those licensed to us.

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

Periodic maintenance 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. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, 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 competitive position would be adversely affected.

***We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful and have a material adverse effect on the success of our business.***

Competitors may infringe our patents or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. Also, third parties may initiate legal proceedings against us or our licensors to challenge the validity or scope of intellectual property rights we own or control. These proceedings can be expensive and time consuming. Many of our current and potential competitors have the ability to dedicate substantially greater resources to defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments in any such proceedings. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of shares of our common stock.

***We may be subject to claims by third parties asserting that our licensors, employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.***

Many of our employees and our licensors' employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, including each member of our senior

management, executed proprietary rights, non-disclosure and non-competition agreements, or similar agreements, in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such third party. Litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

***Intellectual property rights do not necessarily address all potential threats to our competitive advantage.***

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make compounds or biologics that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed.
- We or our licensors or any strategic partners might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or have exclusively licensed.
- We or our licensors might not have been the first to file patent applications covering certain of our inventions.
- Others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights.
- It is possible that our pending patent applications will not lead to issued patents.
- Issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges.
- Our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.
- We may not develop additional proprietary technologies that are patentable.
- The patents of others may have an adverse effect on our business.

***If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.***

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, know-how and confidential and proprietary information. To maintain the confidentiality of trade secrets and proprietary information, we will enter into confidentiality agreements with our employees, consultants and

collaborators upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. Our agreements with employees also provide that any inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with their terms. In the event of unauthorized use or disclosure of our trade secrets or proprietary information, these agreements, even if obtained, may not provide meaningful protection, particularly for our trade secrets or other confidential information. To the extent that our employees, consultants or contractors use technology or know-how owned by third parties in their work for us, disputes may arise between us and those third parties as to the rights in related inventions.

Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. The disclosure of our trade secrets would impair our competitive position and may materially harm our business, financial condition and results of operations.

## **Risks Related to our Financial Results**

***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 or our guidance.***

Our quarterly and annual operating results may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. From time to time, in addition to existing agreements with Janssen, we may enter into license or collaboration agreements with other companies that include development funding and significant upfront and milestone payments and/or royalties, which may become an important source of our revenue. Accordingly, our revenue may depend on development funding and the achievement of development and clinical milestones under current and any potential future license and collaboration 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 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, after the closing of this offering, 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:

- the timing and cost of, and level of investment in, research and development activities relating to our current and any future product candidates, which will change from time to time;
- our ability to enroll patients in clinical trials and the timing of enrollment;
- the cost of manufacturing our current and any future product candidates, which may vary depending on FDA guidelines and requirements, the quantity of production and the terms of our agreements with manufacturers;
- expenditures that we will or may incur to acquire or develop additional product candidates and technologies;
- the timing and outcomes of clinical studies for our product candidates or competing product candidates;



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- competition from existing and potential future drugs that compete with our product candidates, and changes in the competitive landscape of our industry, including consolidation among our competitors or partners;
- any delays in regulatory review or approval of CRS-207 or any of our other product candidates;
- the level of demand for our product candidates, if approved, which may fluctuate significantly and be difficult to predict;
- the risk/benefit profile, cost and reimbursement policies with respect to our products candidates, if approved, and existing and potential future drugs that compete with our product candidates;
- our ability to commercialize our product candidates, if approved, inside and outside of the United States, either independently or working with third parties;
- our ability to establish and maintain collaborations, licensing or other arrangements;
- our ability to adequately support future growth;
- potential unforeseen business disruptions that increase our costs or expenses;
- future accounting pronouncements or changes in our accounting policies; and
- the changing and volatile global economic environment.

The cumulative effect of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue and/or earnings guidance we may provide.

***We previously identified a material weakness in our internal control over financial reporting at December 31, 2012 and December 31, 2013, and we may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.***

In connection with the contemporaneous audit of our consolidated financial statements for the years ended December 31, 2012 and 2013, we identified a control deficiency in the design and operation of our internal control over financial reporting that constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

The material weakness identified in our internal control over financial reporting related to our lack of sufficient financial reporting and accounting personnel with the technical expertise to appropriately account for complex, non-routine transactions, primarily related to convertible debt and equity. The material weakness resulted in adjustments to our consolidated financial statements for the years ended December 31, 2012 and

2013. During 2013 and 2014, we took certain actions that remediated the material weakness, which included hiring additional personnel with public company financial reporting expertise to build our financial management and reporting infrastructure, and engaging a third party to provide additional advisory services with respect to technical accounting matters. We intend to further develop and document our accounting policies and financial reporting procedures. However, we cannot assure you that these measures will be sufficient to remediate or prevent future material weaknesses or significant deficiencies from occurring. We also cannot assure you that we have identified all of our existing material weaknesses.

Neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting during any period in accordance with the provisions of the Sarbanes-Oxley Act. In light of the control deficiencies and the resulting material weakness that were previously identified as a result of the limited procedures performed, we believe that it is possible that, had we and our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional material weaknesses and significant control deficiencies may have been identified. However, for as long as we remain an “emerging growth company” as defined in the JOBS Act, we intend to take advantage of the exemption permitting us not to comply with the requirement that our independent registered public accounting firm provide an attestation on the effectiveness of our internal control over financial reporting.

If we identify future material weaknesses in our internal controls over financial reporting or fail to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Section 404 of the Sarbanes-Oxley Act could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. We cannot assure that in the future, additional material weaknesses will not exist or otherwise be discovered, any of which could adversely affect our reputation, financial condition and results of operations.

***Our ability to use our net operating loss carryforwards to offset future taxable income, and our ability to use our tax credit carryforwards, may be subject to certain limitations.***

In general, a corporation that undergoes an “ownership change” under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, is subject to limitations on its ability to utilize its pre-change net operating loss carryforwards, or NOLs, to offset future taxable income and its ability to utilize tax credit carryforwards. As of December 31, 2014, we reported U.S. federal and state NOLs of approximately \$51.2 million and \$6.0 million, respectively. In general, an “ownership change” occurs if the aggregate stock ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation’s stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a specified testing period. We performed a Section 382 analysis and believe that we experienced multiple ownership changes under Section 382 of the Code. As a result of the ownership changes, the Company estimates that the utilization of \$42.4 million and \$5.0 million of federal and state NOLs, respectively, is subject to annual limitations under Section 382. Furthermore, future changes in our stock ownership, such as certain stock issuances (including in connection with this offering) and transfers between stockholders, some of which changes are outside of our control, could result in ownership changes under Section 382 of the Code. For these reasons, we may not be able to utilize a material portion of our NOLs and tax credit carryforwards, even if we attain profitability.

## Risks Related to This Offering and Ownership of our Common Stock

*The price of our stock may be volatile, and you could lose all or part of your investment.*

The trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, including limited trading volume. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this prospectus, these factors include:

- the commencement, enrollment or results of the planned clinical trials of our product candidates or any future clinical trials we may conduct, or changes in the development status of our product candidates;
- any delay in our regulatory filings for our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority’s review of such filings, including without limitation the FDA’s issuance of a “refusal to file” letter or a request for additional information;
- adverse results or delays in clinical trials;
- our decision to initiate a clinical trial, not to initiate a clinical trial or to terminate an existing clinical trial;
- adverse regulatory decisions, including failure to receive regulatory approval of our product candidates;
- changes in laws or regulations applicable to our products, including but not limited to clinical trial requirements for approvals;
- adverse developments concerning our manufacturers;
- our inability to obtain adequate product supply for any approved product or inability to do so at acceptable prices;
- our inability to establish collaborations if needed;
- our failure to commercialize our product candidates;
- additions or departures of key scientific or management personnel;
- unanticipated serious safety concerns related to the use of our product candidates;
- introduction of new products or services offered by us or our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- our ability to effectively manage our growth;
- the size and growth of our initial cancer target markets;
- our ability to successfully treat additional types of cancers or at different stages;

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- actual or anticipated variations in quarterly operating results;
- our cash position;
- our failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public;
- publication of research reports about us or our industry, or immuno-oncology in particular, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in the market valuations of similar companies;
- overall performance of the equity markets;
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- changes in accounting practices;
- ineffectiveness of our internal controls;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- significant lawsuits, including patent or stockholder litigation;
- general political and economic conditions; and
- other events or factors, many of which are beyond our control.

In addition, the stock market in general, and the NASDAQ Global Market and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. If the market price of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of a company's securities. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business, operating results or financial condition.

***We do not know whether an active, liquid and orderly trading market will develop for our common stock or what the market price of our common stock will be and as a result it may be difficult for you to sell your shares of our common stock.***

Prior to this offering there has been no public market for shares of our common stock. Although we have applied to have our common stock listed on the NASDAQ Global Market, an active trading market for our shares may never develop or be sustained following this offering. You may not be able to sell your shares quickly or at the market price if trading in shares of our common stock is not active. The initial public offering price for our common stock will be determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of the common stock after the offering. As a result of these and other

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factors, you may be unable to resell your shares of our common stock at or above the initial public offering price. Further, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock as consideration.

***Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and stock price.***

As widely reported, global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. We cannot assure you that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, or do not improve, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, manufacturers and other partners may not survive these difficult economic times, which could directly affect our ability to attain our operating goals on schedule and on budget.

At December 31, 2014, we had \$119.5 million of cash and cash equivalents. While we are not aware of any downgrades, material losses, or other significant deterioration in the fair value of our cash equivalents since December 31, 2014, we cannot assure you that further deterioration of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents or our ability to meet our financing objectives. Furthermore, our stock price may decline due in part to the volatility of the stock market and the general economic downturn.

***We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.***

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

***Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.***

Prior to this offering, our executive officers, directors, and 5% stockholders beneficially owned approximately 77.2% of our voting stock at January 31, 2015, and, upon the closing of this offering, that same group will hold approximately % of our outstanding voting stock (assuming no exercise of the underwriters' option to purchase additional shares) in each case based on an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover of this prospectus. In addition, Morningside Venture (VI) Investments Limited, or MVIL, beneficially owns approximately 37.8% of our outstanding voting stock and will hold approximately % of our outstanding voting stock (assuming no exercise of the underwriters' option to purchase additional shares) in each case based on an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover of this prospectus. The previously discussed ownership percentage upon the completion of this offering does not reflect the potential purchase of any shares in this offering by such persons. Therefore, even after this offering, these stockholders will have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

***If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.***

The initial public offering price is substantially higher than the net tangible book value per share of our common stock. Investors purchasing common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. As a result, investors purchasing common stock in this offering will incur immediate dilution of \$        per share, based on an assumed initial public offering price of \$        per share, which is the midpoint of the price range set forth on the cover of this prospectus. Further, investors purchasing common stock in this offering will contribute approximately    % of the total amount invested by stockholders since our inception, but will own only approximately    % of the shares of common stock outstanding after giving effect to this offering.

This dilution is due to our investors who purchased shares prior to this offering having paid substantially less when they purchased their shares than the price offered to the public in this offering and the exercise of stock options granted to our employees. To the extent outstanding options or warrants are exercised, there will be further dilution to new investors. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation. For a further description of the dilution that you will experience immediately after this offering, see “Dilution.”

***We are an emerging growth company, and we cannot be certain if the reduced reporting 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. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the year in which we complete this offering, although circumstances could cause us to lose that status earlier. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least \$1.0 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed \$700.0 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, changes in rules of U.S. generally accepted accounting principles or their interpretation, the adoption of new guidance or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

***We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will be subject to the reporting requirements of the Securities Exchange Act of 1934, which will require, among other things, that we file with the Securities and Exchange Commission, or the SEC, annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and the NASDAQ Global Market to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas such as “say on pay” and proxy access. Recent legislation permits emerging growth companies to implement many of these requirements over a longer period and up to five years from the pricing of this offering. We intend to take advantage of this new legislation but cannot guarantee that we will not be required to implement these requirements sooner than budgeted or planned and thereby incur unexpected expenses. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate.

We expect the rules and regulations applicable to public companies to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

***Sales of a substantial number of shares of our common stock by our existing stockholders in the public market could cause our stock price to fall.***

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares of common stock outstanding at December 31, 2014, upon the closing of this offering we will have outstanding a total of                      shares of common stock. Of these shares, only the shares of common stock sold in this offering by us, plus any shares sold upon exercise of the underwriters’ option to purchase additional shares, will be freely tradable without restriction in the public market immediately following this offering. Merrill, Lynch, Pierce, Fenner & Smith Incorporated and Leerink Partners LLC, however, may, in their sole discretion, permit our officers, directors and other stockholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

We expect that the lock-up agreements pertaining to this offering will expire after 180 days from the date of this prospectus. In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our 2015 Plan, will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

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After this offering, the holders of \_\_\_\_\_ shares of our common stock at December 31, 2014 will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the 180-day lock-up agreements described above. See “Description of Capital Stock—Registration Rights.” 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 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.

***Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our 2015 Plan, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.***

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock, including shares of common stock sold in this offering.

Pursuant to our 2015 Plan, certain amendments of which became effective on the business day prior to the public trading date of our common stock, our management is authorized to grant stock options to our employees, directors and consultants.

Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under our 2015 Plan is \_\_\_\_\_ shares. Additionally, the number of shares of our common stock reserved for issuance under our 2015 Plan will automatically increase on January 1 of each year, beginning on January 1, 2016 and continuing through and including January 1, 2025, by \_\_\_\_\_ % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall.

***We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.***

Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section entitled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. We expect to use the net proceeds from this offering together with our existing cash and cash equivalents, to complete our Phase 2b ECLIPSE clinical trial, to advance the development of CRS-207 in pancreatic cancer and mesothelioma, for planned clinical development programs evaluating LADD regimens for glioblastoma multiforme and ovarian cancer, to manufacture CRS-207 and GVAX Pancreas at commercial scale in preparation for potential regulatory approval, for development of CDN product candidates and other planned research and development programs, and for general corporate and working capital purposes. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.



***Anti-takeover provisions under our charter documents and Delaware law could delay or prevent a change of control which could limit the market price of our common stock and may prevent or frustrate attempts by our stockholders to replace or remove our current management.***

Our amended and restated certificate of incorporation and amended and restated bylaws, which are to become effective at or prior to the closing of this offering, contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions include:

- a board of directors divided into three classes serving staggered three-year terms, such that not all members of the board will be elected at one time;
- a prohibition on stockholder action through written consent, which requires that all stockholder actions be taken at a meeting of our stockholders;
- a requirement that special meetings of stockholders be called only by the chairman of the board of directors, the chief executive officer, or by a majority of the total number of authorized directors;
- advance notice requirements for stockholder proposals and nominations for election to our board of directors;
- a requirement that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of all outstanding shares of our voting stock then entitled to vote in the election of directors;
- a requirement of approval of not less than two-thirds of all outstanding shares of our voting stock to amend any bylaws by stockholder action or to amend specific provisions of our certificate of incorporation; and
- the authority of the board of directors to issue preferred stock on terms determined by the board of directors without stockholder approval and which preferred stock may include rights superior to the rights of the holders of common stock.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporate Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These anti-takeover provisions and other provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for stockholders or potential acquirors to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors and could also delay or impede a merger, tender offer or proxy contest involving our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing or cause us to take other corporate actions you desire. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

***Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of

fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find this provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

***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 will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, 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 may decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the sections titled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements, other than statements of historical facts contained in this prospectus, including statements regarding our future financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases you can identify these statements by forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the negative or plural of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our history of net operating losses and uncertainty regarding our ability to achieve profitability;
- our ability to fund our working capital needs;
- our ability to develop and commercialize our product candidates;
- our ability to use and expand our technology platforms to build a pipeline of product candidates;
- our dependence on our lead product candidate, CRS-207, and GVAX Pancreas;
- our ability to obtain and maintain regulatory approval of our product candidates;
- our inability to operate in a competitive industry and compete successfully against competitors that have greater resources than we do;
- our ability to retain and attract key personnel;
- our products may not gain market acceptance;
- our reliance on third parties; and
- our ability to obtain and adequately protect intellectual property rights for our product candidates.

These statements are only current predictions and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. We discuss many of these risks in this prospectus in greater detail under the heading “Risk Factors” and elsewhere in this prospectus. You should not rely upon forward-looking statements as predictions of future events. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risks and uncertainties.

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. Except as required by law, after the date of this prospectus, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.

We obtained industry, market and competitive position data in this prospectus from our own internal estimates and research as well as from industry and general publications and research surveys and studies conducted by third parties. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such information or estimates.

## **INDUSTRY AND MARKET DATA**

This prospectus also contains estimates, projections and other information concerning our industry, the market in which we operate and our business. Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, such as reports, research surveys, studies and similar data prepared by third parties, industry, medical and general publications, government data and similar sources and is subject to a number of assumptions and limitations. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the third-party sources included in this prospectus is reliable, such information is inherently imprecise. 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 the section titled “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. In some cases, we do not expressly refer to the sources from which these data are derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph are derived from the same sources, unless otherwise expressly stated or the context otherwise requires.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of \_\_\_\_\_ shares of common stock in this offering will be approximately \$ \_\_\_\_\_ million at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares in full, we estimate that the net proceeds will be approximately \$ \_\_\_\_\_ million after deducting the underwriting discount and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase (decrease) our net proceeds by \$ \_\_\_\_\_ million, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the underwriting discount and estimated offering expenses payable by us, by approximately \$ \_\_\_\_\_ million, assuming the assumed initial public offering price stays the same.

We are undertaking this offering in order to access the public capital markets and to increase our liquidity. At December 31, 2014, we had cash and cash equivalents of \$119.5 million. We intend to use the net proceeds of this offering, together with our existing cash and cash equivalents, as follows:

- approximately \$ \_\_\_\_\_ million to complete our ongoing ECLIPSE and STELLAR Phase 2b clinical trials in pancreatic cancer;
- approximately \$ \_\_\_\_\_ million to advance the development of CRS-207 in additional indications, including planned Phase 2 clinical trials in mesothelioma and ovarian cancer;
- approximately \$ \_\_\_\_\_ million to manufacture CRS-207 and GVAX Pancreas at commercial scale in preparation for potential regulatory approval;
- approximately \$ \_\_\_\_\_ million for CDN product candidates, including a planned Phase 1 clinical trial for ADU-S100 and other research and development programs; and
- the remainder for general corporate and working capital purposes.

However, due to the uncertainties inherent in the product development process, it is difficult to estimate with certainty the exact amounts of the net proceeds from this offering that may be used for the above purposes. The amount and timing of our actual expenditures will depend upon numerous factors, including the results of our research and development efforts, the timing and success of our ongoing preclinical studies and clinical trials or preclinical studies and clinical trials we may commence in the future and the timing of regulatory submissions. As a result, our management will have broad discretion over the use of the net proceeds from this offering.

We believe opportunities may exist from time to time to expand our current business through acquisitions or in-licenses of complementary companies, medicines or technologies. While we have no current agreements, commitments or understandings for any specific acquisitions or in-licenses at this time, we may use a portion of the net proceeds for these.

Pending the use of the proceeds from this offering, we intend to invest the net proceeds in interest-bearing, investment-grade securities, certificates of deposit or direct or guaranteed obligations of the U.S. government.

## **DIVIDEND POLICY**

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization at December 31, 2014, as follows:

- on an actual basis;
- on a pro forma basis to reflect (i) the conversion of all outstanding shares of our convertible preferred stock into 69,608,339 shares of common stock and (ii) the reclassification to additional paid-in capital of our preferred stock warrant liability in connection with the conversion of our outstanding preferred stock warrants into common stock warrants; and
- on a pro forma as adjusted basis to further reflect the receipt of the estimated net proceeds from the sale of        shares of common stock in this offering at an assumed initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated expenses payable by us.

You should read this table in conjunction with “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements included elsewhere in this prospectus.

	<u>At December 31, 2014</u>		
	<u>Actual</u>	<u>Pro</u>	<u>Pro Forma as</u>
	<u>(in thousands, except share and per share data)</u>		
Cash and cash equivalents	<u>\$ 119,456</u>	<u>\$ 119,456</u>	<u>\$</u>
Convertible preferred stock warrant liability	<u>\$ 100</u>	<u>\$ —</u>	<u>\$</u>
Convertible preferred stock, \$0.0001 par value per share; 69,716,345 shares authorized, 69,608,339 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	139,963	—	
Stockholders’ (deficit) equity:			
Preferred stock, \$0.0001 par value per share; no shares authorized, issued or outstanding, actual;        shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	
Common stock, \$0.0001 par value per share; 85,000,000 shares authorized, 502,882 shares issued and outstanding, actual;        shares authorized, 70,111,221 shares issued and outstanding, pro forma;        shares issued and outstanding, pro forma as adjusted	—	7	
Additional paid-in capital	346	140,402	
Accumulated deficit	(61,643)	(61,643)	
Total stockholders’ (deficit) equity	<u>(61,297)</u>	<u>78,766</u>	
Total capitalization	<u>\$ 78,766</u>	<u>\$ 78,766</u>	<u>\$</u>

- (1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, additional paid-in capital, total capitalization and total stockholders’ equity by \$        million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus,

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remains the same, and after deducting the underwriting discount and estimated offering expenses payable by us. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) cash and cash equivalents, additional paid-in capital, total capitalization and total stockholders' equity by approximately \$       million, assuming an initial public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us. The pro forma 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.

The number of shares of common stock in the table above excludes:

- 8,292,303 shares of common stock issuable upon the exercise of outstanding stock options at December 31, 2014, with a weighted-average exercise price of \$0.57 per share;
- 108,006 shares of common stock issuable upon the exercise of preferred stock issued after the exercise of outstanding preferred stock warrants at December 31, 2014, with a weighted-average exercise price of \$1.21 per share;
- 1,603,197 shares of common stock issuable upon the exercise of outstanding common stock warrants at December 31, 2014, with a weighted-average exercise price of \$0.17 per share;
- 4,381,609 shares of common stock reserved for future issuance under our 2009 Stock Plan, which will become available for issuance under our 2015 Plan after consummation of this offering;
- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2015 Plan, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan; and
- shares of common stock to be reserved for issuance under our ESPP, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan.



## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial 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 this offering.

Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of common stock outstanding. Our historical net tangible book deficit at December 31, 2014, was \$       million, or \$       per share of common stock. Our pro forma net tangible book value (deficit) at December 31, 2014, before giving effect to this offering, was \$       , or \$       per share of common stock, based on the total number of shares of our common stock outstanding at December 31, 2014, after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock. Pro forma net tangible book value, before giving effect to this offering, gives effect to the conversion of all outstanding shares of our convertible preferred stock into an aggregate of 69,608,339 shares of our common stock.

Dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after completion of this offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of \$       per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at December 31, 2014 would have been \$       million, or \$       per share. This represents an immediate increase in pro forma net tangible book value of \$       per share to existing stockholders and an immediate dilution of \$       per share to investors participating in this offering, as illustrated in the following table:

Assumed initial public offering price per share	\$
Historical net tangible book value (deficit) per share at December 31, 2014	\$
Pro forma net tangible book value (deficit) per share at December 31, 2014, before giving effect to this offering	
Increase in pro forma net tangible book value (deficit) per share attributable to new investors purchasing shares in this offering	\$
Pro forma as adjusted net tangible book value per share after giving effect to this offering	
Dilution per share to investors participating in this offering	\$

Each \$1.00 increase (decrease) in the assumed public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$       million, or approximately \$       per share, and the dilution per share to investors in this offering by approximately \$       per share, 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 underwriting discount and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$       million, or approximately \$       per share, and the pro forma dilution per share to investors in this offering by approximately \$       per share, assuming an initial public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us. The pro forma 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.

If the underwriters' option to purchase additional shares is exercised in full, the pro forma as adjusted net tangible book value per share after this offering would be \$       per share, the increase in pro forma as

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adjusted net tangible book value per share to existing stockholders would be \$            per share and the dilution to new investors purchasing shares in this offering would be \$            per share.

The following table presents, on a pro forma as adjusted basis described above, the differences between the existing stockholders and the purchasers of shares in this offering with respect to the number of shares purchased from us, the total consideration paid, which includes net proceeds received from the issuance of common and convertible preferred stock and cash received from the exercise of stock options (in thousands, except per share amounts and percentages):

	Total Shares		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders before this offering		%	\$	%	\$
Investors participating in this offering					
Total		100%	\$	100%	\$

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$            per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid to us by new investors and total consideration paid to us by all stockholders by \$            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 underwriting discount and estimated offering expenses payable by us. An increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the total consideration paid to us by new investors and total consideration paid to us by all stockholders by \$            million, assuming an initial public offering price of \$            per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

The calculations above are based on 70,111,221 shares outstanding at December 31, 2014 after giving effect to the conversion of all outstanding shares of convertible preferred stock into common stock and exclude:

- 8,292,303 shares of common stock issuable upon the exercise of outstanding stock options at December 31, 2014, with a weighted-average exercise price of \$0.57 per share;
- 108,006 shares of common stock issuable upon the exercise of preferred stock issued after the exercise of outstanding preferred stock warrants at December 31, 2014, with a weighted-average exercise price of \$1.21 per share;
- 1,603,197 shares of common stock issuable upon the exercise of outstanding common stock warrants at December 31, 2014, with a weighted-average exercise price of \$0.17 per share;
- 4,381,609 shares of common stock reserved for future issuance under our 2009 Stock Plan, which will become available for issuance under our 2015 Plan after consummation of this offering;
- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2015 Plan, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan; and
- shares of common stock to be reserved for issuance under our ESPP, which will become effective immediately prior to the consummation of this offering, as well as any automatic increases in the number of shares of common stock reserved for future issuance under this benefit plan.

To the extent that any outstanding options are exercised, new options are issued under our stock-based compensation plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data included in this section are not intended to replace the consolidated financial statements included elsewhere in this prospectus. We derived the selected consolidated statements of operations data for the years ended December 31, 2013 and 2014 and the selected consolidated balance sheet data at December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the selected historical consolidated financial data below in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements included elsewhere in this prospectus.

	<u>2013</u>	<u>2014</u>
	<u>(in thousands, except share</u>	<u>and per share data)</u>
<b>Consolidated Statements of Operations Data:</b>		
Revenue:		
Collaboration and license revenue	\$ —	\$ 13,038 <sup>(3)</sup>
Grant revenue	828	351
Total revenue	828	13,389
Operating expenses:		
Research and development <sup>(1)</sup>	10,687	23,513
General and administrative <sup>(1)</sup>	4,677	8,994
Total operating expenses	15,364	32,507
Loss from operations	(14,536)	(19,118)
Interest expense	(1,371)	(2,395) <sup>(4)</sup>
Gain on extinguishment of convertible promissory notes	—	3,553 <sup>(5)</sup>
Other (expense) income, net	(147)	946
Net loss and comprehensive loss	\$ (16,054)	\$ (17,014)
Net loss per common share, basic and diluted <sup>(2)</sup>	\$ (40.16)	\$ (38.19)
Shares used in computing net loss per common share, basic and diluted <sup>(2)</sup>	399,706	445,505
Pro forma net loss per common share, basic and diluted <sup>(2)</sup>		\$ (0.51)
Shares used in computing pro forma net loss per common share, basic and diluted <sup>(2)</sup>		38,948,479

(1) Includes stock-based compensation as follows:

	<u>2013</u>	<u>2014</u>
	<u>(in thousands)</u>	
Research and development	\$ 194	\$ 202
General and administrative	215	368
Total stock-based compensation	\$ 409	\$ 570

(2) See Note 16 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per common share, pro forma net loss per common share and the weighted-average number of shares used in the computation of the per share amounts.

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- (3) Represents the revenue recognized in connection with our collaboration agreements entered into with Janssen in May and November 2014. See Note 7 to our audited consolidated financial statements included elsewhere in this prospectus.
- (4) Includes amortization of debt discount associated with convertible promissory notes due to the issuance of warrants and beneficial conversion feature associated with such convertible promissory notes. See Note 5 to our audited consolidated financial statements included elsewhere in this prospectus.
- (5) Upon the conversion of convertible promissory notes to related parties into Series C convertible preferred stock in May 2014, a gain on extinguishment was recorded because the amount allocated to reacquire the convertible notes was less than the carrying value of the notes. See Note 5 to our audited consolidated financial statements included elsewhere in this prospectus.

	<b>At December 31,</b>	
	<b>2013</b>	<b>2014</b>
	<b>(in thousands)</b>	
<b>Consolidated Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 8,532	\$ 119,456
Working capital	(5,075)	81,006
Total assets	9,880	126,462
Note payable to related party	200	—
Convertible promissory notes payable to related parties, net	12,789	—
Convertible preferred stock warrant liability	72	100
Common stock warrant liability	505	889
Convertible preferred stock	32,224	139,963
Accumulated deficit	(44,629)	(61,643)
Total stockholders' deficit	(38,758)	(61,297)

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the section of this prospectus titled "Selected Consolidated Financial Data" and our consolidated financial statements included elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. As a result of many factors, including those factors set forth in the "Risk Factors" section of this prospectus, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

### Overview

We are a clinical-stage immuno-oncology company focused on the development of first-in-class technology platforms designed to stimulate robust and durable immune responses against cancer, and our lead product candidate is in a randomized controlled Phase 2b clinical trial in metastatic pancreatic cancer. Immuno-oncology encompasses a class of therapies that leverage the patient's immune system to slow the growth and spread of, or eliminate, tumor cells. We believe a critical distinguishing factor in our approach to immuno-oncology is that our novel therapies initiate powerful innate immune responses and drive targeted, durable adaptive immune responses. The immunotherapy field is rapidly advancing with new immuno-oncology combinations that focus on strengthening therapeutic efficacy in a wide range of cancers. We intend to pursue a broad strategy of combining our technology platforms with conventional and novel immuno-oncology therapies, based on their mechanisms of action, safety profiles and versatility. Our pipeline of immuno-oncology product candidates is derived from two proprietary technology platforms: Live, Attenuated, Double-Deleted, or LADD, *Listeria monocytogenes* and cyclic dinucleotides, or CDNs. Our lead LADD product candidate, CRS-207, is currently being developed in metastatic pancreatic cancer and unresectable malignant pleural mesothelioma. In a completed randomized controlled Phase 2a clinical trial in metastatic pancreatic cancer patients, CRS-207 demonstrated a statistically significant improvement in overall survival when combined with GVAX Pancreas, a cellular vaccine product candidate. The 93-patient two-arm Phase 2a clinical trial was designed to compare the combination of CRS-207 and GVAX Pancreas versus GVAX Pancreas alone. The trial met the primary efficacy endpoint of overall survival at an interim analysis and was stopped upon recommendation from the Data Monitoring Committee. Based on the data from this study, our lead immuno-oncology regimen of CRS-207 and GVAX Pancreas was granted Breakthrough Therapy designation by the U.S. Food and Drug Administration, or FDA. Breakthrough Therapy designation is intended to expedite the development and review of products that treat serious or life-threatening conditions. We have obtained orphan drug designations from the FDA for CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer. Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition. Orphan drug designation entitles a party to certain financial incentives and can provide limited market exclusivity in certain circumstances. We are developing a pipeline of proprietary product candidates, including two product candidates in collaboration with Janssen Biotech, Inc., or Janssen, targeting prostate and lung cancer. We have intellectual property protection on both of our technology platforms and each of our product candidates, which we believe we will maintain into the 2030s.

Both of our technology platforms, LADD and CDN, are designed to activate and stimulate a patient's immune system to specifically target cancer cells. Our LADD technology platform is based on a naturally pathogenic bacterium, *Listeria monocytogenes*, which induces a strong innate immune response. In order to engineer this bacterium for therapeutic use, we modify the *Listeria* with two proprietary gene deletions, substantially reducing its natural disease-causing properties. We then engineer specific LADD product candidates to express and secrete tumor antigens that stimulate the adaptive immune system to mount a powerful cellular attack on tumors. The intended effect is to prime and enhance the innate and adaptive immune responses and deliver an antigen-specific T cell attack against the target tumor cells. Our proprietary CDN technology platform comprises synthetic small molecule immune modulators that target and activate Stimulator of Interferon Genes, or STING,

receptors that are generally expressed at high levels in immune cells. Once activated, STING receptors prime and enhance the innate immune response by signaling through multiple distinct pathways. These signals activate the expression of a broad profile of cytokines that initiate the development of an effective adaptive immune response. Recent advancements reported in numerous leading scientific journals have created interest in the potential for STING receptor-targeting drug candidates for a broad range of therapeutic applications.

Our pipeline of product candidates has the potential to be applicable to a variety of cancers and to be combinable with many conventional and emerging cancer therapies, including cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others. Our most advanced immunology regimen, currently in a Phase 2b clinical trial known as ECLIPSE, assesses the combination of our lead LADD product candidate, CRS-207, with GVAX Pancreas to treat late-stage metastatic pancreatic cancer patients who have received at least one prior line of therapy. GVAX Pancreas is a potentially synergistic combination candidate that is designed to induce T cells against an array of pancreatic cancer antigens to enable a broad-based immune response, and has demonstrated a favorable safety profile in clinical trial to date. We expect to report top line results from ECLIPSE in the first half of 2016. In addition, we are evaluating CRS-207 in combination with chemotherapy in unresectable malignant pleural mesothelioma and have a planned study of CRS-207 in combination with GVAX Pancreas and an anti-PD-1 checkpoint inhibitor in metastatic pancreatic cancer. We also have ongoing and planned clinical development programs evaluating LADD regimens for glioblastoma multiforme and ovarian cancer, and with Janssen in lung and prostate cancers. We also envision multiple product opportunities for the CDN technology platform. Because STING receptors are known to be important for immune surveillance and control of cancer progression, we believe that STING receptors represent an attractive target for novel drug candidates. We are developing CDN product candidates as impactful therapies that are intended to prime and enhance the innate and adaptive immune responses. Based on their mechanism of action, our CDN product candidates may also have synergistic or additive benefits when combined with other cancer therapies.

Since commencing our operations, our efforts have been focused on research, development and the advancement of our product candidates into clinical trials. As a result we have incurred significant losses. We have funded our operations primarily through the sale of convertible preferred stock, the issuance of convertible promissory notes, revenue from government grants and licensing agreements with pharmaceutical partners. We incurred a net loss of \$16.1 million and \$17.0 million for the years ended December 31, 2013 and 2014, respectively. At December 31, 2014, our accumulated deficit was \$61.6 million.

## **Financial Operations Overview**

### ***Revenue***

We have not generated any revenue from product sales. Our revenue to date has been primarily derived from research and development grants from the U.S. government and two separate research and license agreements we entered into with Janssen, which became effective in May 2014 and in November 2014. We recognize revenue related to research and development grants when the related research expenses are incurred and our specific performance obligations under the terms of the respective contracts are satisfied. We recognize revenue from upfront payments under our Janssen agreements ratably over the term of our estimated period of performance under the agreement. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives. Revenue from milestones, if they are nonrefundable and deemed substantive, are recognized upon successful accomplishment of the milestones. To the extent that non-substantive milestones are achieved and we have remaining performance obligations, milestones are deferred and recognized as revenue over the estimated remaining period of performance.

We expect that any revenue we generate from our research and license agreements with Janssen, government research and development grants, and any future collaboration partners will fluctuate from year to year as a result of the timing and amount of milestones and other payments.

### ***Research and Development Expenses***

The largest component of our total operating expenses has historically been our investment in research and development activities, including the clinical development of our product candidates. Research and development expenses represent costs incurred to conduct research, such as the discovery and development of our product candidates, as well as the development of product candidates pursuant to our research and license agreement with Janssen. We recognize all research and development costs as they are incurred. Clinical trial costs, contract manufacturing and other development costs incurred by third parties are expensed as the contracted work is performed.

We expect our research and development expenses to increase in absolute dollars in the future as we advance our product candidates into and through clinical trials and pursue regulatory approval of our product candidates. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming. The actual probability of success for our product candidates and technology platforms may be affected by a variety of factors including: the quality of our product candidates, early clinical data, investment in our clinical program, competition, manufacturing capability and commercial viability. We may never succeed in achieving regulatory approval for any of our product candidates. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our product candidates.

### ***General and Administrative Expenses***

General and administrative expenses include personnel costs, expenses for outside professional services and other allocated expenses. Personnel costs consist of salaries, bonuses, benefits and stock-based compensation. Outside professional services consist of legal, accounting and audit services and other consulting fees. Allocated expenses consist of rent expense related to our office and research and development facility. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission, and those of any national securities exchange on which our securities are traded, additional insurance expenses, investor relations activities and other administrative and professional services.

### ***Interest Expense***

Interest expense consists of amortization of debt discount associated with convertible promissory note warrants, issuance of the equity component of a convertible promissory note and beneficial conversion features associated with certain convertible promissory notes, as well as stated interest costs associated with our borrowings.

### ***Gain on Extinguishment of Convertible Promissory Notes***

During 2013 and 2014, we issued convertible promissory notes to related parties, which were subsequently converted in May 2014 to Series C convertible preferred stock. The conversion of convertible promissory notes was determined to be an extinguishment of debt and a portion of the reacquisition price was allocated to the reacquisition of the embedded beneficial conversion feature. We recorded a gain on extinguishment, as the amount allocated to reacquire the notes was less than the carrying value of the notes.

### ***Other Income (Expense), Net***

Other income (expense), net, consists of gains and losses from the remeasurement of the fair value of our liabilities related to our convertible preferred stock warrants and common stock warrants, the change in the fair value of the preferred stock derivative liability associated with our obligation to issue additional shares of Series C convertible preferred stock, and interest income earned on our cash and cash equivalents.

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Our convertible preferred stock warrants are exercisable into shares that are contingently redeemable and our common stock warrants are subject to performance conditions that may result in the issuance of a variable number of shares. As such, we have classified these warrants as liabilities in the consolidated balance sheets at their estimated fair values, and we record the change in the estimated fair values each reporting period as other income (expense), net. We will continue to record adjustments to the estimated fair values of the convertible preferred stock and common stock warrants until they are exercised or expire.

In May 2014, we entered into a Series C convertible preferred stock purchase agreement. Under the agreement, we agreed to issue to the purchasers, and the purchasers agreed to purchase, additional shares of our Series C convertible preferred stock in tranches within a specified timeframe after the initial closing. We determined that the obligation to issue additional Series C convertible preferred stock at future dates was a freestanding financial instrument that should be accounted for as a liability. Accordingly, we recorded a preferred stock derivative liability related to this instrument at the time of the initial close in May 2014, and we remeasured the liability at fair value at each reporting period with the corresponding gain or loss from the adjustment recorded as other income (expense), net until the tranche obligation either expired or was fulfilled. In December 2014, the final tranche of the Series C convertible preferred stock was issued and the corresponding preferred stock derivative liability was remeasured and then reclassified as equity.

## Results of Operations

### *Comparison of the Years Ended December 31, 2013 and 2014*

	Year Ended December 31,		Change
	2013	2014	\$
	(in thousands)		
Revenue:			
Collaboration and license revenue	\$ —	\$ 13,038	\$13,038
Grant revenue	828	351	(477)
Total revenue	828	13,389	12,561
Operating expenses:			
Research and development	10,687	23,513	12,826
General and administrative	4,677	8,994	4,317
Total operating expenses	15,364	32,507	17,143
Loss from operations	(14,536)	(19,118)	(4,582)
Interest expense	(1,371)	(2,395)	(1,024)
Gain on extinguishment of convertible promissory notes	—	3,553	3,553
Other income (expense), net	(147)	946	1,093
Net loss and comprehensive loss	<u>\$ (16,054)</u>	<u>\$ (17,014)</u>	<u>\$ (960)</u>

### *Revenue*

Collaboration and license revenue was \$13.0 million for the year ended December 31, 2014, due to recognition of a portion of the upfront fees and substantive and non-substantive development-related milestones achieved under the Janssen agreements.

Grant revenue was \$0.4 million for the year ended December 31, 2014, a decrease of \$0.5 million compared to the year ended 2013, primarily due to our focus on other research and development activities which resulted in a decrease in grant-related research and development in 2014.



[Table of Contents](#)*Research and Development Expenses*

The following table summarizes our research and development expenses incurred during the years ended December 31, 2013 and 2014:

	<b>Year Ended December 31,</b>		<b>Change</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>\$</u></b>
	<b>(in thousands)</b>		
Clinical development	\$ 3,196	\$ 7,547	\$ 4,351
Contract manufacturing	1,323	5,246	3,923
Other research and development costs	1,244	3,611	2,367
Compensation and related personnel costs	3,245	5,212	1,967
Licensing fees	461	1,617	1,156
Facility costs	218	280	62
Acquired GVAX technology	1,000	—	(1,000)
Total research and development	<u>\$10,687</u>	<u>\$23,513</u>	<u>\$12,826</u>

Research and development expenses were \$23.5 million for the year ended December 31, 2014, an increase of \$12.8 million, compared to the year ended 2013. The increase was primarily attributed to a \$4.4 million increase in clinical development expenses mainly associated with ongoing trials for our lead indication in pancreatic cancer; a \$3.9 million increase in contract manufacturing costs of our clinical product candidates; a \$2.4 million increase in other research and development costs; a \$2.0 million increase in compensation expenses primarily related to additional research and development staff; and a \$1.2 million increase in licensing fees primarily due to payment of sublicense fees in connection with the research and license agreement with Janssen. The increase was partially offset by the \$1.0 million expense recognized in 2013 related to the acquisition of GVAX technology from BioSante Pharmaceuticals, Inc. (which later merged into ANI Pharmaceuticals, Inc.).

*General and Administrative Expenses*

The following table summarizes our general and administrative expenses incurred during the years ended December 31, 2013 and 2014:

	<b>Year Ended December 31,</b>		<b>Change</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>\$</u></b>
	<b>(in thousands)</b>		
Outside professional services	\$2,117	\$4,784	\$2,667
Compensation and related personnel costs.	1,895	3,026	1,131
Facility costs	375	648	273
Other general and administrative	290	536	246
Total general and administrative	<u>\$4,677</u>	<u>\$8,994</u>	<u>\$4,317</u>

General and administrative expenses were \$9.0 million for the year ended December 31, 2014, an increase of \$4.3 million, compared to the year ended 2013. The increase was primarily due to a \$2.7 million increase in legal fees related to licensing and general corporate matters and other professional services fees, including accounting fees, as well as a \$1.1 million increase in compensation expenses primarily related to our additional administrative personnel.

*Interest Expense*

Interest expense was \$2.4 million for the year ended December 31, 2014, an increase of \$1.0 million, compared to the year ended 2013. The increase was primarily attributed to the amortization of debt discount

associated with the warrants and beneficial conversion feature associated with our convertible promissory notes payable to related parties.

#### *Gain on Extinguishment of Convertible Promissory Notes*

During 2013 and 2014, we issued convertible promissory notes to related parties, which were subsequently converted in May 2014 to Series C convertible preferred stock. The conversion of convertible promissory notes was determined to be an extinguishment of debt and a portion of the reacquisition price was allocated to the reacquisition of the embedded beneficial conversion feature. We recorded a gain on extinguishment of \$3.6 million during the year ended December 31, 2014, as the amount allocated to reacquire the notes was less than the carrying value of the notes.

#### *Other Income (Expense), Net*

Other income (expense), net increased by \$1.1 million for the year ended December 31, 2014, compared to the year ended 2013. The increase was primarily due to the remeasurement of the fair value of the preferred stock derivative liability associated with the future issuance of our Series C convertible preferred stock. At December 31, 2014, there was no obligation remaining related to the future issuance of our Series C convertible preferred stock and therefore no preferred stock derivative liability on the consolidated balance sheets. The increase was partially offset by other expenses recognized for remeasurement of common and preferred stock warrants.

### **Liquidity and Capital Resources**

Our operations have been financed primarily by net proceeds from the sale of convertible preferred stock, issuance of convertible promissory notes, revenue from government grants and proceeds from our Janssen research and license agreements. At December 31, 2014, we had cash and cash equivalents of \$119.5 million.

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party clinical research and development services, laboratory and related supplies, clinical costs and other regulatory expenses. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses. We expect to incur substantial expenditures in the foreseeable future for the development and potential commercialization of our product candidates. Specifically, we have incurred and we expect to continue to incur substantial expenses in connection with our Phase 2b ECLIPSE clinical trial for metastatic pancreatic cancer.

We plan to continue to fund our operations and capital funding needs through equity and/or debt financing. We may also consider entering into additional collaboration arrangements or selectively partnering for clinical development and commercialization. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned programs. Any of these actions could harm our business, results of operations, financial condition and future prospects.

## Cash Flows

The following table summarizes our cash flows for the periods indicated:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
	<b>(in thousands)</b>	
Net cash provided by (used in):		
Operating activities	\$(14,232)	\$ 19,365
Investing activities	(170)	(782)
Financing activities	19,239	92,341
Net change in cash and cash equivalents	<u>\$ 4,837</u>	<u>\$110,924</u>

### *Operating Activities*

Net cash provided by operating activities was \$19.4 million for the year ended December 31, 2014, compared to net cash used of \$14.2 million for the year ended 2013. The increase in net cash provided was primarily due to the upfront and milestone payments totaling \$46.0 million received from the research and license agreements with Janssen during 2014, partially offset by increased operating expenses due to additional headcount, increased clinical trial activities and other research and development.

### *Investing Activities*

Net cash used in investing activities was \$0.8 million for the year ended December 31, 2014, compared to \$0.2 million for the year ended 2013. The increase in net cash used was primarily the result of investment in laboratory and office equipment, furniture and leasehold improvements.

### *Financing Activities*

Net cash provided by financing activities was \$92.3 million for the year ended December 31, 2014, compared to \$19.2 million for the year ended 2013. The increase was primarily related to \$51.4 million in gross proceeds from the issuance of Series D convertible preferred stock, \$41.9 million in net proceeds from the issuance of Series C convertible preferred stock and \$0.3 million in proceeds from the issuance of convertible promissory notes, which were converted into Series C convertible preferred stock in May 2014. The increase in financing activities was partially offset by \$1.1 million of payments made related to preparing to become a public company.

### *Operating Capital Requirements and Plan of Operations*

We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize our current or any future product candidates. We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of and seek regulatory approvals for our product candidates and begin to commercialize any approved products. We are subject to all of the risks pertinent to the development of new products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may harm our business. Upon the closing of this offering, we expect to incur additional costs associated with operating as a public company and we anticipate that we will need substantial additional funding in connection with our continuing operations.

We believe that our existing capital resources, not including potential milestone payments and the proceeds we receive from this offering, will be sufficient to meet our projected operating requirements through

the end of 2016. If we need to raise additional capital to fund our operations and complete our ongoing and planned clinical studies, funding may not be available to us on acceptable terms, or at all.

Our future funding requirements will depend on many factors, including the following:

- the scope, rate of progress, results and cost of our clinical studies and other related activities;
- the cost of manufacturing clinical supplies and establishing commercial supplies of our product candidate and any other products that we may develop;
- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish, including any required milestone and royalty payments thereunder; and
- the emergence of competing technologies or other adverse market developments.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

### ***Revenue Recognition***

We have historically generated revenue through government grants and, beginning in 2014, from funds received under research and license arrangements. Government grants provide funding for certain types of expenditures in connection with research and development activities over a contractually-defined period. Revenue related to government grants is recognized in the period during which the related costs are incurred and the related services are rendered, provided that the applicable performance obligations under the government grants have been met. We intend to continue to evaluate pursuing additional government grant opportunities on a case-by-case basis.

Revenues from research activities made under collaboration arrangements are recognized when there is persuasive evidence that an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue generated from our collaboration arrangements is not subject to repayment and typically includes upfront fees, milestone payments and royalties on future licensee's product sales. Our obligations under collaboration agreements may include the transfer of intellectual property rights in the form of licenses, obligations to provide research and development services and obligations to participate on certain development committees with the collaboration party. We make judgments that affect the period over which we recognize revenue. On a quarterly basis, we review our estimated period of performance for our

collaboration and license revenue based on the progress under the arrangement and account for the impact of any changes in estimated periods of performance on a prospective basis. We record amounts received prior to satisfying the above revenue recognition criteria as deferred revenue until all applicable revenue recognition criteria are met. Deferred revenue represents the portion of research or license payments received that have not been earned.

For revenue agreements with multiple-element arrangements, such as license and development agreements, we allocate revenue to each non-contingent element based on the relative selling price of each element. When applying the relative selling price method, we determine the selling price for each deliverable using vendor-specific objective evidence or third-party evidence. If neither exists, we use the best estimate of selling price for that deliverable. Revenue allocated is then recognized when the four basic revenue recognition criteria are met for each element. Our obligations under the agreements may include the transfer of intellectual property rights in the form of licenses, obligations to provide research and development services and obligations to participate on certain development committees.

Milestones are considered substantive if all of the following conditions are met: (1) the milestone is nonrefundable; (2) achievement of the milestone was not reasonably assured at the inception of the arrangement; (3) substantive effort is involved to achieve the milestone; and (4) the amount of the milestone appears reasonable in relation to the effort expended, and the other milestones in the arrangement and the related risk associated with the achievement of the milestone and any ongoing research and development or other services are priced at fair value. Such payments that are contingent upon the achievement of a substantive milestone are recognized entirely as revenue in the period in which the milestone is achieved. To the extent that non-substantive milestones are achieved and we have remaining performance obligations, milestones are deferred and recognized as revenue over the estimated remaining period of performance. If there were no remaining performance obligations, we recognize the revenue in the period it is earned.

### ***Accrued Research and Development Costs***

We record accrued expenses for estimated costs of our research and development activities conducted by third-party service providers, which include the conduct of preclinical studies and clinical trials and contract manufacturing activities. We record the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced, and we include these costs in accrued liabilities in the consolidated balance sheets and within research and development expense in the statement of operations and comprehensive loss. These costs are a significant component of our research and development expenses. We record accrued expenses for these costs based on the estimated amount of work completed and in accordance with agreements established with these third parties.

We estimate the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. We make significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, we adjust our accrued estimates. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed, the number of patients enrolled and the rate of patient enrollment may vary from our estimates and could result in us reporting amounts that are too high or too low in any particular period. Our accrued expenses are dependent, in part, upon the receipt of timely and accurate reporting from clinical research organizations and other third-party service providers. To date, there have been no material differences from our accrued expenses to actual expenses.

### ***Stock-Based Compensation***

We recognize compensation costs related to stock options granted to employees and directors based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures. We estimate the grant date

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fair value using the Black-Scholes option-pricing model. The grant date fair value of the stock-based awards is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards.

We recorded stock-based compensation expense related to options granted of \$0.4 million and \$0.6 million in each of the years ended December 31, 2013 and 2014, respectively.

In determining the fair value of the stock-based awards, we use the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

*Expected Term.* The expected term represents the period that stock-based awards are expected to be outstanding. We used the simplified method to determine the expected term, which is calculated as the mid-point between the vesting date and the end of the contractual term of the options.

*Expected Volatility.* Since we are not yet a public company and do not have any trading history for our common stock, the expected volatility was estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle or area of specialty. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available.

*Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

*Expected Dividend.* We have never paid dividends on our common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

In addition to the Black-Scholes assumptions, we estimate our forfeiture rate based on an analysis of our actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. The impact from any forfeiture rate adjustment would be recognized in full in the period of adjustment, and if the actual number of future forfeitures differs from our estimates, we might be required to record adjustments to stock-based compensation in future periods.

Historically, for all periods prior to this offering, the fair value of the shares of common stock underlying our share-based awards were estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, contemporaneous valuations of our common stock prepared by an unrelated third-party valuation firm at February 28, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 in accordance with the guidance provide by the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Given the absence of a public trading market for our common stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including our stage of development; progress of our research and development efforts; the rights, preferences and privileges of our preferred stock relative to those of our common stock; equity market conditions affecting comparable public companies and the lack of marketability of our common stock.

The unrelated third-party valuations were prepared using the discounted cash flow approach to estimate our aggregate enterprise value at each valuation date. To arrive at the estimated fair value of our common stock, the enterprise value was allocated across our classes and series of capital stock using the Probability Weighted Expected Return Method, or PWERM, or Option Pricing Method, or OPM. The PWERM is a scenario-based analysis that estimates the value per share of common stock based on the probability-weighted present value of

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expected future equity values for the common stock, under various possible future liquidity event scenarios, including initial public offering, sale of the company, dissolution and staying private. The OPM values each equity class by creating a series of call options on the equity value, with exercise prices based on the liquidation preferences, participation rights and strike prices of derivatives.

After the completion of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

The intrinsic value of all outstanding options at December 31, 2014 was \$       million based on an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus.

### ***Estimated Fair Value of Convertible Preferred Stock Warrants and Common Stock Warrants***

Warrants for shares that are contingently redeemable, such as our convertible preferred stock, and common stock warrants subject to performance conditions that may result in the issuance of a variable number of shares are accounted for as freestanding financial instruments. These warrants are classified as liabilities on our consolidated balance sheets and are recorded at their estimated fair value. At the end of each reporting period, changes in the estimated fair value during the period are recorded as a component of other income (expense), net. We will continue to adjust these liabilities for changes in fair value until the earlier of the conversion to common stock warrants, performance conditions met, expiration or the exercise of the warrants.

We estimate the fair values of our convertible preferred stock warrants and common stock warrants using an option pricing model based on inputs as of the valuation measurement dates, including the fair values of our convertible preferred stock and common stock, the estimated volatility of the price of our convertible preferred stock and common stock, the expected term of the warrants and the risk-free interest rates.

### ***Estimated Fair Value of Preferred Stock Derivative Liability***

We have determined that our obligation to issue and our investor's obligation to purchase additional shares of convertible preferred stock represented a freestanding financial instrument, which we accounted for as a liability. The freestanding convertible preferred stock derivative liability was initially recorded at fair value, with fair value changes recognized at each balance sheet date as increases or decreases to other income (expense), net in the statement of operations and comprehensive loss. At the time of the exercise of the option, we remeasured the obligation to fair value with the change recognized in other income (expense), net on the consolidated statements of operations and comprehensive loss. The remaining value of the option subsequent to remeasurement was recorded as a capital transaction.

### ***Income Taxes***

We recognize deferred income taxes for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. We periodically evaluate the positive and negative evidence bearing upon realizability of our deferred tax assets. Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets. We intend to maintain a full valuation allowance on the federal and state deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance.

At December 31, 2014, we generated net operating loss, or NOL, carryforwards (before tax effects) for federal and state income tax purposes of \$51.2 million and \$6.0 million, respectively. These federal and state NOL carryforwards will begin to expire in 2027 and 2017, respectively, if not utilized. In addition, we generated federal and state research and development tax credit carryforwards of \$0.3 million and \$0.9 million,

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respectively, to offset future income tax liabilities. The federal research and development tax credits can be carried forward for 20 years and will start to expire in 2034, if not utilized, while the state research and development tax credits can be carried forward indefinitely. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize NOL carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we have experienced an “ownership change.” We performed a Section 382 analysis and believe that we experienced multiple ownership changes under Section 382 of the Code and as a result our federal and state NOLs and tax credits are subject to limitation.

We record unrecognized tax benefits as liabilities and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

### **Contractual Obligations and Other Commitments**

The following table summarizes our contractual obligations at December 31, 2014:

	<u>Payments due by period</u>				<u>Total</u>
	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years (in thousands)</u>	<u>More than 5 years</u>	
Operating leases	\$ 392	\$ 261	\$ —	\$ —	\$653
Total contractual obligations	<u>\$ 392</u>	<u>\$ 261</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$653</u>

We enter into agreements in the normal course of business with contract research organizations for clinical trials and with vendors for preclinical studies and other services and products for operating purposes which are cancelable at any time by us, generally upon 30 days prior written notice. These payments are not included in this table of contractual obligations.

We are obligated to make future payments to third parties under in-license agreements, including sublicense fees, royalties and payments that become due and payable on the achievement of certain development and commercialization milestones. As the amount and timing of sublicense fees and the achievement and timing of these milestones are not probable and estimable, such commitments have not been included on our consolidated balance sheets or in the contractual obligations table above.

### **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements and do not have variable interests in variable interest entities.

### **Quantitative and Qualitative Disclosures about Market Risk**

At December 31, 2014, we had cash and cash equivalents of \$119.5 million, which consisted primarily of bank deposits. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant.

We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.



## **JOBS Act Accounting Election**

We are an “emerging growth company,” as defined in the JOBS Act of 2012. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

## **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09 (Accounting Standards Codification Topic, or ASC, 606), *Revenue from Contracts with Customers*. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods and services or enters into contracts for the transfer of nonfinancial assets. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the currently effective guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, including interim periods within that period. Early adoption is not permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. ASU 2014-10 simplifies the accounting guidance by removing all incremental financial reporting requirements for development stage entities. The amendments related to the elimination of the inception-to-date information and other disclosure requirements of Topic 915 should be applied retrospectively and are effective for annual reporting periods beginning after December 15, 2014 and interim periods therein. The Company has elected to early adopt this guidance and, accordingly, there is no inception to date information presented in these consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures than under today’s guidance. ASU 2014-15 is effective for the first quarter of 2016 with early adoption permitted. We do not believe the impact of adopting ASU 2014-15 on our consolidated financial statements will be material.

## BUSINESS

### Overview

We are a clinical-stage immuno-oncology company focused on the development of first-in-class technology platforms designed to stimulate robust and durable immune responses against cancer, and our lead product candidate is in a randomized controlled Phase 2b clinical trial in metastatic pancreatic cancer. Immuno-oncology encompasses a class of therapies that leverage the patient's immune system to slow the growth and spread of, or eliminate, tumor cells. We believe a critical distinguishing factor in our approach to immuno-oncology is that our novel therapies initiate powerful innate immune responses and drive targeted, durable adaptive immune responses. Another key attribute of our approach to immuno-oncology is the versatility of our technology platforms to generate customized and combinable therapies to target a wide range of cancers. Our pipeline of immuno-oncology product candidates is derived from two proprietary technology platforms: Live, Attenuated, Double-Deleted, or LADD, *Listeria monocytogenes* and cyclic dinucleotides, or CDNs. Our lead LADD product candidate, CRS-207, is currently being developed in metastatic pancreatic cancer and unresectable malignant pleural mesothelioma. In a completed randomized controlled Phase 2a clinical trial in metastatic pancreatic cancer patients, CRS-207 demonstrated a statistically significant improvement in overall survival when combined with GVAX Pancreas, a cellular vaccine product candidate. The 93-patient two-arm Phase 2a clinical trial was designed to compare the combination of CRS-207 and GVAX Pancreas versus GVAX Pancreas alone. The trial met the primary efficacy endpoint of overall survival at an interim analysis and was stopped upon recommendation from the Data Monitoring Committee. Based on the data from this study, our lead immuno-oncology regimen of CRS-207 and GVAX Pancreas was granted Breakthrough Therapy designation by the U.S. Food and Drug Administration, or FDA. Breakthrough Therapy designation is intended to expedite the development and review of products that treat serious or life-threatening conditions. We have obtained orphan drug designations from the FDA for CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer. Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition. Orphan drug designation entitles a party to certain financial incentives and can provide limited market exclusivity in certain circumstances. We are developing a pipeline of proprietary product candidates, including two product candidates in collaboration with Janssen Biotech, Inc., or Janssen, targeting prostate and lung cancers. We have intellectual property protection on both of our technology platforms and each of our product candidates, which we believe we will maintain into the 2030s.

Despite recent advances in the treatment of cancer over the past few decades, cancer remains the second leading cause of death in the United States and cancer treatment represents a major unmet medical need. Immuno-oncology is an emerging field of cancer therapy that aims to activate the immune system in the tumor microenvironment to create and enhance anti-tumor immune responses, as well as to overcome the immuno-suppressive mechanisms that cancer cells have developed against the immune system. Recent developments in the field of immuno-oncology, including checkpoint inhibitors—therapies that have mechanisms focused on unmasking hidden cancer cells—have shown the potential to provide dramatic efficacy responses and extended survival, even in cancers where conventional therapies such as surgery, chemotherapy and radiotherapy have failed. Based on these advancements, immuno-oncology is becoming a new frontier for cancer drug development, and we believe it is one of the most promising areas of research and development within the pharmaceutical industry.

Both of our technology platforms, LADD and CDN, are designed to activate and stimulate a patient's immune system to specifically target cancer cells. Our LADD technology platform is based on a naturally pathogenic bacterium, *Listeria monocytogenes*, which induces a strong innate immune response. In order to engineer this bacterium for therapeutic use, we modify the *Listeria* with two proprietary gene deletions, substantially reducing its natural disease-causing properties. We then engineer specific LADD product candidates to express and secrete tumor antigens that stimulate the adaptive immune system to mount a powerful cellular attack on tumors. The intended effect is to prime and enhance the innate and adaptive immune responses and deliver an antigen-specific T cell attack against the target tumor cells. Our proprietary CDN technology platform comprises synthetic small molecule immune modulators that target and activate Stimulator of Interferon Genes, or STING,

receptors that are generally expressed at high levels in immune cells. Once activated, STING receptors prime and enhance the innate immune response by signaling through multiple distinct pathways. These signals activate the expression of a broad profile of cytokines that initiate the development of an effective adaptive immune response. Recent advancements reported in numerous leading scientific journals have created interest in the potential for STING receptor-targeting drug candidates for a broad range of therapeutic applications.

Our pipeline of product candidates has the potential to be applicable to a variety of cancers and to be combinable with many conventional and emerging cancer therapies, including cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others. Our most advanced immuno-oncology regimen, currently in a Phase 2b clinical trial known as ECLIPSE, assesses the combination of our lead LADD product candidate, CRS-207, with GVAX Pancreas, to treat late-stage metastatic pancreatic cancer patients who have received at least one prior line of therapy. GVAX Pancreas is a potentially synergistic combination candidate that is designed to induce T cells against an array of pancreatic cancer antigens to enable a broad-based immune response and has demonstrated a favorable safety profile in clinical trial to date. We expect to report top line results from ECLIPSE in the first half of 2016. In addition, we are evaluating CRS-207 in combination with chemotherapy in unresectable malignant pleural mesothelioma and have a planned study of CRS-207 in combination with GVAX Pancreas and an anti-PD-1 checkpoint inhibitor in metastatic pancreatic cancer. We also have ongoing and planned clinical development programs evaluating LADD regimens for glioblastoma multiforme and ovarian cancer, and with Janssen in lung and prostate cancers.

We also envision multiple product opportunities for the CDN technology platform. Because STING receptors are known to be critical for immune surveillance and control of cancer progression, we believe that STING receptors represent an attractive target for novel drug candidates. We are developing CDN product candidates as impactful therapies that are intended to prime and enhance the innate and adaptive immune responses. Based on their mechanism of action, our CDN product candidates may also have synergistic or additive benefits when combined with other cancer therapies.

Our vision is to leverage our scientific expertise and understanding of the body's natural defense systems, including the interplay between the innate and adaptive immune responses, to develop safe and effective therapies for the benefit of patients.

### **Our Proprietary Technology Platforms**

We have developed first-in-class technology platforms, LADD and CDN, to prime and enhance immune responses to cancer in indications with significant unmet medical need. We believe our technology platforms represent innovative approaches in immuno-oncology that leverage the potential of the patient's immune system to initiate a powerful innate immune response and to drive a targeted and durable adaptive immune response against cancer.

#### ***Live, Attenuated, Double-Deleted Listeria Monocytogenes***

Our proprietary LADD product candidates have been engineered for safety and optimal efficacy. We seek to optimize tumor-specific immune responses by engineering our LADD product candidates to express the encoded tumor-specific antigens and deliver them to antigen-presenting cells, which include dendritic cells, or DCs, lead to efficient priming of a class of immune cells known as T cells. Once primed, these T cells seek out and eliminate the targeted tumor cells. Our LADD product candidates have been engineered for safety in humans through the deletion of two genes critical for virulence of unmodified *Listeria*: *actA* and *inlB*. The deletion of the *actA* gene prevents the spread of our LADD product candidates from cell to cell, which controls the spread of infection. The deletion of the *inlB* gene prevents the infection of hepatocytes, or liver cells, which can lead to toxicity. We believe key attributes of our LADD technology platform include:

- *Early Evidence of Efficacy.* Our randomized controlled Phase 2a clinical trial in patients with metastatic pancreatic cancer who had received or refused prior therapy demonstrated improved overall survival.

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- *Novel Mechanism.* Our LADD product candidates are designed to initiate a powerful innate immune response and drive a targeted, durable adaptive immune response.
- *Early Evidence of Safety in Preclinical Studies and Clinical Trials.* Through our proprietary deletion of two genes that contribute to *Listeria*'s virulence, we substantially reduce the natural disease-causing properties of *Listeria*, creating stable product candidates suitable for therapeutic use.
- *Versatility.* Individual LADD product candidates can be engineered to target a wide range of cancers by promoting anti-tumor immune responses against antigens associated with specific tumors.
- *Combinability.* The mechanisms of action and safety profile of our LADD product candidates may give them the potential for combination with conventional and novel therapies, such as cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.
- *Repeatable Administration.* Our LADD product candidates are not neutralized by the patient's immune system and are designed for repeat administration, thus allowing a chronic therapy for a sustained tumor antigen-specific response.
- *Cost-effectiveness.* Our LADD product candidates are not personalized for each patient and can be manufactured through a relatively simple and cost-effective fermentation process.

We have engineered and developed proprietary LADD product candidates that are currently under evaluation in clinical trials in metastatic pancreatic cancer, unresectable malignant pleural mesothelioma and glioblastoma multiforme. Further, we are planning additional clinical development programs in indications with significant unmet medical need, such as ovarian, lung and prostate cancers. For large or complex indications, we are pursuing collaborations on a product-by-product basis. As part of this strategy, in May 2014 we entered into a collaboration with Janssen for the development of a LADD product candidate for prostate cancer. Subsequently, we entered into a second collaboration with Janssen for the development of a LADD product candidate for lung cancer, and this agreement became effective in November 2014. In July 2014, our lead immuno-oncology regimen of CRS-207 combined with GVAX Pancreas was granted Breakthrough Therapy designation by the FDA based on Phase 2a clinical trial results that showed a statistically significant improvement in overall survival in patients with metastatic pancreatic cancer who had received or refused prior therapy.

### *Cyclic Dinucleotides*

Our proprietary CDN product candidates are synthetic small molecule immune modulators that are designed to target and activate a receptor known as the STING receptor. Once activated, the STING receptor initiates a profound innate immune response by signaling through three distinct pathways, inducing the expression of a broad profile of cytokines that activate the development of an effective tumor antigen-specific T cell adaptive immune response. The STING receptor is generally expressed at high levels in the cytosol of immune cells, including DCs. Recent advancements reported in numerous leading scientific journals have created interest in the potential for STING receptor-targeting drug candidates across diverse applications. We believe the STING receptor represents an attractive target for novel drug candidates because it is known to be critical for immune surveillance and control of cancer progression. We are developing CDN product candidates as therapies that are intended to prime and enhance the innate and adaptive immune response. Our proprietary synthetic CDN product candidates are significantly more potent than naturally occurring CDN molecules, indicating a high translational potential as a therapeutic approach to elicit an effective immune response. We believe key attributes of our CDN technology platform are:

- *Early Evidence of Potency.* Our CDN product candidates have demonstrated significant anti-tumor activity in pre-clinical studies.

- *Novel Mechanism.* Our CDN product candidates are designed to initiate broad and strong innate and adaptive immune responses through the activation of the STING receptor signaling pathway.
- *Versatility of Delivery.* We believe our CDN product candidates can be effectively delivered via intratumoral, or IT, injection, systemic delivery via formulation and other novel modalities such as conjugation with antibodies.
- *Combinability.* Based on their mechanism of action, we believe our CDN product candidates may have synergistic or additive benefits of immune-mediated tumor killing mechanisms when combined with conventional and novel therapies such as cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.
- *Ease of Manufacture.* Our CDN product candidates are small molecules manufactured through a relatively simple and cost-effective process.
- *Broad Applicability.* We believe our CDN product candidates will have broad application in oncology and the potential to expand into other therapeutic areas such as infectious and autoimmune diseases.

Our preclinical studies utilizing our synthetic CDN derivatives resulted in eradication of treated tumors and induction of systemic tumor-specific immunity in several aggressive preclinical tumor models. Based on the results of these preclinical studies, we believe our proprietary CDN derivatives are significantly more potent than natural stimulators of the STING receptor. We expect to file an Investigational New Drug, or IND, application for our lead CDN product candidate, ADU-S100, in the first half of 2015 and to dose our first patient in the second half of 2015.

### Key Advantages of the Aduro Approach

Immuno-oncology is an emerging field of cancer treatment that aims to directly activate the immune system in the tumor microenvironment to create and enhance anti-tumor immune responses, as well as to overcome the immuno-suppressive mechanisms that cancer cells have developed against the immune system. There are two general approaches to immuno-oncology: “create and expand” the anti-tumor immune response and “remove the brakes” placed on the immune response by the tumor’s defenses. By focusing on the “create and expand” approach, our technology platforms are designed to prime and enhance innate and tumor-specific adaptive immune responses against the target tumor cells.

We believe several advantages to our approach include:

- **Our product candidates are engineered to prime and enhance both the innate and adaptive immune responses against tumors.** We believe that leveraging both the innate and adaptive immune responses is a novel approach to immuno-oncology that differentiates our technology platforms from current and conventional therapies and has the potential to create best-in-class cancer therapies. Our LADD product candidates efficiently enter circulating APCs, priming and enhancing a potent innate immune response and an adaptive immune response to fight cancer. By stimulating the expression of a broad profile of cytokines, our CDN product candidates are designed to directly activate the tumor microenvironment and enhance recognition of the tumor by the immune system, leading to tumor destruction and long-lasting anti-tumoral immunological memory. This proprietary synthetic molecule is significantly more potent than naturally occurring CDN molecules and toll-like receptor, or TLR, agonists, indicating a high potential as a therapeutic approach against diverse tumor types.
- **By working to stimulate the patient’s immune system, our product candidates have the potential to be well-tolerated and safe, relative to many existing treatments.** Because our

therapies are designed to prime and enhance the body's natural innate and adaptive immune responses, we believe that our approach may offer a safer treatment alternative to conventional oncology approaches such as chemotherapy, radiotherapy and antibody therapies. To date, our LADD product candidates have been well-tolerated in the clinical setting.

- **Based on their mechanism of action and safety profiles, our therapies have the potential to be readily combinable and synergistic with both conventional and novel therapies.** Our most advanced regimen, currently in our Phase 2b ECLIPSE clinical trial, is an immuno-oncology regimen that assesses the combination of CRS-207, with GVAX Pancreas. In an earlier randomized controlled Phase 2a clinical trial, this combination regimen demonstrated a statistically significant overall survival benefit in patients with metastatic pancreatic cancer who had received or refused prior therapy, when compared to patients receiving GVAX Pancreas alone. GVAX Pancreas is a potentially synergistic combination candidate that is designed to induce T cells against an array of pancreatic cancer antigens to enable a broad-based immune response with a well-established, favorable safety profile. We believe CRS-207 has further potential to enhance therapeutic outcomes when combined with other cancer treatments. CRS-207 is also under investigation for use in combination with chemotherapy in patients with unresectable malignant pleural mesothelioma who have not received prior therapy. In preclinical studies, we have shown that our proprietary CDN product candidates can be co-formulated with designated recombinant proteins to induce potent antigen-specific helper T cell, or CD4+ T cell, and cytotoxic T cell, or CD8+ T cell, immunity.
- **Our “create and expand” approach to immuno-oncology may have a role alongside other potentially complementary immuno-oncology therapies that have mechanisms focused on the “remove the brakes” approach, such as checkpoint inhibitors.** Many of the immuno-oncology therapies in development center on the “remove the brakes” approach, which works by overcoming immunosuppressive pathways that mask a tumor from the body's immune system. Some of the most advanced technologies are anti-PD-1/PD-L1 monoclonal antibodies, a class of checkpoint inhibitors that target these immunosuppressive pathways. By impairing the interaction of the inhibitory receptor PD-1 on T cells, which we refer to as “removing the brakes,” these checkpoint inhibitors strengthen the anti-tumor T cell response. We believe that our approach to “create and expand” the immune response will be synergistic to these “remove the brakes” approaches and allow our technology to play an important role in the overall immuno-oncology treatment paradigm.
- **Our versatile LADD and CDN technology platforms have produced a deep pipeline and have the potential to produce a breadth of future development opportunities.** Our lead LADD product candidate, CRS-207, is engineered to stimulate a response to mesothelin, an antigen expressed by multiple tumor types. Thus, our ongoing clinical trials involving CRS-207 are focused on assessing CRS-207 for the treatment of mesothelin-based tumors in metastatic pancreatic cancer and unresectable malignant pleural mesothelioma. We anticipate conducting additional studies of CRS-207 in other tumor types that express high levels of mesothelin. We have developed other proprietary LADD product candidates to target prostate cancer, lung cancer and glioblastoma multiforme and intend to explore the development of additional LADD product candidates to target other cancers. With our CDN technology program, we are exploring various delivery methods and formulations, as well as the potential to expand their application into other disease areas beyond oncology.

## Our Strategy

Our current focus is to develop and commercialize best-in-class cancer therapies using our LADD and CDN technology platforms. Key elements of our strategy include:

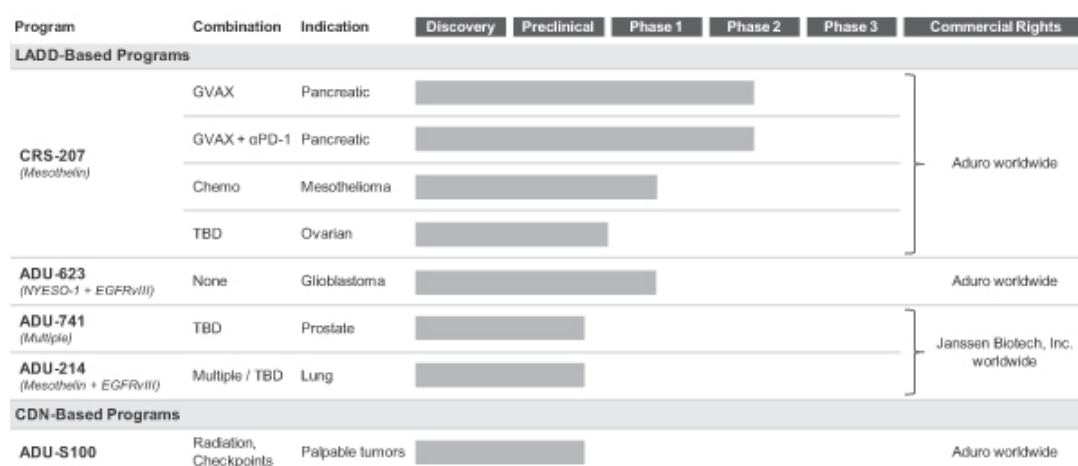
- **Rapidly advance CRS-207 through clinical development and regulatory approval.** We are currently conducting our Phase 2b ECLIPSE clinical trial of CRS-207 in combination with GVAX

Pancreas in patients with metastatic pancreatic cancer who have received at least one prior line of therapy. We expect to complete enrollment in the third quarter of 2015 and to report top line results in the first half of 2016. Assuming positive clinical results in pancreatic cancer studies, we plan to seek regulatory approval of CRS-207 in the United States, Europe and other major geographies around the world.

- **Maximize the commercial value of our proprietary LADD and CDN technology platforms.** We currently have global development, marketing and commercialization rights for our lead product candidate, CRS-207, as well as additional LADD product candidates and our CDN product candidates. If we obtain regulatory approvals for CRS-207 in pancreatic cancer or other indications, we plan to build a commercial organization with a specialty sales force to market CRS-207. We also plan to retain commercial rights to additional LADD and CDN product candidates.
- **Develop novel drug candidates by leveraging our proprietary technology platforms and our understanding of combination therapy in immuno-oncology.** We have proprietary technology platforms that we believe can generate novel and combinable therapies to target a wide range of cancers with significant unmet medical need. We plan to invest in these technology platforms to develop additional product candidates, and our current and future pipeline may be applicable to various tumor types due to the current efficacy data, safety profiles and combination potential of our current product candidates. We intend to further explore combination opportunities with conventional and novel treatments, including cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.
- **Expand on the value of our product candidates through collaborations in areas outside of our core strategic focus.** We may decide to selectively partner large and complex oncology indications or geographies where a partner could bring additional resources and expertise to maximize the value of our product candidates. We entered into two strategic collaborations with Janssen for the treatment of prostate, lung and certain other cancers.
- **Leverage the expertise of our scientific founders and key advisors to develop innovative technologies at the forefront of the immuno-oncology field.** Our scientific founders and advisors are from some of the world's leading research institutions and have a history of seminal discoveries and significant experience in oncology, immuno-oncology and vaccines. As such, we plan to continue to leverage the collective talent of our scientists, clinicians and a network of highly influential advisors to inform our development strategy and enable our technology to be at the forefront of the immuno-oncology field. We strive to protect our commercially important discoveries and product candidates by applying for, maintaining and defending our patent rights. At January 27, 2015, our owned U.S. patent portfolio consisted of 21 issued patents and 14 pending patent applications.

## Our Pipeline

Our pipeline of product candidates is depicted in the following chart:



## Immuno-oncology and the Application of Our Technology Platform

### Background on Immuno-Oncology

Cancer is a broad group of diseases in which cells divide and grow in an uncontrolled fashion, and spread via the bloodstream. In normal tissues, the rates of new cell growth and cell death are tightly regulated and kept in balance. In cancerous tissues, this balance is disrupted as a result of mutations, causing unregulated cell growth that leads to tumor formation. The immune system is designed to identify and eliminate tumor cells expressing foreign or abnormal antigens, although this process is often defective in cancer patients.

The immune system is generally divided into two subsystems: the innate immune system and the adaptive immune system. The innate immune system is the body's first line of immune defense and is non-specific, providing an immediate response to foreign bodies, including tumor antigens. The adaptive immune system provides a specific and long-lasting immune response against these threats. Within the innate immune system, natural killer cells, or NK cells, cytokines and APCs, such as DCs, are involved in tumor detection and destruction. NK cells can detect foreign or transformed cells, which no longer function normally, and cause them to self-eliminate through a process called apoptosis or programmed cell death. Cytokines can stimulate a broad-based immune response against cancer cells through multiple modalities, including activating T cells and causing them to proliferate. DCs act as messengers between the innate and the adaptive immune systems, by sampling the resulting fragments of destroyed cells. The DCs process foreign antigens, and present them on the cell surface to be recognized by T cells. T cells are a central component of the adaptive immune system. Within the T cell population, CD8+ T cells recognize and destroy cells expressing foreign antigens, whereas CD4+ T cells recognize foreign antigens and assist in the immune response. These cells can specifically target tumors based on antigen-specificity and further promote tumor destruction. Specificity, training T cells to recognize a specific antigen, and immunological memory, providing long-lasting protection against an antigen, are the two most important components of the adaptive immune system in fighting cancers.

In cancer, the immune system's natural strength has been diminished leading to a reduced capability to eradicate tumor cells. Immuno-oncology is an emerging field of cancer treatment that aims to activate the immune system in the tumor microenvironment to create and enhance anti-tumor immune responses, as well as to overcome the immuno-suppressive mechanisms that cancer cells have developed against the immune system. Recent developments in the field of immuno-oncology have shown the potential to provide dramatic efficacy



responses and extended survival, even in cancers where conventional therapies such as surgery, chemotherapy and radiotherapy have failed.

There are two general approaches to immuno-oncology: “creating and expanding” anti-tumor immune responses and “removing the brakes,” or overcoming the immuno-suppressive mechanisms that cancer cells have developed against the immune system.

### *Creating and Expanding*

The “create and expand” approach to immuno-oncology involves harnessing the patient’s immune system to identify and eradicate cancer cells. There have been many modalities within this approach, some of which have shown early promise, yet these individual approaches have inherent limitations in efficacy, safety or commercial viability. Some of these approaches and their potential limitations are as follows:

- *Cellular Vaccines:* In this approach, irradiated human cancer cells, which are genetically modified to express immune system-stimulating cytokines, such as GM-CSF, to help stimulate the immune system, are administered to patients to recruit and activate DCs. These whole cancer cells contain the full spectrum of antigens expressed by a particular cancer cell line, thus allowing for antigen-specific T cell priming to numerous relevant antigens. Cellular vaccines have demonstrated the potential to generate both CD4+ and CD8+ T cell responses against tumor cells, though completed clinical trials to date have shown limitations in their effectiveness as a monotherapy.
- *Engineered CD8+ T Cells:* In this approach, T cells are engineered outside of the body incorporating chimeric antigen receptors, or CARs, or T cell receptors, or TCRs, directed against specific tumor antigens. Following ex-vivo proliferation, CAR-T cells and TCR-T cells are infused back into the patient. Several engineered CD8+ T cell therapies have shown promising clinical results, yet these personalized therapies may have challenges with commercial-scale manufacturing and broad distribution.
- *Ex-Vivo Modulated Cancer Vaccines:* In this approach, inactive APCs are isolated and removed from the body, then activated in a laboratory. Post-activation, the cells are administered to the patient with the aim of stimulating the tumor microenvironment into mounting a response against the cancer cells. This personalized approach has resulted in one approved product, sipuleucel-T, developed by Dendreon Corporation, but has been hampered by cumbersome manufacturing and handling requirements.
- *Oncolytic Viral Vaccines:* In this approach, oncolytic viruses selectively lyse cancer cells causing an immune response through the release of tumor antigens. Though some promising results have been observed, efficacy as a monotherapy has been limited by inefficient delivery to tumors, balancing the optimal viral replication profile, and a limited ability to grow the induced immune response beyond the initial treatment site.
- *Peptide Vaccines:* In this approach, partial or full tumor antigens are administered with a second agent called an immune adjuvant. Most cancer vaccine clinical trials have been performed with peptide vaccines. Clinical outcomes using this approach have been disappointing, in part because this treatment mechanism has been shown to stimulate CD4+ T cells and other regulatory T cells, but not the CD8+ T cells that are necessary to kill cancer cells.
- *Vector-based Vaccines:* In this approach, vector-based vaccines deliver tumor antigens to APCs in their genomic form through bacterial and viral vectors. We believe that this may be the most powerful method to generate a strong adaptive immune response against tumor cells. However, previously studied vector-based vaccines have had significant limitations due to their virulence and the effects of neutralizing antibodies, among other factors.

### *Removing the Brakes*

The “remove the brakes” approach to immuno-oncology is based on the premise of unmasking hidden cancer cells that have developed escape mechanisms to evade the immune system. The primary modality to this approach is classified within the category of checkpoint inhibitors. These therapies have demonstrated significant promise to treat a broad range of tumor types, yet they are not effective in many cancers. We believe our approach could be complementary to checkpoint inhibitors making them more effective in a broader range of cancers.

Checkpoint inhibitors are aimed at overcoming the defenses that tumor cells have developed against the immune system. Anti-CTLA-4 and anti-PD-1 are checkpoint inhibitors that have been studied in clinical trials for cancer. We believe that the efficacy of this approach as a monotherapy depends on the pre-existence of a T cell response against the tumor cells. Some patients’ immune systems are unable to recognize the tumor and therefore cannot generate the necessary immune response to eliminate the tumor following treatment with checkpoint inhibitors. Multiple preclinical models have shown an amplified anti-tumor effect against poorly immunogenic tumors when checkpoint inhibitors are combined with strong adaptive immune cell stimulators, such as cancer vaccines.

### *The Aduro Approach to Immuno-Oncology*

We believe that our LADD and CDN technology platforms represent a new, significant advancement within the field of immuno-oncology that can both overcome the limitations of other “create and expand” approaches and potentially complement emerging “remove the brakes” approaches to immuno-oncology. Our “create and expand” approach is designed to prime and enhance innate and adaptive immune responses against cancer cells. In addition, our LADD technology platform has the potential for combination with conventional and novel therapies, including other immuno-oncology products that modulate the immune response, including checkpoint inhibitors that “remove the brakes,” due to the mechanism of action and safety profile. Using our proprietary method of modifying *Listeria*, we engineer LADD product candidates which are designed to prime and enhance an innate and adaptive immune responses specific for several targets present on tumor cells. We have designed our LADD product candidates to directly address the safety concerns seen with other vector-based vaccines by deleting two genes critical for the virulence of unmodified *Listeria*. Our LADD product candidates are not neutralized by the patient’s immune system therefore allowing for repeat administration as a chronic therapy which has a sustained enhancing of tumor antigen-specific T cell immunity. Our CDN technology platform is designed to specifically activate the STING receptor. Once activated, the STING receptor initiates a profound innate immune response, causing the secretion of cytokines that enhance the adaptive immune response against tumor cells. Both our LADD and CDN technology platforms are intended to prime and enhance an innate and adaptive immune response specific for several targets present on tumor cells.

### **Our Immuno-Oncology Technology Platforms**

#### *LADD Technology Platform Overview*

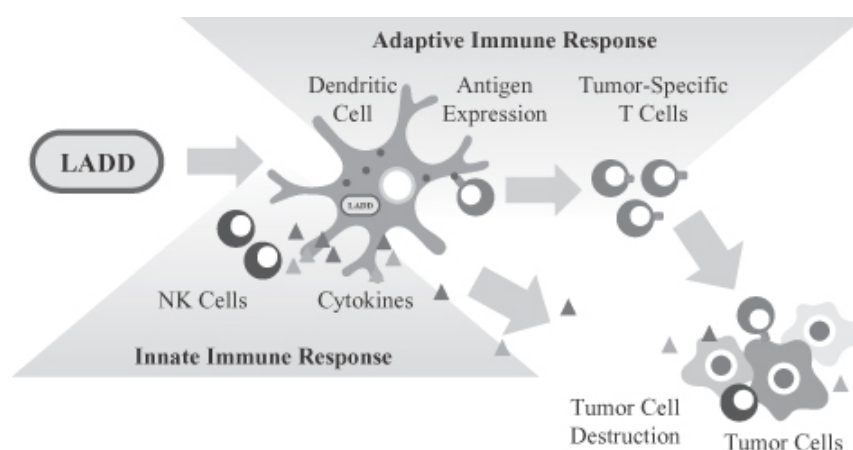
*Listeria* is a natural bacterium that has inherent characteristics to recruit and activate NK cells, triggering a strong and immediate innate immune response. Our LADD technology platform modifies *Listeria* in two ways: (1) to exclude two harmful genes required for the virulence of the unmodified organism and (2) to express and secrete tumor antigens which prime and enhance an adaptive immune response, a T cell attack specifically against tumor cells.

There are a number of desirable features of the natural biology of *Listeria* that make it an attractive platform for immuno-oncology drug development, in particular is its ability to induce strong innate and adaptive immune responses by effective stimulation of CD4+ and CD8+ T cell immunity. There are also practical features of *Listeria*-based vaccines, including that they are not neutralized by the patient’s immune system, are designed

for repeat administration and can be manufactured through a relatively simple and cost-effective fermentation process. We believe we have developed a LADD technology platform that is safe yet retains the potency of the natural, or unmodified, bacteria.

We designed our LADD technology platform to enable the safe administration of *Listeria* by deleting two genes critical to the bacterium's natural virulence, *actA* and *inlB*, which are required for the spread from one cell to another and the infection of hepatocytes, respectively. Our method of attenuation results in the complete deletion of *actA* and *inlB* virulence genes, and as a result we believe there is no possibility for reversion to unmodified *Listeria*. The attenuated strain of bacteria is then modified with new genetic material to encode and express specific tumor antigens. Our method of antigen expression involves site-specific insertion of antigen expression cassettes in up to four locations on the chromosome of the attenuated platform strain.

Upon intravenous administration, our LADD product candidates initially target APCs, including DCs. DCs circulate in the blood stream and continuously monitor their environment for danger signals by sampling proteins known as antigens from dying tumor cells and pathogens such as *Listeria*. Activated DCs release cytokines and process the sampled antigens and present them on the cell surface to be recognized by T cells, thereby training the T cells to specifically target the presented antigens. In this way, DCs are the primary initiators of both the innate and adaptive immune responses and serve as messengers between the innate and adaptive immune systems, as illustrated in the figure below. Our LADD product candidates are designed to leverage the combined effect of broad-based innate immune responses and antigen-specific T cell responses to initiate destruction of tumor cells while sparing normal tissue.



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### *LADD-Based Pipeline*

Our LADD product candidates are developed in combination with complementary therapies to treat specific cancers. The current portfolio includes:

Program	Indication	Combination	Status
<b>CRS-207</b> ( <i>Mesothelin</i> )	Pancreatic	GVAX	Phase 2b / Ongoing
	Pancreatic	GVAX+ anti-PD-1	Phase 2b / Ongoing
	Mesothelioma	Chemo	Phase 1b / Ongoing
<b>ADU-623</b> ( <i>NYESO-1 + EGFRvIII</i> )	Glioblastoma	None	Phase 1 / Ongoing
<b>ADU-741*</b> ( <i>Multiple</i> )	Prostate	TBD	Preclinical
<b>ADU-214*</b> ( <i>Mesothelin + EGFRvIII</i> )	Lung	Multiple / TBD	Preclinical

\* Programs under collaboration with Janssen.

The IND for CRS-207 for use in combination with GVAX Pancreas for pancreatic cancer was filed by Aduro in April 2011. The IND for CRS-207 in combination with GVAX Pancreas and nivolumab for pancreatic cancer was filed by The Johns Hopkins University, or JHU, in September 2014. The IND for CRS-207 for use in mesothelioma was filed by Cerus Corporation in June 2007.

The IND for ADU-623 for use in glioblastoma was filed by Providence Health & Services in August 2013.

We have not yet filed INDs for the two preclinical programs, ADU-741 for prostate cancer and ADU-214 for lung cancer.

### **CRS-207**

CRS-207 is our lead LADD product candidate. CRS-207 is a monovalent LADD product candidate engineered to express the mesothelin antigen that is over-expressed on all pancreatic and mesothelioma tumors. Some studies have shown that mesothelin is over-expressed in the following additional cancer types: ovarian, gastric, lung, triple negative breast, esophageal and colorectal.

#### *CRS-207 in Pancreatic Cancer*

##### *Pancreatic Cancer Overview*

Pancreatic cancer is the fourth leading cause of cancer deaths in the United States. In 2012, the estimated incidence according to Globocan was 43,000 in the United States and 338,000 worldwide. Pancreatic cancer is aggressive and often not diagnosed until it is too advanced for current treatments to be effective. Most patients are diagnosed after the age of 45, and 94% of patients die within five years from diagnosis. The majority of pancreatic cancer patients are treated with chemotherapy, but this cancer is highly resistant to chemotherapy. Approximately 20% of the pancreatic cancer patients are treated with surgery; however, even for those with successful surgical resection, the median survival is approximately two years. Radiotherapy may be used for locally advanced tumors, but it is not curative. There are currently no approved treatments for second and third-line patients.

### *CRS-207 with GVAX Pancreas in Pancreatic Cancer*

CRS-207 combined with GVAX Pancreas is our lead LADD regimen. We are currently conducting our Phase 2b ECLIPSE clinical trial of CRS-207 in combination with GVAX Pancreas in patients with metastatic pancreatic cancer who have received at least one prior line of therapy in the metastatic setting.

### *About GVAX and GVAX Pancreas*

GVAX product candidates are a family of vaccines derived from human cancer cell lines that have been engineered to recruit the immune system. In 2013, we acquired the rights, title and interest of ANI Pharmaceuticals Inc. to GVAX Pancreas product candidates. These irradiated tumor cell lines are modified to express GM-CSF, the most potent DC recruitment factor. GVAX induces T cells against a broad array of cancer antigens. Low-dose cyclophosphamide is administered one day prior to GVAX Pancreas to inhibit regulatory T cells. GVAX Pancreas is derived from human pancreatic cancer cell lines and is designed to activate specific T cell immunity to cancer antigens including mesothelin enabling, or priming, a broad-based immune response.

Preclinical studies have shown the concept of synergy between immune checkpoint inhibitors such as anti-CTLA-4 antibodies and cancer vaccines such as GVAX. For example, researchers at JHU conducted a Phase 1b, open-label, randomized study to build on these preclinical observations by evaluating ipilimumab (a checkpoint inhibitor, anti-CTLA-4 antibody) alone or in combination with GVAX Pancreas for the treatment of previously treated, locally advanced, or metastatic pancreatic cancer. The primary objective of the study was to determine the safety profile. Secondary objectives included estimation of overall survival. A total of 30 patients with previously treated advanced pancreatic cancer were randomized (1:1). The median overall survival was 3.6 months for patients receiving ipilimumab, Arm 1, compared with 5.7 months for patients receiving ipilimumab in combination with GVAX Pancreas, Arm 2 (hazard ratio for death, or HR, = 0.51, p-value = 0.072). The one-year survival probability for patients in Arm 1 was 7% compared to 27% for patients in Arm 2. The hazard ratio is a measure of the risk of a particular event in one group compared to another group, over time. An HR lower than 1.00 indicates that the observed risk is lower in the treatment arm than in the control arm. A p-value is a measure of the statistical significance of the observed result. By convention, a p-value lower than 0.05 is considered statistically significant. Similar to prior ipilimumab studies, 20% of patients in each arm had grade 3/4 immune-related adverse events. The results of the study concluded that immune checkpoint blockade in combination with GVAX Pancreas has the potential for clinical benefit and should be evaluated further in a larger study.

### *Clinical Status*

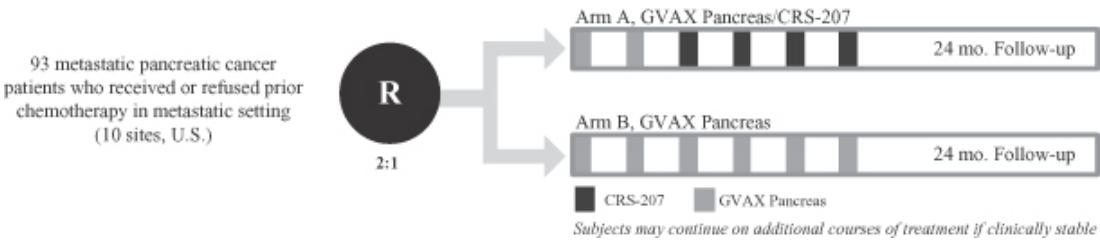
Our preclinical and Phase 1 clinical studies, conducted by Cerus Corporation in 2005-2006 and Anza Therapeutics in 2007-2009, demonstrated the potential of utilizing the heterologous priming and enhancing combination of CRS-207 and GVAX Pancreas. Based on these data, we initiated a randomized controlled Phase 2a clinical trial with this combination. The results of our randomized controlled Phase 2a clinical trial were first presented at the American Society of Clinical Oncology, or ASCO, in 2013 and published in the January 2015 issue of the Journal of Clinical Oncology and further supported this combination approach to treat metastatic pancreatic cancer.

In a randomized controlled Phase 2a clinical trial the combination of CRS-207 with GVAX Pancreas demonstrated a statistically significant improvement in overall survival compared to GVAX Pancreas alone in patients with metastatic pancreatic cancer who previously received or refused prior chemotherapy. Based on these data, the FDA granted Breakthrough Therapy designation to the combination of CRS-207 and GVAX Pancreas. We have also obtained orphan drug designations for both GVAX Pancreas and CRS-207 for pancreatic cancer. We designed our Phase 2b ECLIPSE clinical trial based on the results we observed in the Phase 2a clinical trial. The ECLIPSE clinical trial is being conducted to compare the clinical outcomes of the combination of CRS-207 and GVAX Pancreas to currently used single agent chemotherapies or to CRS-207 alone. We expect to complete enrollment in ECLIPSE in the third quarter of 2015 and to report top line results in the first half of 2016.

Phase 2a (Completed)

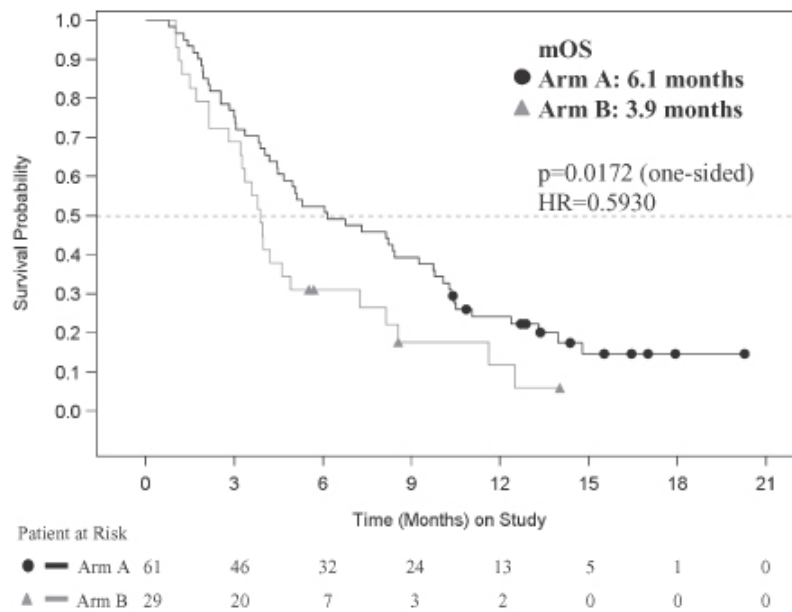
We conducted a randomized controlled Phase 2a clinical trial of CRS-207 in combination with GVAX Pancreas in patients with metastatic pancreatic cancer who received or refused prior therapy. The 93-patient two-arm study was designed to compare the combination of CRS-207 and GVAX Pancreas versus GVAX Pancreas alone. The trial met the primary efficacy endpoint of overall survival at an interim analysis and was stopped upon recommendation from the Data Monitoring Committee.

The trial enrolled advanced-stage metastatic pancreatic cancer patients, with most patients having received two or more prior therapies in the metastatic setting. Patients were randomized in a two to one ratio in Arm A, which received GVAX Pancreas vaccine followed by four doses of CRS-207, or Arm B, which received six doses of GVAX Pancreas vaccine alone. In each arm, low dose cyclophosphamide was administered one day prior to GVAX Pancreas in order to enhance its immunogenicity and anti-tumor activity. Low dose cyclophosphamide inhibits T regulatory cells, and T regulatory cells may diminish a vaccine’s efficacy. Patients were allowed to receive additional treatment courses (a treatment course contains six vaccinations) if they were clinically stable and perceived by the investigator to benefit from treatment. In both arms, treatments are administered at three week intervals, with a four week interval between treatment courses. After a four-week rest, clinically stable patients were offered additional courses.



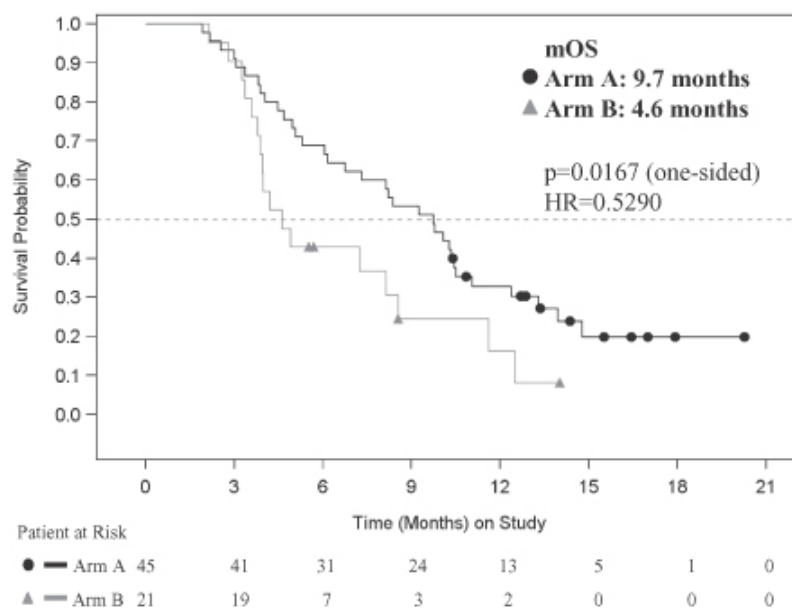
In January 2014, safety and efficacy data were presented at the ASCO Gastrointestinal Cancers Symposium. The study demonstrated a statistically significant survival benefit in patients receiving the combination of CRS-207 and GVAX Pancreas, Arm A, compared to GVAX Pancreas vaccine alone, Arm B. The median overall survival, or mOS, of the patients receiving the combination was 6.1 months compared to 3.9 months for those receiving GVAX Pancreas monotherapy (hazard ratio for death, or HR, = 0.59, one-sided p value = 0.0172). One-year survival probability for patients in Arm A was 24% compared with 12% for patients in Arm B. The Kaplan-Meier survival curve for the full analysis set, patients who received at least one treatment, as of October 2013 is shown below.

### Phase 2a Overall Survival - Full Analysis Set



To better evaluate the effect of CRS-207, we performed a pre-defined subset analysis that included only patients who received at least three doses in either treatment group, GVAX Pancreas followed by at least one CRS-207 dose in Arm A or at least three doses of GVAX Pancreas in Arm B. In this subset of 45 Arm A patients and 21 Arm B patients, the mOS was 9.7 months in Arm A compared to 4.6 months in Arm B (HR = 0.53, one-sided p value = 0.0167). The Kaplan-Meier survival curve for the subset of patients who received at least three doses (per protocol subset) as of October 2013 is shown below.

### Phase 2a Overall Survival - Per Protocol Analysis Set



In addition to the 45 Arm A patients in the per protocol subset who received the combination of CRS-207 and GVAX Pancreas, three Arm B patients were crossed over into combination therapy. Of these 48 patients, nine survived longer than 24 months from randomization. None of the patients who received only GVAX Pancreas survived longer than 21 months. We continue to monitor the long-term survival of patients treated in our Phase 2a clinical trial. As of February 16, 2015, two patients continued to receive the combination treatment, one of whom was in the eighth course of combination treatment, and five patients remained in follow up.

Carbohydrate antigen 19-9, or CA 19-9, is a serum biomarker used in the diagnosis of pancreatic cancer in symptomatic patients and is being studied further to determine if it could also be used as a biomarker for prognosis, overall survival, response to chemotherapy and recurrence. While not statistically significant, we observed a higher proportion of patients with stable or declining levels of CA 19-9 during treatment in Arm A than in Arm B. There was no difference in progression-free survival, or PFS.

Side effects are known as adverse events, or AEs, and are graded in level of severity from Grade 1 to Grade 4. Grade 1 and 2 AEs are generally characterized as mild. Grade 3 AEs are considered moderate and Grade 4 AEs are considered severe. In our Phase 2a clinical trial, the most frequent drug-related Grade 3 or 4 AE was lymphopenia (an abnormally low level of white blood cells), with three patients experiencing Grade 3 lymphopenia and two patients experiencing Grade 4 lymphopenia. Lymphopenia is expected based on prior nonclinical studies and CRS-207's mechanism of action. In addition, the AEs of lymphopenia were self-correcting or did not reveal an unexpected pattern of toxicity. We currently do not plan to alter our development plan for CRS-207 based on these observed AEs of lymphopenia. There were no other Grade 4 AEs, and there were no other Grade 3 AEs with frequencies higher than five percent in either arm. The most common Grade 3 AEs were transient lymphopenia, fevers, elevated liver enzymes and fatigue.

#### *Phase 2b ECLIPSE (Ongoing)*

We are conducting our Phase 2b ECLIPSE clinical trial of CRS-207 in combination with GVAX Pancreas to treat late-stage metastatic pancreatic cancer patients who have received at least one prior line of therapy. The study is designed to evaluate the efficacy and safety of CRS-207 in combination with GVAX Pancreas, Arm A, compared to single agent chemotherapies, Arm C, commonly used in this setting. The study also includes an arm in which patients receive CRS-207 as a monotherapy, Arm B, to evaluate the contribution of GVAX Pancreas to the combination therapy. The three-arm trial will enroll approximately 300 patients at over 20 clinical trial sites in the United States and Canada.

Patients are being enrolled in two cohorts. The primary cohort will include approximately 190 patients who have received at least two prior treatment regimens for metastatic pancreatic cancer, or third+ line. The exploratory cohort will include approximately 110 patients who have received only one prior treatment regimen for metastatic pancreatic cancer, or second line. Patients will be randomized in a one to one to one ratio across each arm of the trial. Patients in Arm A will receive two doses of GVAX and four doses of CRS-207. Patients in Arm B will receive six doses of CRS-207. Patients in Arm C will receive a physician's choice of the following single-agent chemotherapies: gemcitabine, 5-Fluorouracil, capecitabine, irinotecan or erlotinib.

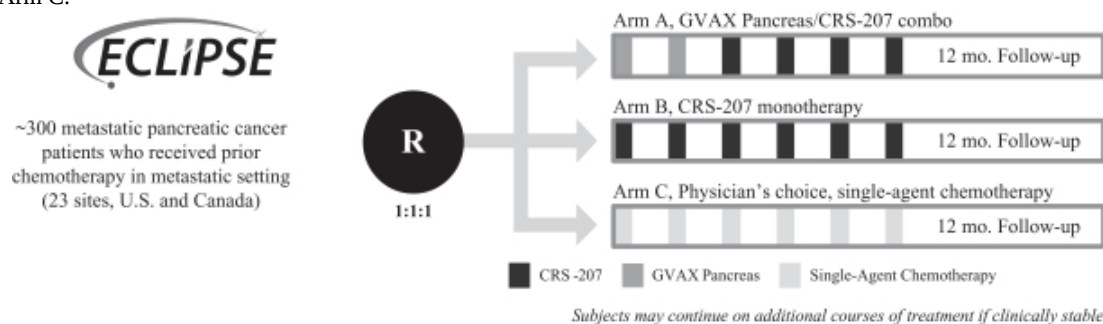
In Arms A and B, treatments will be administered at three-week intervals. Low-dose cyclophosphamide will be delivered intravenously one day before each GVAX Pancreas treatment. GVAX Pancreas will be administered as six intradermal injections. CRS-207 will be delivered by one-hour intravenous infusion followed by a four-hour observation period. Oral antibiotics are initiated seven days after the final CRS-207 vaccination of each treatment course. After a four-week rest, clinically stable patients are offered additional courses.

The primary objective is to compare overall survival, or OS, in the primary cohort between Arms A and C. Secondary/exploratory objectives include comparison of OS in both primary and exploratory cohorts between all treatment arms, assessment of safety and clinical responses through tumor assessments and CA19-9 levels, and correlation of *Listeria*- and mesothelin-specific T cell and other immunological responses with OS, PFS, best overall response and quality of life.



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The study is 80% powered (one-sided overall alpha = 0.15) for the primary endpoint comparison of third+ line patients receiving Arm A versus chemotherapy alone Arm C.



We expect to complete enrollment in the third quarter of 2015 and to report top line results in the first half of 2016. Following the completion of the ECLIPSE study, we plan to initiate a global Phase 3 trial in metastatic pancreatic cancer patients who have received prior chemotherapy. We expect the trial would be randomized to evaluate overall survival in patients treated with our therapy in comparison to standard of care.

### *CRS-207 with GVAX Pancreas and Anti-PD-1 in Pancreatic Cancer*

We have initiated a clinical trial using CRS-207 in combination with GVAX Pancreas and nivolumab, an anti-PD-1 checkpoint inhibitor, in metastatic pancreatic cancer. Nivolumab is being developed by Bristol-Myers Squibb and is currently approved in Japan for treatment of melanoma. We anticipate that combining CRS-207 and GVAX Pancreas with a checkpoint inhibitor may further improve clinical outcomes because of their complementary mechanisms of action.

### *About Anti-PD-1*

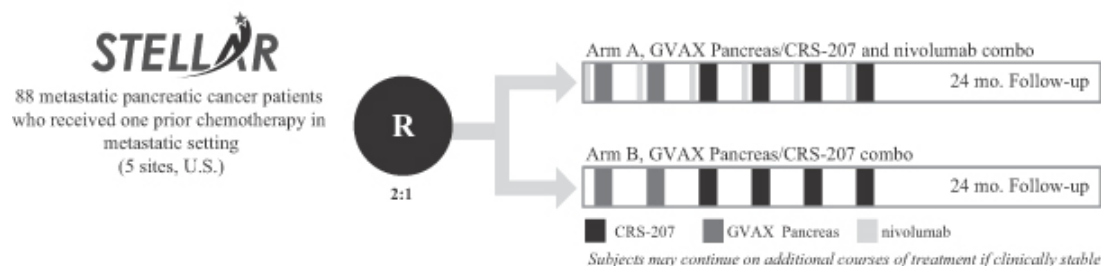
Programmed cell death protein 1, or PD-1, is expressed on the surface of activated T cells, B cells, and DCs. PD-1 and associated ligands, PD-L1 and PD-L2, negatively regulate immune responses with the ligands expressed on many murine tumor cell lines. Anti-PD-1/PD-L1 monoclonal antibodies, a class of checkpoint inhibitors, target this novel immunosuppressive pathway with the goal of strengthening the anti-tumor T cell response by impairing the interaction of the inhibitory receptor PD-1 on T cells with PD-L1 expressed on tumor cells. While anti-PD-1 therapies have shown efficacy in subsets of patients in some tumor types, patients with certain cancers have not responded to treatment with anti-PD-1 in early clinical trials, including pancreatic cancer patients. Based on preclinical models and early clinical data, we believe that checkpoint inhibitors when combined with strong adaptive immune cell stimulators, such as cancer vaccines, can have an amplified anti-tumor effect against poorly immunogenic tumors. These results provide rationale for further testing of checkpoint inhibitors in combination with other immunotherapies.

### *Clinical Status*

The investigator-sponsored randomized controlled Phase 2b clinical trial, or STELLAR, is supported by Aduro, Bristol-Myers Squibb, Stand Up to Cancer, PanCAN/AACR and the Lustgarten Foundation. STELLAR is designed to explore the synergistic effects on our treatment regimen in combination with nivolumab. The first patient was dosed in the first quarter of 2015.

### *Phase 2b STELLAR (Ongoing)*

Our Phase 2b STELLAR clinical trial is a randomized controlled Phase 2b clinical trial of CRS-207 in combination with GVAX Pancreas and nivolumab in patients with metastatic pancreatic cancer who have received only one prior line of therapy in the metastatic setting. The ongoing 88-patient randomized controlled two-arm Phase 2b clinical trial is anticipated to be conducted by leading investigators at up to five U.S. clinical trial sites. Patients receive either the combination therapy with nivolumab or the combination therapy alone. The primary endpoint of the trial is overall survival and secondary endpoints include evaluation of clinical and immune response and safety.



We expect to complete enrollment in the first quarter of 2016 and to report data from an interim analysis in the second half of 2016.

### *CRS-207 in Mesothelioma*

#### *Mesothelioma Overview*

Malignant mesothelioma is a tumor in the tissue lining, most commonly the tissue lining surrounding the lungs. Mesothelioma is a relatively rare disease; it is estimated that the incidence in the United States is approximately 3,000 cases per year.

Malignant mesothelioma carries a poor prognosis with an mOS of approximately 12 months from diagnosis. Mesothelioma is currently treated with surgery, chemotherapy and radiotherapy.

#### *CRS-207 with Chemotherapy in Mesothelioma*

We are using CRS-207 in combination with standard-of-care chemotherapy for treatment in the front line-setting of unresectable malignant pleural mesothelioma.

#### *About Chemotherapy*

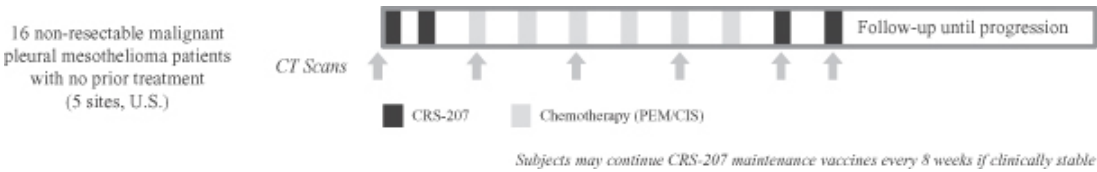
Chemotherapy can be an effective treatment option to enhance immune responses, inhibit immunosuppression and modify the tumor microenvironment to be more susceptible to immune-mediated killing. This provides a strong rationale to use chemotherapies in combination with a LADD product candidate to trigger robust innate and adaptive immune responses in a more susceptible tumor environment.

#### *Clinical Status*

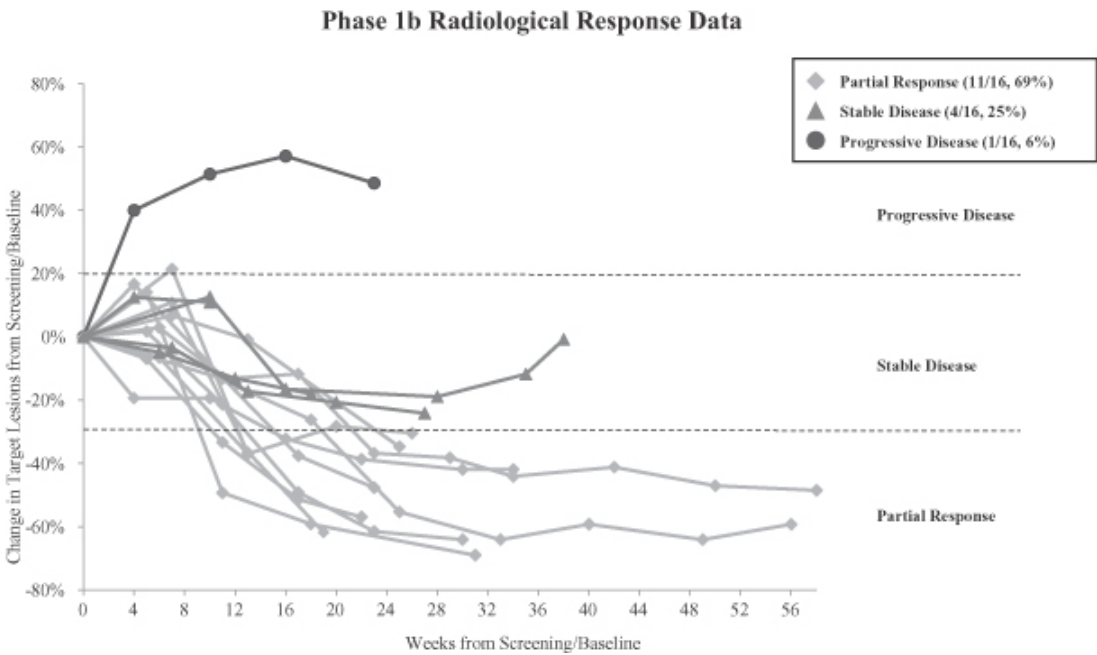
We are enrolling a single-arm Phase 1b clinical trial of CRS-207 in combination with standard-of-care chemotherapy in patients with unresectable malignant pleural mesothelioma who have not received prior therapy. Based on encouraging results in the initial cohort of 16 patients, we have opened an expansion cohort of up to a total of 40 patients. We expect to finish enrollment in 2015 and report final top line results in 2016.

Phase 1b (Ongoing)

The study design is single-arm; patients receive two prime CRS-207 vaccinations followed by standard-of-care chemotherapy, consisting of pemetrexed and cisplatin, or PEM/CIS, and then followed with boost and maintenance vaccinations of CRS-207. The study was initially designed to enroll 16 patients. The primary endpoints of the study are safety and immune response to the CRS-207 therapy. Secondary endpoints include tumor response, time to progression, immune analyses and tumor marker kinetics.



In June 2014, data from scheduled radiologic time points of the first 16 patients, shown below, were presented at the ASCO conference. Of 16 evaluable patients with response data, 69%, or 11 of the 16 patients, had confirmed durable partial responses and 25%, or 4 of the 16 patients, experienced stable disease after CRS-207 and chemotherapy, for a 94% rate of disease control (the sum of partial responses and stable disease). Radiologic images were also read by an independent, central radiologist supporting our investigators’ findings. Based on these encouraging data, the protocol was amended to increase the enrollment in the trial by up to 24 patients for a total enrollment of up to 40 patients.



In October 2014, updated safety and efficacy data were presented at the International Mesothelioma Interest Group Conference. At the time of the presentation, estimated PFS was 7.5 months with one patient on study for more than 19 months, who continued to receive maintenance therapy with CRS-207 following the combination treatment.

### *Phase 2 (Planned)*

We anticipate initiating a randomized controlled Phase 2 clinical trial in North America, Europe and Australia to evaluate PFS, overall response rate, OS and safety of the combination therapy of CRS-207 and standard-of-care chemotherapy.

### ***ADU-623 in Glioblastoma Multiforme***

ADU-623 is a bivalent LADD product candidate engineered to express EGFRvIII and NY-ESO-1, antigens expressed in glioblastoma multiforme, as well as other cancers.

#### *Glioblastoma Multiforme Overview*

Glioblastoma multiforme is a brain cancer with an incidence of approximately 11,000 people in the United States in 2013 according to Datamonitor Healthcare. These tumors are rapidly progressing, with a median time from diagnosis to the patient's death of approximately 15 months. In recurrent glioblastoma multiforme, treatment consists of both symptomatic and palliative therapies. However, with currently available therapies glioblastoma multiforme typically remains fatal within a very short period of time.

#### *Clinical Status*

ADU-623 is being evaluated in an ongoing Phase 1 clinical trial conducted by leading investigators at the Earle A. Chiles Research Institute at Providence Cancer Center in Portland, Oregon.

#### *Phase 1 (Ongoing)*

The Phase 1, dose escalation, safety and immunogenicity trial will enroll up to a total of 38 patients in the second-line. Second-line glioblastoma multiforme patients are those who have previously completed standard-of-care radiotherapy and temozolomide followed by adjuvant temozolomide or who have progressed following standard-of-care radiotherapy and chemotherapy. The study will evaluate three dose levels of ADU-623 with the primary endpoint of establishing the safety of the therapy and determining the optimal dose. The trial will also evaluate the patients' tumor responses and immune response to the ADU-623 therapy.

### ***ADU-741 in Prostate Cancer***

ADU-741 is a LADD product candidate engineered to express multiple antigens, and is under partnership with Janssen, which has exclusive rights to certain LADD-based product candidates specifically engineered for the treatment of prostate cancer.

#### *Prostate Cancer Overview*

According to the American Cancer Society, approximately one in seven men in the United States will be diagnosed with prostate cancer in his lifetime. According to Globocan, the incidence of prostate cancer was 233,000 cases in the United States and 1.1 million cases worldwide in 2012.

#### *Development Status*

In May 2014, we entered into an agreement whereby we granted Janssen an exclusive, worldwide license to certain product candidates specifically engineered for the treatment of prostate cancer, based on our novel LADD technology platform for any and all uses. We are eligible to receive up to a potential total of \$365.0 million in upfront fees and development and commercialization milestones. Janssen will have exclusive rights to develop and commercialize LADD product candidates in prostate cancer and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products.

## ***ADU-214 in Lung Cancer***

ADU-214 is a bivalent LADD product candidate expressing EGFRvIII and mesothelin, and is licensed to Janssen, which has exclusive rights for LADD product candidates for lung cancer indications and exclusive rights to develop and commercialize LADD product candidates expressing these antigens for any and all uses.

### ***Lung Cancer Overview***

Lung cancer causes more deaths than the next three leading causes of cancer deaths—colon, breast and prostate cancers—combined. According to Globocan, there were an estimated 214,000 new cases of lung cancer diagnosed in the United States in 2012 and 1.8 million new cases of lung cancer diagnosed worldwide in 2012.

### ***Development Status***

In November 2014, an additional agreement with Janssen became effective, granting Janssen an exclusive, worldwide license to certain product candidates engineered for the treatment of lung cancer and certain other cancers based on our novel LADD technology platform for any and all uses. Under the agreement we are eligible to receive significant development, regulatory and commercialization milestone payments up to a potential total of \$817.0 million. Janssen will have exclusive rights to develop and commercialize LADD product candidates in lung cancer and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products.

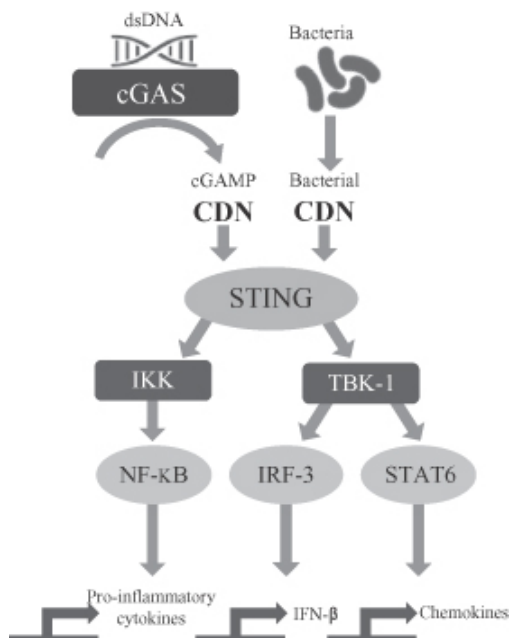
### ***CDN Technology Platform Overview***

Recent advancements reported in numerous leading scientific journals have generated significant interest and rationale for targeting the STING receptor as a novel therapeutic approach to immuno-oncology. We are developing a portfolio of synthetic proprietary CDN small molecule immune modulators that target and activate the STING receptor with applications across diverse diseases. The STING receptor is generally expressed at high levels in the cytosol of immune cells, including DCs. Once activated, the STING receptor initiates a profound innate immune response by signaling through three distinct pathways, inducing the expression of a broad profile of cytokines, including interferons and chemokines. This cytokine profile subsequently leads to the development of an effective tumor antigen-specific T cell adaptive immune response.

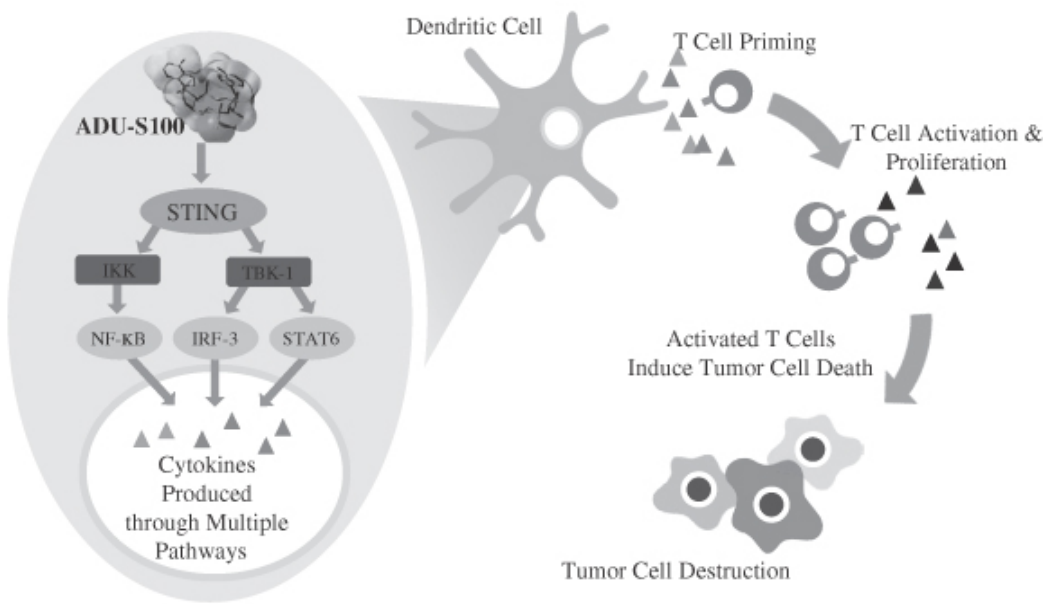
Naturally occurring CDNs that target the STING receptor are produced by bacteria that secrete CDNs into the host cell or by mammalian cells through cyclic GMP-AMP synthetase, or cGAS. cGAS is a recently discovered receptor that senses double-stranded, or ds, DNA in the cytosol of APCs, and in response synthesizes a CDN that is structurally distinct from the CDNs produced by bacteria. While both bacterial- and cGAS-produced CDNs target the STING receptor, CDNs produced by cGAS bind more tightly to STING than CDNs produced by bacteria. This stronger binding triggers a larger and more stable change in shape of the STING receptor, leading to the development of a more effective tumor antigen-specific immune response. Additionally, while some of the five unique STING receptors in humans respond poorly to CDNs produced by bacteria, all respond to CDNs produced by cGAS. All our novel synthetic CDN product candidates that we are advancing through preclinical development contain a structure based on the cGAS-produced CDN structure, thus stimulating potent innate immune responses to all of the known human STING receptors.

We have developed proprietary CDN derivative compounds that are significantly more potent than the natural cGAS-produced molecules, which can be demonstrated by comparing the expression levels the cytokines produced from signaling through three distinct pathways. The NF-κB pathway induces the expression of numerous pro-inflammatory cytokines, including IL-6 and TNFα that stimulate a variety of immune cells. The IRF-3 pathway leads to the induction of IFN-β and co-regulated genes which orchestrate diverse innate immune responses. The STAT6 pathway leads to expression of chemokines, including CCL2 and CCL20, that are

involved in immune cell recruitment. The unique profile of cytokines induced through activating the STING receptor results in strong efficacy in numerous aggressive preclinical mouse models of cancer.



In healthy individuals, DCs and other APCs constantly sample nearby tumor and non-tumor cells, however, in cancer patients, tumors can produce immune-inhibitory molecules which can make the DCs non-functional. The activation of the STING receptor in the tumor microenvironment by IT injection of our proprietary CDN product candidates stimulate the maturation of the DCs, leading to the presentation of antigens found on the individual's unique tumor. The activated tumor-specific T cells induce tumor cell death both locally and systemically, resulting in significant and durable therapeutic efficacy in preclinical tumor models.



## ***CDN Product Candidates***

We envision multiple immuno-oncology CDN product opportunities as a monotherapy or in combination with other cancer treatments. In preclinical animal models, our data have shown that our proprietary CDN product candidates can be combined with designated recombinant proteins to induce potent antigen-specific CD4+, which recognize foreign antigens and assist in the immune response, and CD8+, which recognize and destroy cells expressing foreign antigens, T cell immunity. We believe our CDN product candidates can also be combined with conventional cancer treatments such as chemotherapy and radiotherapy to enhance our CDN product candidates' immune-mediated tumor killing mechanisms. We also believe that our CDN product candidates could alter the nature of the tumor microenvironment, thus allowing for improved responses to checkpoint inhibitors.

### ***ADU-S100***

Our proprietary modifications to the mammalian CDN structure are designed to optimize stability, STING receptor binding affinity and potency, without significant toxicity. Our lead product candidate based on these criteria is ADU-S100.

#### ***Clinical Status***

We plan to initiate a Phase 1 clinical study of ADU-S100, our first CDN-based clinical candidate, in the second half of 2015.

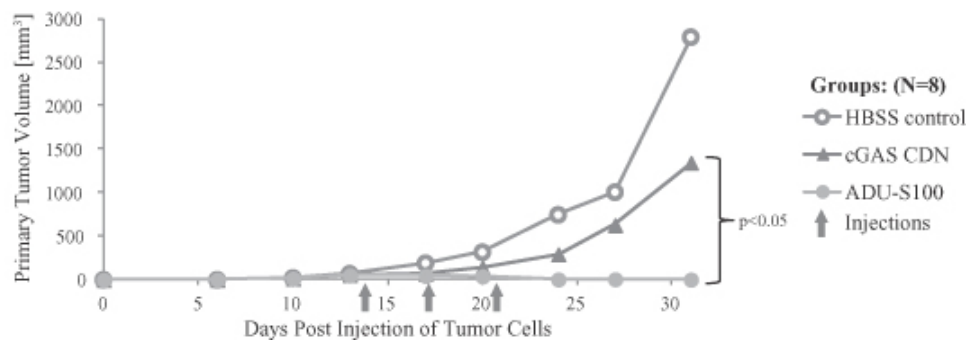
#### ***ADU-S100 CDN Preclinical Studies***

In preclinical mouse tumor models, IT injection of ADU-S100 induced tumor shrinkage and generated substantial immune responses that may be capable of providing long-lasting systemic antigen-specific T cell immunity to prevent further growth of distal, untreated tumor metastases, a response known as an abscopal effect. Further preclinical studies demonstrated that the abscopal effect is entirely STING receptor-dependent. These data provide the rationale for advancing this novel molecule for the treatment of locally advanced or metastatic cancers.

Further rationale for the approach of IT injection of CDN product candidates is the recent discovery by Dr. Thomas Gajewski of the University of Chicago that the STING-dependent innate immune sensing in the tumor microenvironment is a critical step in promoting spontaneous tumor-initiated T cell priming, subsequent infiltration of tumor lymphocytes and tumor regression. Analyses conducted with tumors isolated from melanoma patients have also revealed that tumors containing infiltrating activated T cells are characterized by an IFN- $\beta$  transcriptional signature. Studies in mice have demonstrated that IFN- $\beta$  signaling plays a critical role in tumor-initiated T cell priming. We believe that treatment strategies to induce IFN- $\beta$  signaling and DC activation in the tumor microenvironment to bridge the innate and adaptive immune responses have significant therapeutic potential. IT delivery of our synthetic CDN product candidates activate a tumor-specific T cell response that is unique to the individual's tumor; conceptually, a small molecule approach to patient-specific immuno-oncology treatments.

Single Agent ADU-S100 (B16 Melanoma Therapeutic Model)

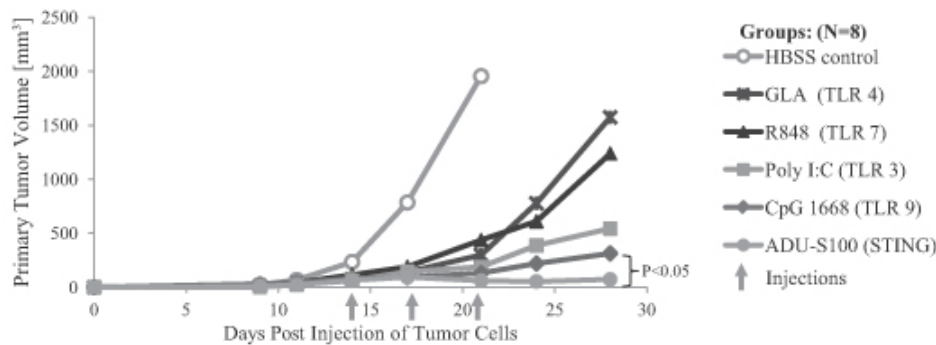
Proprietary CDN versus Naturally Occurring



In the preclinical study depicted above, mice were injected with melanoma tumor cells. Once the tumor grew to be 100 mm<sup>3</sup>, groups of mice were given three 50 µg IT doses of ML cGAMP, a naturally occurring cGAS CDN, or ADU-S100. In addition, one group was treated with Hank’s Balanced Salt Solution, or HBSS, as a control. All three doses of the compounds were given over the same one-week period. In this study we demonstrated that our synthetic CDN product candidate in mice had superior anti-tumor activity as compared to a naturally occurring cGAS CDN.

ADU-S100 Versus TLR Ligands (B16 Melanoma Therapeutic Model)

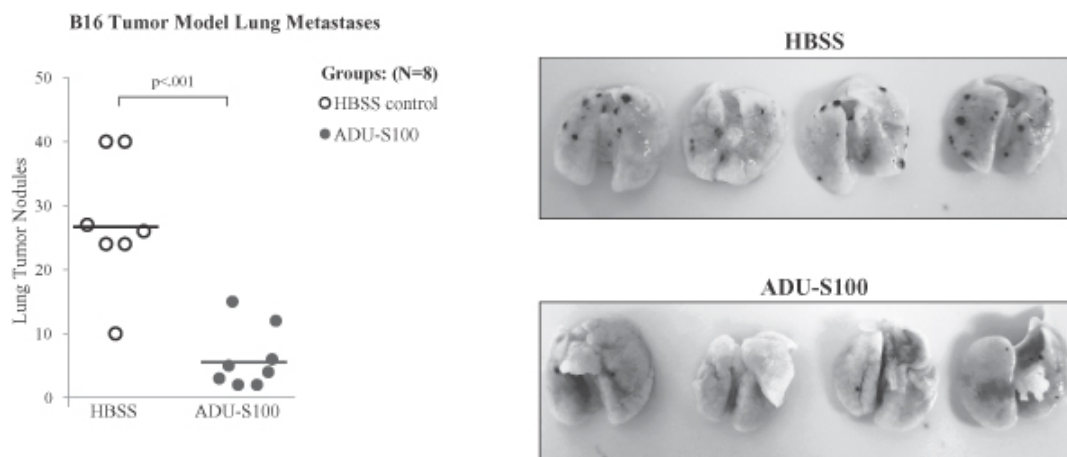
Proprietary CDN versus TLR Ligands



In this experiment, similar in design to the prior experiment, mice were injected with melanoma tumor cells and received three IT doses of select compounds over the same one-week period once the tumors grew to be 100 mm<sup>3</sup>. ADU-S100 was compared to TLR ligand product candidates in order to compare against other innate immune activators which are currently in clinical development by other companies. The doses of the IT injections for the TLR ligands and ADU-S100 were kept constant at 50 µg. While it is appreciated that the doses may not be optimized for each TLR ligand, the same dosing was used for consistency. In addition, one group was treated with HBSS, as a control. The results from this study supported the selection of ADU-S100 for tumor regression and control.



### *IT CDN Therapy with ADU-S100 Induces a Potent Abscopal Effect (B16 Melanoma Therapeutic Model)*



In the preclinical study designed to examine the abscopal effect, mice were injected with melanoma cells on their right flank to create the primary tumor, and also given additional melanoma cells one week later by intravenous injection to create lung metastases, distal tumor lesions. The primary tumor was treated three times over a one-week period with 50 µg of ADU-S100, or HBSS, as a control. On day 28, the lungs were examined to determine the number of lung metastases. Mice treated with ADU-S100 in the primary tumor showed significant inhibition of the treated tumor and additionally demonstrated a significant inhibition of distant lung metastases. The photographs of the lungs are representative of the two treatment groups and show the contrast in the number of lung metastases (black nodules) between the control group, where numerous metastases are visible, and the treatment group, where only a few metastases are visible. Thus, these results show that IT injection with ADU-S100 primes an effective systemic CD8<sup>+</sup> T cell immune response that significantly inhibits the growth of distal untreated lesions.

#### *Phase 1 (Planned)*

We plan to initiate a Phase 1 study of ADU-S100 in the second half of 2015. The single-arm, dose escalation trial is expected to enroll at least 30 patients with treatment-refractory cutaneously accessible primary or metastatic solid tumors, including melanoma, head-and-neck, breast, renal cell cancers and B-cell lymphomas. The study will be conducted by leading investigators at up to five U.S. clinical trial sites. Patients will receive escalating doses of ADU-S100 administered by IT injection. The primary endpoints of the study will be to evaluate the safety and tolerability of ADU-S100. The secondary endpoint is the establishment of pharmacokinetics. Exploratory endpoints will include assessment of immune activation and treated and distal tumor regression.

#### *CDN Product Opportunities*

We envision multiple product opportunities for the CDN technology platform. We believe that our CDN product candidates can be used as a monotherapy to directly activate the tumor microenvironment, enhancing recognition of the tumor by the immune system and leading to tumor destruction. In preclinical animal models, we have shown that our proprietary CDN product candidates can be co-formulated with designated recombinant proteins to induce potent antigen-specific CD4<sup>+</sup> and CD8<sup>+</sup> T cell immunity. We believe that due to our CDN product candidates' immune-mediated tumor killing mechanisms and ability to alter the nature of the tumor microenvironment our proprietary CDN product candidates could be combined with conventional and novel therapies, such as cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.

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In addition, our CDN product candidates directly activate NK cells and could enhance Antibody-Dependent Cellular Cytotoxicity, or ADCC, tumor cell killing mechanisms, which are a significant mechanism of action of several established monoclonal antibody therapies. Another possible opportunity for our CDN technology platform would be to directly conjugate our CDN product candidates to enhance ADCC.

We also believe that our CDN product candidates have the potential to be used in treatments for infectious and autoimmune diseases as an adjuvant to enhance existing vaccines or in formulations for new products. We are also developing other CDN derivatives that, in contrast to our current CDN product candidate that activate the STING receptor, would block the STING receptor, thus preventing or controlling the immune response which is a key in the treatment of autoimmune diseases.

## **Manufacturing**

### ***Overview***

We rely on third-party contract manufacturing organizations, or CMOs, to produce our product candidates for clinical use and currently do not own or operate manufacturing facilities. We have established manufacturing processes, and supply and quality agreements for all of the investigational agents used in our ongoing clinical trials. We require that our CMOs produce bulk drug substances and finished drug products in accordance with current Good Manufacturing Practices, or cGMPs, and all other applicable laws and regulations. We may continue to rely on CMOs to manufacture our products for commercial sale. We maintain agreements with potential and existing manufacturers that include confidentiality and intellectual property provisions to protect our proprietary rights related to our product candidates.

### ***LADD Product Candidates***

LADD product candidates are produced through a fermentation process and then concentrated and purified. The drug substance is diluted into a cryopreservative and filled into vials that are inspected, labeled and frozen as final drug product. We have contracts with IDT Biologika GmbH, or IDT, and Waisman Clinical BioManufacturing to produce and release LADD product candidates. We recently transitioned manufacturing of our lead LADD product candidate, CRS-207, to IDT, which can support commercial manufacturing.

Under our process development and manufacturing agreement with IDT, which we entered into in December 2013, IDT provides manufacturing services for CRS-207. We pay for manufacturing services performed by IDT under the agreement pursuant to a work plan described in the agreement.

We may unilaterally terminate the agreement in the event of a material breach of the agreement by IDT if such breach remains uncured after 45 days of receiving written notice of such breach. In addition, either party may terminate the agreement in the event of the other party's insolvency. Either party may also terminate the agreement by providing 30 days' written notice to the other party if we decide to end our CRS-207 program, solely for reasons of clinical inefficacy or safety, or an action by the FDA, EMA or other regulatory authority not granting approval despite commercially reasonable efforts to gain such approval.

### ***GVAX Pancreas Product Candidates***

GVAX Pancreas product candidates are engineered cell lines that express GM-CSF and have been lethally irradiated to prevent replication. GVAX Pancreas is composed of two allogeneic pancreatic cancer cell lines that are expanded in cell factories. The cells are harvested, concentrated, purified and then lethally gamma irradiated. GVAX Pancreas is frozen, stored and transported in vapor-phase liquid nitrogen. We have contracts with Lonza Walkersville, Inc., or Lonza, and JHU to produce and release GVAX Pancreas product candidates. We recently began transferring the manufacturing process to Lonza, which can support commercial production of GVAX Pancreas product candidates.

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Under our manufacturing services agreement with Lonza, which we entered into in August 2012, Lonza provides manufacturing services to produce cell lines for our GVAX Pancreas product candidates. We pay for manufacturing services performed by Lonza under the agreement pursuant to statements of work entered into from time to time.

We may unilaterally terminate the agreement upon 45 days' written notice to Lonza. Lonza may terminate the agreement upon 12 months' written notice to us. Either party may terminate the agreement in the event of the other party's insolvency or for the other party's material breach of the agreement if such breach remains uncured after 30 days of receiving written notice of such breach or after 90 days of receiving written notice of such breach if such breach is not capable of being cured within 30 days and the breaching party is making diligent efforts to cure such breach. Absent early termination, the agreement will continue until the fifth anniversary of the effective date of the original agreement.

### ***CDN Product Candidates***

Manufacturing for the CDN technology platform generally encompasses both the chemical synthesis of the active pharmaceutical ingredient, or API, and its formulation and fill/finish of the final product. The synthetic process for the manufacture of our CDN product candidates is a trade secret and we retain control and ownership of the process. We have contracted with a CMO to produce, release and stability test the ADU-S100 API. We have also entered into a drug product manufacturing and clinical supply agreement with a CMO for the formulation and fill/finish and release and stability testing of the drug product candidate.

### **Intellectual Property**

Intellectual property is of vital importance in our field and in biotechnology generally. We seek to protect and enhance proprietary technology, inventions, and improvements that are commercially important to the development of our business by seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. We will also seek to rely on regulatory protection afforded through orphan drug designations, data exclusivity, market exclusivity and patent term extensions where available.

We have obtained orphan drug designations for both GVAX Pancreas and CRS-207 for pancreatic cancer, which makes them eligible for a period of orphan drug exclusivity, if approved, under certain conditions. We believe that each of our different biological products approved under a biologics license application, or BLA, will be eligible for 12 years of market exclusivity in the United States, 10 years of market exclusivity in Europe and significant durations in other markets, which would be complementary to any relevant patent exclusivity.

Through licensing and through developing our own portfolio, we have rights to more than 100 issued patents and more than 50 pending applications in the United States and foreign countries. Families within the portfolio are directed to our LADD and CDN technology platforms, and to GVAX.

### ***LADD Technology Platform***

We own eleven issued U.S. patents, seven pending U.S. patent applications, and corresponding foreign issued patents and patent applications, and additionally we are the exclusive licensee to families of patents and patent applications, all relating to our LADD technology platform. The issued U.S. patents that we own expire between 2022 and 2027, not including any patent term extensions that may be available under U.S. laws. The patents and patent applications, if issued, cover attenuated *Listeria* strains that have deleted or disrupted genomic *actA* and *inlB* virulence genes in conjunction with the expression of non-*Listeria* polypeptides, as well as to *Listeria* strains that are engineered to express non-*Listeria* polypeptides, including cancer antigens or fragments thereof. There are also patents and patent applications, if issued, that cover proprietary antigen expression cassettes and methods which are applicable to *Listeria* generally and not limited to any particular strain or method of attenuation.

### *Antigen Expression*

Within this portfolio are issued U.S. patents and pending U.S. applications, and corresponding foreign issued patents and patent applications, directed to *Listeria* strains that are engineered to express particular cancer antigens or fragments thereof, including mesothelin and NY-ESO-1. This portfolio includes U.S. patents covering CRS-207, which expire in 2024 and 2026, not giving effect to any potential patent term adjustment or extension that may be available on a jurisdictional basis and assuming payment of all appropriate maintenance, renewal, annuity or other governmental fees. We have also filed U.S. and international patent applications directed to a modified *actA* fusion protein, which, if issued, would cover ADU-623, ADU-214 and our future LADD product candidates. If patents with such claims are issued, they could extend the technology platform patent protection for such products until 2033.

### *EGFRvIII Family*

Within this portfolio are pending U.S. and corresponding foreign patent applications that we co-own with Providence Health & Services–Oregon, a family of patent applications that are directed to *Listeria* strains that express EGFRvIII antigen. This technology is included in our ADU-623, ADU-214 and other product candidates. A patent that would issue from such application would expire in 2031.

### *Combination Therapy with LADD*

Additionally, within this portfolio are U.S. patents and pending applications directed to compositions that can be used in conjunction with or as an adjuvant to the LADD technology platform. For example, we have received a notice of allowance in the United States to claims directed to a method of enhancing an immune response to mesothelin by administering a boost dose of an attenuated *Listeria* that encodes an active mesothelin antigen after administration of an effective amount of a tumor cell that encodes mouse GM-CSF. Claims directed to such method have been allowed and are expected to issue. If such claims issue, they could cover the use of CRS-207 and would expire in 2027. In addition, we have also filed a U.S. application and foreign applications directed to a method of treating cancer by administering a cancer antigen expressing *Listeria* after administration of an effective amount of radiotherapy. If such claims issue, they would expire in 2031.

### *CDN Family*

We own and license families of patent applications directed to our CDN product candidates, which target the STING receptor, which, if issued, would expire between 2025 and 2034. In particular, we own three pending U.S. patent applications and corresponding pending foreign patent applications directed to stereochemically pure cyclic purine dinucleotides, which if issued would expire in 2033. Within this portfolio are U.S. and international patent applications directed to systems and methods for activating STING utilizing our CDN product candidates that are jointly owned with the Regents of the University of California, and which, if issued, would expire in 2034. Also within this portfolio are U.S. and international patent applications directed to the use of our CDN product candidates in conjunction with cytokine expressing cells, for instance CSF-expressing cells, that are owned jointly JHU, and which, if issued, would expire in 2033 and 2034 respectively. We also license a family of patents from Karagen Pharmaceuticals directed to certain CDN molecules and their use in modulating immune response in a patient, which expire in 2025, a family of patents from the Regents of the University of California also directed to certain CDN molecules and their uses that, if issued, would expire in 2034, and a family of patents from a consortium of universities led by Memorial Sloan Kettering also directed to certain CDN molecules and their uses that, if issued, would expire in 2034.

### *GVAX Technology*

We own ten issued U.S. patents and four pending U.S. patent applications and exclusively license multiple families of patents and patent applications that cover cell lines that express GM-CSF. This technology is

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referred to as GVAX. We license a family of patents from JHU that covers the first generation GVAX platform, including a U.S. patent specifically covering GVAX Pancreas. The patents in this family are expected to expire between 2016 and 2022; however, we have a license with JHU for continued exclusive use of the cell lines produced by JHU after the patents expire. Additionally, in 2013, we entered into another license agreement with JHU relating to GVAX technology that includes toll-like receptor ligands. This GVAX technology includes two international patent applications, which, if issued, would expire in 2031 to 2032.

### **Other Technology**

In addition to the technologies described in detail above, we license or own other intellectual property directed to compositions and methods that could be used in conjunction with our *Listeria* technology platform. The intellectual property is directed to, for example, methods of administering our *Listeria* products in conjunction with other therapeutics. Additionally, we have licensed technology from UC Berkeley that enables us to integrate expression sequences more easily into *Listeria* and allows us to develop multivalent vaccines more quickly and efficiently. We have an exclusive license to this technology, which expires in 2023, subject to any extensions or disclaimers of the licensed patents.

### **General Considerations**

As with other biopharmaceutical companies, our ability to maintain and solidify a proprietary position for our lead product candidates will depend upon our success in obtaining effective patent claims that cover such product candidates and their intended methods of use, and enforcing those claims once granted.

The term of a patent that covers an FDA-approved drug or biologic may be eligible for patent term extension, which provides patent term restoration as compensation for the patent term lost during the FDA regulatory review process. The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, permits a patent term extension of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug or biologic is under regulatory review. Patent extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug or biologic may be extended. Similar provisions are available in Europe and other foreign jurisdictions to extend the term of a patent that covers an approved drug or biologic. In the future, if and when our biopharmaceutical products receive FDA approval, we expect to apply for patent term extensions on patents covering those products.

Many biopharmaceutical companies, biotechnology companies and academic institutions are competing with us in the field of oncology and filing patent applications potentially relevant to our business. Even when a third-party patent is identified, we may conclude upon a thorough analysis, that we do not infringe upon the patent or that the patent is invalid. If the third-party patent owner disagrees with our conclusion and we continue with the business activity in question, we may be subject to patent litigation. Alternatively, we might decide to initiate litigation in an attempt to have a court declare the third-party patent invalid or non-infringed by our activity. In either scenario, patent litigation typically is costly and time-consuming, and the outcome can be favorable or unfavorable.

In addition to patents, we rely upon unpatented trade secrets, know-how and continuing technological innovation to develop and maintain a competitive position. We seek to protect our proprietary information, in part, through confidentiality agreements with our employees, collaborators, contractors and consultants, and invention assignment agreements with our employees. We also have agreements with some of our consultants that require them to assign to us any inventions created as a result of their working with us. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses requiring invention assignment, to grant us ownership of technologies that are developed through a relationship with a third party.

Our commercial success will depend in part upon not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require us or our licensee(s) to alter our development or commercial strategies, obtain licenses, or cease certain activities. The biopharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. If a third party commences a patent infringement action against us, or our licensee(s), it could consume significant financial and management resources, regardless of the merit of the claims or the outcome of the litigation.

We may rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our consultants, contractors or collaborators use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

## **Collaborations**

### ***Janssen ADU-741 Agreement***

In May 2014, we entered into a research and license agreement with Janssen Biotech, Inc., or Janssen, pursuant to which we granted Janssen an exclusive, worldwide license under intellectual property rights controlled by us to research, develop, manufacture, use, sell and otherwise exploit products containing ADU-741 for any and all uses. Under this Agreement, or the Janssen ADU-741 Agreement, we also granted Janssen the right, subject to availability, to develop specified derivatives of the *Listeria* strain. Janssen will have exclusive rights to develop LADD product candidates in prostate cancer and to develop and commercialize the licensed products and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products.

In partial consideration for the grant of this license, Janssen paid us \$12.0 million as an upfront license fee. Additionally, under the Janssen ADU-741 Agreement we are eligible to receive from Janssen up to an aggregate of \$7.5 million upon our achievement and performance of specified technology transfers and development and regulatory milestones pursuant to an agreed upon plan, an aggregate of \$103.5 million upon Janssen's achievement of specified development and regulatory milestones, and an aggregate of \$242.0 million upon Janssen's achievement of specified commercial milestones. Janssen is also obligated to pay us royalties on net sales of licensed products by Janssen, its affiliates and sublicensees at a rate ranging from the mid-single digits to the low teens based on the aggregate annual net sales of licensed products worldwide and based on the country of sale. Janssen's royalty obligation continues on a licensed product-by-licensed product and country-by-country basis until the later of (i) 12 years from the date of first commercial sale of such licensed product in such country, (ii) expiration of the last valid claim in the licensed patents covering the composition of matter or the approved method of use of such licensed product or (iii) the expiration of data exclusivity with respect to such licensed product in such country.

The Janssen ADU-741 Agreement will continue in effect until the later of expiration of all of the licensed patents and on a product-by-licensed product and country-by-country basis, the expiration of Janssen's royalty obligations with respect to such licensed product in such country. Either party may terminate the Janssen ADU-741 Agreement upon the other party's uncured material breach that is not cured within 60 days after the breaching party receives notice of such breach, provided, that Janssen may elect to make specified modifications to the agreement in lieu of terminating the agreement in the event we fail to timely cure any material breach of this agreement. Additionally, either party may terminate the Janssen ADU-741 Agreement for the other party's

insolvency and Janssen may terminate this agreement at will after the first anniversary of the effective date upon 90 days' written notice. If the Janssen ADU-741 Agreement is terminated early for reasons other than our uncured material breach, Janssen is obligated to grant us a license to specified patents and know-how to exploit the terminated licensed products in the terminated countries.

#### ***Janssen ADU-214 Agreement***

In November 2014, a research and license agreement with Janssen became effective, pursuant to which we granted Janssen an exclusive worldwide license under intellectual property rights controlled by us to research, develop, manufacture, use, sell and otherwise exploit products containing ADU-214 for any and all uses. Under this Agreement, or the Janssen ADU-214 Agreement, we also granted Janssen the right, subject to availability, to develop specified derivatives of the *Listeria* strain. Janssen will have exclusive rights to develop LADD product candidates in lung cancer and to develop and commercialize the licensed products and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products.

In partial consideration for the grant of this license, Janssen paid us \$30.0 million as an upfront license fee. Additionally, under the Janssen ADU-214 Agreement we are eligible to receive from Janssen up to an aggregate of \$11.0 million upon our achievement and performance of specified technology transfers and development and regulatory milestones pursuant to an agreed upon plan, an aggregate of \$184.5 million upon Janssen's achievement of specified development and regulatory milestones, and an aggregate of \$591.5 million upon Janssen's achievement of specified commercial milestones. Janssen is also obligated to pay us royalties on net sales of licensed products by Janssen, its affiliates and sublicensees at a rate ranging from the high-single digits to the low teens based on the aggregate annual net sales of licensed products worldwide and based on the country of sale. Janssen's royalty obligation continues on a licensed product-by-licensed product and country-by-country basis until the later of (i) 12 years from the date of first commercial sale of such licensed product in such country, (ii) expiration of the last valid claim in the licensed patents covering the composition of matter or the approved method of use of such licensed product or (iii) the expiration of data exclusivity with respect to such licensed product in such country.

The Janssen ADU-214 Agreement will continue in effect until the later of expiration of all of the licensed patents and on a product-by-licensed product and country-by-country basis, the expiration of Janssen's royalty obligations with respect to such licensed product in such country. Either party may terminate the Janssen ADU-214 Agreement upon the other party's uncured material breach that is not cured within 60 days after the breaching party receives notice of such breach, provided, that Janssen may elect to make specified modifications to the agreement in lieu of terminating the agreement in the event we fail to timely cure any material breach of this agreement. Additionally, either party may terminate the Janssen ADU-214 Agreement for the other party's insolvency and Janssen may terminate this agreement at will after the first anniversary of the closing date of the Janssen ADU-214 Agreement upon 90 days' written notice. If the Janssen ADU-214 Agreement is terminated early for reasons other than our uncured material breach, Janssen is obligated to grant us a license to specified patents and know-how to exploit the terminated licensed products in the terminated countries.

#### ***Janssen GVAX Prostate Agreement***

In May 2014, we also entered into a license agreement with Janssen, or the Janssen GVAX Prostate Agreement, pursuant to which we granted Janssen an exclusive worldwide license under intellectual property rights controlled by us to research develop, manufacture, use, sell and otherwise exploit products containing GVAX Prostate for any and all uses. Janssen will have exclusive rights to develop and commercialize the licensed products and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products.

In partial consideration for the grant of this license, Janssen paid us \$500,000 as an upfront license fee. Additionally, under the Janssen GVAX Prostate Agreement we are eligible to receive from Janssen up to

\$2.0 million upon Janssen's achievement of a specified commercial milestone. Janssen is also obligated to pay us royalties on net sales of licensed products by Janssen and its affiliates and sublicensees at a rate in the mid- to high-single digits. Janssen's royalty obligation continues on a licensed product-by-licensed product and country-by-country basis until 12 years from the date of first commercial sale of such licensed product in such country.

The Janssen GVAX Prostate Agreement will continue in effect until the later of expiration of all of the licensed patents and on a licensed product-by-licensed product and country-by-country basis, the expiration of Janssen's royalty obligations with respect to such licensed product in such country. Either party may terminate the Janssen GVAX Prostate Agreement upon the other party's uncured material breach that is not cured within 60 days after the breaching party receives notice of such breach, provided, that Janssen may elect to make specified modifications to the agreement in lieu of terminating the agreement in the event we fail to timely cure any material breach of this agreement. Additionally, either party may terminate the Janssen GVAX Prostate Agreement for the other party's insolvency and Janssen may terminate this agreement at will after the first anniversary of the effective date upon 90 days' written notice. If the Janssen GVAX Prostate Agreement is terminated early for reasons other than our uncured material breach, Janssen is obligated to grant us a license to specified patents and know-how to exploit the terminated licensed products in the terminated countries.

## **Our Research and Development and License Agreements**

### ***Listeria-Based Agreements***

#### *JHU Listeria Agreement*

In March 2011, we entered into a license agreement with JHU pursuant to which we received an exclusive, worldwide, sublicensable license to certain patent rights covering the tumor-associated antigen mesothelin to make, use, import and commercialize products and to provide services for all bacteria-based therapeutic and/or prophylactic uses for cancer treatment and/or prevention and as a companion diagnostic. Under the agreement, or the JHU *Listeria* Agreement, we are obligated to use commercially reasonable efforts to develop and market licensed products and services, which can be demonstrated by achieving specified development milestones by specified dates.

Under the JHU *Listeria* Agreement, we paid an upfront fee of \$25,000 in 2011 and a milestone payment of \$25,000 in 2012 and are required to make future milestone payments totaling up to \$375,000 upon achievement of certain regulatory milestones. Under the JHU *Listeria* Agreement, we are obligated to pay JHU royalties based on net sales of licensed products and services by us, our affiliates and our sublicensees at a rate in the low-single digits, subject to minimum annual royalties, and a percentage of consideration received from any sublicensing arrangements ranging from the low-single digits to the low twenties depending on the field of use and the stage of development of the product candidate at the time the sublicense is granted.

The JHU *Listeria* Agreement will continue in effect on a country-by-country basis until the expiration of the last patent within the licensed patent rights or if no patents issue then for 20 years from the effective date of the agreement. Either party may terminate the JHU *Listeria* Agreement for the other party's uncured breach of the agreement upon 30 days' prior notice or for the other party's insolvency. Additionally, we may terminate the JHU *Listeria* Agreement at will upon 90 days' prior written notice to JHU.

#### *UCB Listeria Agreement*

In March 2012, we entered into a license agreement with the Regents of the University of California on behalf of its Berkeley campus, or UCB, granting us an exclusive, worldwide, sublicensable license to certain patent rights covering the use of the *Listeria monocytogenes* phage integration vector which accelerates the genetic engineering of *Listeria* to express more than one antigen to make, use, import and commercialize products and to provide services for all fields of use. Under this agreement, or the UCB *Listeria* Agreement, we



are obligated to use commercially reasonable efforts to develop, manufacture and sell licensed products and services and we are obligated to achieve specified development and regulatory milestones by specified dates.

Under the UCB *Listeria* Agreement, we paid UCB an upfront fee of \$25,000 in 2012 and a milestone payment of \$25,000 in 2013 and are required to make future milestone payments totaling up to \$350,000 upon achievement of certain development and regulatory milestones. We are required to pay an annual license maintenance fee until our first sale of a product covered by the licensed patent rights. Under the UCB *Listeria* Agreement, we are obligated to pay UCB royalties based on net sales of licensed products and services sold by us and our sublicensees at a rate in the low single digits, subject to minimum annual royalties and customary reductions, and a percentage of certain of our sublicensing revenues ranging from the low-single digits to the low thirties depending on how the product covered by the licensed patent rights is used.

The UCB *Listeria* Agreement will last until the expiration of the last patent within the licensed patent rights. UCB may terminate the agreement for our uncured material breach upon 90 days' prior written notice and we may terminate the agreement at will upon 90 days' prior written notice to UCB.

### **GVAX-Based Agreements**

#### *ANI Agreement*

In January 2013, we entered into an asset purchase agreement with BioSante Pharmaceuticals, Inc., which subsequently merged with and into ANI Pharmaceuticals, Inc., or ANI, in June 2013. Under the agreement, or the ANI Agreement, we purchased all the rights, title and interest of ANI in and to all of the assets related to or comprising GVAX product candidates and any assets necessary or reasonably useful to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop, have developed, commercialize and have commercialized GVAX products.

Under the ANI Agreement, we paid ANI cash consideration of \$1.0 million and will be required to make royalty payments on net sales of GVAX products sold by us, our affiliates and our sublicensees for the treatment of certain cancers, which are covered by purchased intellectual property rights or developed using purchased technology, at rates in the low-single digits. We are also required to pay milestone payments of up to \$4.0 million for GVAX pancreas or prostate products in combination with *Listeria* or up to \$12.0 million per product for other GVAX products upon the achievement of certain sales milestones. We are obligated to make royalty payments on a product-by-product and country-by-country basis until the later of (i) the expiration of the last to expire of the purchased patent rights covering the GVAX product or the regulatory exclusivity period and (ii) up to seven years from the first commercial sale of the product in such country depending on the level of net sales in such country after the expiration of the patent or regulatory exclusivity period. The royalties and milestone payments for GVAX products for the treatment of pancreas and prostate cancer, as well as the royalties and milestone payments for other cancer products, are each capped at specified maximum amounts. To the extent we enter into a sublicensing agreement relating to the GVAX pancreas or prostate cancer products in combination with *Listeria*, we are required to pay ANI a percentage of our sublicensing income, ranging from the low teens to the low thirties based on the indication, the stage of development of the GVAX products at the time the sublicense is granted and the amount of development costs expended by us at the time the sublicense is granted. The sublicensing payments owed under this ANI Agreement for pancreas and prostate cancer in combination with *Listeria* are each capped at specified maximum amounts.

#### *JHU GVAX Agreement*

In January 2013, we entered into a license agreement with JHU granting us an exclusive, worldwide, sublicensable license under certain GVAX-related patent rights and cell lines, and a non-exclusive, worldwide, sublicensable license to related know-how, in each case to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop and commercialize products and services using or incorporating

licensed patent rights, cell lines or know-how for any use. Under the agreement, or the New License Agreement, we are obligated to use commercially reasonable efforts to develop and market licensed products and services, including using commercially reasonable efforts to achieve specified development milestones by specified dates.

Under the New License Agreement, we paid upfront fees of \$125,000 in February 2013 and \$125,000 in February 2014. Under the New License Agreement, we are also required to pay JHU development and regulatory milestone payments totaling up to approximately \$1.1 million for STINGVAX, a GVAX product with CDNs, approximately \$1.2 million for TEGVAX, a GVAX product with TLRs, and approximately \$1.2 million for other licensed products. We are also required to pay JHU royalties based on net sales of licensed products and services by us, our affiliates and our sublicensees at a rate in the low single digits, subject to minimum annual royalties and standard reductions upon expiration of patent coverage and for licenses to third-party intellectual property rights, as well as a percentage of certain consideration received in consideration of the grant of sublicenses under this agreement ranging from the low tens to the mid-twenties depending on the stage of development of the product candidate at the time the sublicense is granted and the number of sublicenses granted.

The New License Agreement will continue in effect on a product-by-product basis and service-by-service basis until 30 years after the first commercial sale of such product or service, provided that the term may be extended for additional 10-year periods upon mutual agreement of the parties. Either party may terminate the New License Agreement for the other party's uncured material breach of the agreement upon 60 days' prior notice to the breaching party, or 30 days' notice if such breach relates to a payment obligation, or for the other party's insolvency. Additionally, we may terminate the New License Agreement at will upon 90 days' prior written notice to JHU.

#### *GVAX RALA*

In January 2013, as a result of entering into the ANI Agreement, we were assigned the March 2011 Restated and Amended License Agreement, or the RALA, by and between JHU and BioSante Pharmaceuticals, Inc. Under the RALA, we were granted a worldwide license, sublicensable under certain conditions, under certain patent rights to make, have made, use, import and sell licensed products and to provide licensed services for any use. Such licensed patents include patents covering the cell lines used in the GVAX Pancreas product candidate. Pursuant to the agreement, we must use reasonable commercial efforts to develop and commercialize licensed products and meet certain specified milestones.

Under the RALA, we are required to pay JHU an annual license fee as well as milestone payments totaling up to \$300,000 upon the occurrence of certain development, regulatory, and patent-related milestones. We are also required to pay JHU royalties based on net sales of licensed products and services by us, our affiliates and our sublicensees at a rate in the low single digits, as well as a percentage of amounts received in consideration for sublicenses under the agreement in the mid-teens.

The RALA will expire on a country-by-country basis upon the expiration of the last to expire patent within the licensed patent rights or if no patent issues, then 20 years from the effective date of the agreement. Either party may terminate the agreement for the other party's uncured breach of the agreement upon 60 days' prior written notice. We may terminate the agreement upon 60 days' prior written notice.

#### ***CDN-Based Agreements***

##### *Karagen Agreement*

In June 2012, we entered into a license agreement with Karagen Pharmaceuticals, Inc., or Karagen, pursuant to which Karagen granted us an exclusive, worldwide, sublicenseable license under certain patents and know-how related to CDNs to make, develop, use and commercialize products for use in the therapeutic and/or prophylactic treatment of cancer or precancerous conditions and a non-exclusive license to such patents and know-how to make, develop, use and commercialize products for all other uses. Under the agreement, or the

Karagen Agreement, we were also granted an option to designate a particular disease or condition to be added to the field of use under our exclusive license. Under the Karagen Agreement, we are obligated to use commercially reasonable efforts to develop and commercialize licensed products in the United States and the European Union.

Under the Karagen Agreement, we paid Karagen an upfront fee of \$75,000 in 2012 and are required to make milestone payments totaling up to \$900,000, in the aggregate, for the achievement of specified development and regulatory milestones as well as royalties based on net sales of products by us, our affiliates and sublicensees at rates ranging in the low single-digit percentages, determined by whether the disease field is an exclusive or non-exclusive disease field, subject to minimum annual royalties and standard reductions. In addition, we are required to pay Karagen a percentage of consideration received from any sublicensing arrangements ranging from the mid-single digits to the mid-teen digits determined by the current stage of development of the relevant licensed product at the time of the sublicense grant, or by whether we have exercised our option to add a designated field of use to its exclusive license, as applicable.

The Karagen Agreement will expire, on a country-by-country basis, upon the expiration of the last-to-expire valid claim within the licensed patent rights. Either party may terminate the Karagen Agreement upon 90 days' advance written notice in the event of the other party's material breach that is not cured within such 90-day period, and immediately upon notice in the event of the other party's bankruptcy or insolvency. Additionally, we may terminate the Karagen Agreement at will upon 90 days' advance written notice to Karagen.

#### *UCB Vance Agreement*

In September 2014, we entered into a license agreement with UCB, granting us an exclusive, worldwide sublicenseable license under certain patent rights covering the use of the CDN molecules that activate the STING receptor to make, develop, use and commercialize products, to practice methods and to offer services, in each case that are covered by the licensed patent rights, in all fields of use. Under this agreement, or the UCB Vance Agreement, we are obligated to use commercially reasonable efforts to develop, manufacture and sell licensed products and services and are obligated to achieve specified development and regulatory milestones by specified dates.

Under the UCB Vance Agreement, we paid UCB an upfront fee of \$50,000 in 2014 and are required to make future milestone payments totaling up to \$1.5 million, in the aggregate, upon our achievement of certain specified development and regulatory milestones for the first indication and up to \$250,000 upon our achievement of a specified development and regulatory milestone for each additional indication developed. Under the UCB Vance Agreement, we are obligated to pay UCB royalties based on net sales of licensed products and services sold by us and our sublicensees at a rate in the low single-digit percentages, subject to minimum annual royalties and customary reductions, and a percentage of consideration received from any sublicensing arrangements at rates ranging from the low-single digits to the low thirties, determined by the current stage of development of the relevant licensed product at the time the sublicense is granted.

The UCB Vance Agreement will continue in effect until the expiration of the last-to-expire valid claim within the licensed patent rights. UCB may terminate the agreement upon 90 days' advance written notice in the event of our material breach that is not cured within such 90-day period. We may terminate the agreement at will upon 90 days' advance written notice. UCB may terminate the agreement upon 90 days' advance written notice in the event we challenge the validity or unenforceability of any licensed patent.

#### *MSK Agreement*

In December 2014, we entered into a license agreement with Memorial Sloan Kettering Cancer Center, or MSK, The Rockefeller University, Rutgers, The State University of New Jersey, and University of Bonn, collectively the Licensors, pursuant to which we received an exclusive, worldwide, sublicenseable license under certain patents related to CDNs and a non-exclusive, worldwide, sublicenseable license under specified know-how, in each case to develop, make, have made, use, have used, import, sell, and otherwise commercialize

licensed products for use in therapeutic and/or prophylactic treatments in humans. Under the agreement, or the MSK Agreement, we are obligated to use commercially reasonable efforts to develop and commercialize a licensed product, including achieving specified development and regulatory milestones by specified dates.

Under the MSK Agreement, we paid MSK upfront fees of \$50,000 in January 2015. We are required to pay MSK development and regulatory milestone payments totaling up to \$375,000 for each licensed product and commercialization milestone payments totaling up to \$2,950,000 for each licensed product. We are also required to pay MSK royalties based on net sales of licensed products by us and our sublicensees at a rate ranging in the low single digits depending on whether the licensed product is covered by a valid claim of the licensed patents, subject to minimum annual royalties. Our royalty obligation to MSK continues on a country-by-country basis until the later of the expiration of the last patent right covering the licensed product in such country or 10 years from the first commercial sale in such country. We are also obligated to pay MSK a percentage of certain consideration received for the grant of sublicenses, ranging from ten to the mid-twenties.

The MSK Agreement will continue in effect until the expiration of our royalty obligations. Either party may terminate the MSK Agreement upon the other party's uncured material breach that is not cured within 90 days after the breaching party receives notice of such breach. Additionally, the Licensors may terminate the MSK Agreement for our bankruptcy or insolvency or if we fail to pay any undisputed amounts owed under the agreement and do not cure such failure within 30 days after receiving notice of such failure.

## Competition

The biotechnology and pharmaceutical industries, and the immuno-oncology subsector, are characterized by rapid evolution of technologies, fierce competition and strong defense of intellectual property. A wide variety of institutions, including large pharmaceutical companies, specialty biotechnology companies, academic research departments and public and private research institutions, are actively developing potentially competitive products and technologies. We face substantial competition from biotechnology and pharmaceutical companies developing products in immuno-oncology and in our lead indications. They generally fall within the following categories:

- diversified immuno-oncology: AstraZeneca PLC, Bristol-Myers Squibb Company, GlaxoSmithKline plc, Merck & Co., Inc., Novartis AG, Pfizer Inc., Roche Holding Ltd and Sanofi SA;
- immuno-oncology aimed at stimulating immune response: AdaptImmune LLC, Idera Pharmaceuticals, Inc., Immune Design Corp. and NewLink Genetic Corporation;
- *Listeria*-based technology: Advaxis, Inc.;
- pancreatic cancer: Celgene Corporation, Incyte Corporation and Merrimack Pharmaceuticals, Inc.; and
- mesothelioma: Verastem, Inc.

While we believe that our product candidates, technology, knowledge and experience provide us with competitive advantages, we face competition from established and emerging pharmaceutical and biotechnology companies, among others. Any product candidates that we successfully develop and commercialize will compete with existing and new therapies that may become available in the future. The availability of reimbursement from government and other third-party payors will also significantly affect the pricing and competitiveness of our products.

Many of our competitors, either alone or with strategic partners, have substantially greater financial, technical and human resources than we do. Accordingly, our competitors may be more successful than us in obtaining approval for treatments and achieving widespread market acceptance, rendering our treatments obsolete or non-competitive. Accelerated mergers and acquisitions activity in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. These

companies also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical study sites and patient registration for clinical studies and acquiring technologies complementary to, or necessary for, our programs. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

Our commercial opportunity could be substantially limited in the event that our competitors develop and commercialize products that are more effective, safer, less toxic, more convenient or cheaper than our comparable products. In geographies that are critical to our commercial success, competitors may also obtain regulatory approvals before us, resulting in our competitors building a strong market position in advance of our product's entry. We believe the factors determining the success of our programs will be the efficacy, safety and convenience of our product candidates.

### **Government Regulation and Product Approval**

As a biopharmaceutical company that operates in the United States, we are subject to extensive regulation. Federal, state and local government authorities in the United States and in other countries extensively regulate, among other things, the research, development, testing, manufacturing, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of biological and pharmaceutical products such as those we are developing. Our product candidates must be approved by the FDA before they may be legally marketed in the United States and by the appropriate foreign regulatory agency before they may be legally marketed in foreign countries. Generally, our activities in other countries will be subject to regulation that is similar in nature and scope as that imposed in the United States, although there can be important differences. Additionally, some significant aspects of regulation in Europe are addressed in a centralized way, but country-specific regulation remains essential in many respects. The process for obtaining regulatory marketing approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

### ***U.S. Product Development Process***

In the United States, the FDA regulates pharmaceutical and biological products under the Federal Food, Drug and Cosmetic Act, or FDCA, and the Public Health Service Act, or PHSA, and the FDA's implementing regulations. Products are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include, among other actions, refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us. The FDA has limited experience with commercial development of combination immuno-oncology products. The process required by the FDA before a drug or biological product may be marketed in the United States generally involves the following:

- completion of nonclinical laboratory tests and animal studies according to good laboratory practices, or GLPs, and applicable requirements for the humane use of laboratory animals or other applicable regulations;
- submission to the FDA of an Investigational New Drug Application, or IND, which must become effective before human clinical trials may begin;

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- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practices, or GCPs, and any additional requirements for the protection of human research patients and their health information, to establish the safety and efficacy of the product candidate for its intended use;
- submission to the FDA of a BLA for any biologic or an NDA for any drug we seek to market that includes substantive evidence of safety, purity, and potency, or safety and effectiveness from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the product is produced, to assess compliance with cGMP, to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity, and, if applicable, the FDA's current good tissue practices, or GTPs, for the use of human cellular and tissue products;
- potential FDA audit of the nonclinical study and clinical trial sites that generated the data in support of the BLA or NDA; and
- FDA review and approval of the NDA, or licensure, of the BLA.

Before testing any product candidate in humans, the product candidate enters the preclinical testing stage. Preclinical tests, also referred to as nonclinical studies, include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements including GLPs. The clinical trial sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a product candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, trials may not recommence without FDA authorization and then only under terms authorized by the FDA. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such trials.

Where a recombinant nucleic acid trial is conducted at, or sponsored by, institutions receiving funding for recombinant DNA research from the U.S. National Institutes of Health, or NIH, prior to the submission of an IND to the FDA, a protocol and related documentation is submitted to and the study is registered with the NIH Office of Biotechnology Activities, or OBA, pursuant to the NIH Guidelines for Research Involving Recombinant DNA Molecules, or NIH Guidelines. Compliance with the NIH Guidelines is mandatory for investigators at institutions receiving NIH funds for research involving recombinant DNA, however many companies and other institutions not otherwise subject to the NIH Guidelines voluntarily follow them. The NIH is responsible for convening the Recombinant DNA Advisory Committee, or RAC, a federal advisory committee, which discusses protocols that raise novel or particularly important scientific, safety or ethical considerations at one of its quarterly public meetings. The OBA will notify the FDA of the RAC's decision regarding the necessity for full public review of a protocol. RAC proceedings and reports are posted to the OBA web site and may be accessed by the public.

Clinical trials involve the administration of the product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject

safety, including stopping rules that assure a clinical trial will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations composing the GCP requirements, including the requirement that all research patients provide informed consent. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Clinical trials of certain biologics also must be reviewed by an institutional biosafety committee, or IBC, a local institutional committee that reviews and oversees basic and clinical research conducted at that institution. The IBC assesses the safety of the research and identifies any potential risk to public health or the environment.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1. The biological product is initially introduced into healthy human patients and tested for safety. In the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- Phase 2. The biological product is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.
- Phase 3. Clinical trials are undertaken to further evaluate dosage, clinical efficacy, potency, and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk to benefit ratio of the product and provide an adequate basis for product labeling.

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA, the NIH and the investigators for serious and unexpected adverse events, any findings from other studies, tests in laboratory animals or in vitro testing that suggest a significant risk for human patients, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA or the sponsor or its data safety monitoring board may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk, including risks inferred from other unrelated immuno-oncology trials. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the biological product has been associated with unexpected serious harm to patients.

Human immuno-oncology products are a new category of therapeutics. Because this is a relatively new and expanding area of novel therapeutic interventions, there can be no assurance as to the length of the trial period, the number of patients the FDA will require to be enrolled in the trials in order to establish the safety, efficacy, purity and potency of immuno-oncology products, or that the data generated in these trials will be acceptable to the FDA to support marketing approval.

Concurrently with clinical trials, companies usually complete additional studies and must also develop additional information about the physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHSA emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other criteria, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

### ***U.S. Review and Approval Processes***

After the completion of clinical trials of a product candidate, FDA approval of a BLA or NDA must be obtained before commercial marketing of the product. The BLA or NDA must include results of product development, laboratory and animal studies, human trials, information on the manufacture and composition of the product, proposed labeling and other relevant information. The FDA may grant deferrals for submission of data, or full or partial waivers. The testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA or NDA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA or NDA must be accompanied by a significant user fee. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual product fee for products and an annual establishment fee on facilities used to manufacture prescription biological or drug products. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs or NDAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

Within 60 days following submission of the application, the FDA reviews a BLA or NDA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA or NDA that it deems incomplete or not properly reviewable at the time of submission, and may request additional information. In this event, the BLA or NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA or NDA. The FDA reviews the BLA to determine, among other things, whether the proposed product is safe, potent, and/or effective for its intended use, and has an acceptable purity profile, and in the case of an NDA, whether the product is safe and effective for its intended use, and in each case, whether the product is being manufactured in accordance with cGMP. The FDA may refer applications for novel biological or drug products or biological or drug products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA or NDA must submit a proposed REMS. The FDA will not approve a BLA or NDA without a REMS, if required.



Before approving a BLA or NDA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. For human tissue-based products, the FDA also will not approve the product if the manufacturer is not in compliance with the FDA's current good tissue practices, or GTPs, to the extent applicable. These are FDA regulations and guidance documents that govern the methods used in, and the facilities and controls used for, the manufacture of human cells, tissues, and cellular and tissue based products, or HCT/Ps, which are human cells or tissue intended for implantation, transplant, infusion, or transfer into a human recipient. The primary intent of the GTP requirements is to ensure that cell and tissue based products are manufactured in a manner designed to prevent the introduction, transmission and spread of communicable disease. FDA regulations also require tissue establishments to register and list their HCT/Ps with the FDA and, when applicable, to evaluate donors through screening and testing. Additionally, before approving a BLA or NDA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND trial requirements and GCP requirements. To assure cGMP, GTP and GCP compliance, an applicant must incur significant expenditure of time, money and effort in the areas of training, record keeping, production and quality control.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA or NDA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. If the agency decides not to approve the BLA or NDA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the BLA or NDA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA or NDA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific indications and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product.

Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval. In addition, the FDA may require post marketing clinical trials, sometimes referred to as Phase 4 clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

In addition, under the Pediatric Research Equity Act, or PREA, a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any product for an indication for which orphan designation has been granted. However, if only one indication for a product has orphan designation, a pediatric assessment may still be required for any applications to market that same product for the non-orphan indication(s).

### ***Orphan Drug Designation***

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug or biologic for this type of disease or condition will be recovered from sales in the United States for that drug or biologic.

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Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications, including a full BLA, to market the same biologic for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent FDA from approving a different drug or biologic for the same disease or condition, or the same drug or biologic for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA application user fee.

A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. In addition, exclusive marketing rights in the United States may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition.

We have received orphan drug designation for CRS-207 and GVAX Pancreas for the treatment of pancreatic cancer. There can be no assurance that we will receive orphan drug designation for additional indications or for any additional product candidates.

### ***Expedited Development and Review Programs***

The FDA has a Fast Track program that is intended to expedite or facilitate the process for reviewing new products that meet certain criteria. Specifically, new products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. Unique to a Fast Track product, the FDA may consider for review sections of the BLA or NDA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the BLA or NDA, the FDA agrees to accept sections of the BLA or NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the BLA or NDA.

Any product, submitted to the FDA for approval, including a product with a Fast Track designation, may also be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new product designated for priority review in an effort to facilitate the review. Additionally, a product may be eligible for accelerated approval. Products studied for their safety and effectiveness in treating serious or life-threatening diseases or conditions may receive accelerated approval upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require that a sponsor of a drug or biological product receiving accelerated approval perform adequate and well-controlled post-marketing clinical studies. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product. Fast

Track designation, priority review and accelerated approval do not change the standards for approval but may expedite the development or approval process.

In 2012 the FDA established a Breakthrough Therapy designation which is intended to expedite the development and review of products that treat serious or life-threatening conditions. The designation is available for product candidates that are intended, alone or in combination with one or more other products, to treat serious or life-threatening diseases or conditions and for which preliminary clinical evidence indicates that the product may demonstrate substantial improvement over currently available therapy on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the Fast Track program features, as well as more intensive FDA interaction and guidance. The Breakthrough Therapy designation is a distinct status from both Fast Track designation and priority review, which can also be granted to the same product if relevant criteria are met. If a product is designated as Breakthrough Therapy, FDA will expedite the development and review of such product.

We received Breakthrough Therapy designation for the combination of CRS-207 and GVAX Pancreas. Where applicable, we plan to request Fast Track and Breakthrough Therapy designation for other product candidates and regimens. Even if we receive one or both of these designations for our product candidates, the FDA may later decide that our product candidates no longer meets the conditions for qualification. In addition, these designations may not provide us with a material commercial advantage.

### ***Post-Approval Requirements***

Any products for which we receive FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, and complying with FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in patient populations that are not described in the product's approved uses, known as off-label use, limitations on industry-sponsored scientific and educational activities and requirements for promotional activities involving the internet. Although physicians may prescribe legally available products for off-label uses, if the physicians deem to be appropriate in their professional medical judgment, manufacturers may not market or promote such off-label uses.

In addition, quality control and manufacturing procedures must continue to conform to applicable manufacturing requirements after approval to ensure the long-term stability of the product. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products in accordance with cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Manufacturers and other entities involved in the manufacture and distribution of approved products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. Discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved BLA or NDA, including, among other things, recall or withdrawal of the product from the market. In addition, changes to the manufacturing process are strictly regulated, and depending on the significance of the change, may require prior FDA approval before being implemented. Other types of changes to the approved product, such as adding new indications and claims, are also subject to further FDA review and approval.

The FDA also may require post-marketing testing, known as Phase 4 testing, and surveillance to monitor the effects of an approved product. Discovery of previously unknown problems with a product or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, warning letters from the FDA, mandated corrective advertising or communications

with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our products under development.

### ***U.S. Patent Term Restoration and Marketing Exclusivity***

The Biologics Price Competition and Innovation Act, or BPCIA, amended the PHS Act to authorize the FDA to approve similar versions of innovative biologics, commonly known as biosimilars. A competitor seeking approval of a biosimilar must file an application to establish its molecule as highly similar to an approved innovator biologic, among other requirements. The BPCIA, however, bars the FDA from approving biosimilar applications for 12 years after an innovator biological product receives initial marketing approval.

Depending upon the timing, duration and specifics of the FDA approval of the use of our product candidates, some of our U.S. patents, if granted, may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years, as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a BLA or NDA plus the time between the submission date of a BLA or NDA and the approval of that application. Only one patent applicable to an approved product is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we may intend to apply for restoration of patent term for one of our currently owned or licensed patents to add patent life beyond its current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA or NDA.

Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

### ***Other U.S. Healthcare Laws and Compliance Requirements***

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, the Centers for Medicare and Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services, for instance the Office of Inspector General, the U.S. Department of Justice, or DOJ, and individual U.S. Attorney offices within the DOJ, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the physician payment transparency laws, the privacy and security provisions of the Health Insurance Portability and Accountability Act, or HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and similar state laws, each as amended.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers,

purchasers, and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Our practices may not in all cases meet all of the criteria for protection under a statutory exception or regulatory safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor, however, does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the Affordable Care Act to a stricter standard such that 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 False Claims Act, as discussed below.

The civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

The federal False Claims Act prohibits, among other things, any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to, or approval by, the federal government or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the U.S. government. Recently, several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies’ marketing of the product for unapproved, and thus non-reimbursable, uses.

HIPAA created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Also, many states have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. HIPAA, as amended by the HITECH Act, and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA’s privacy and security standards directly applicable to business associates independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

Additionally, the federal Physician Payments Sunshine Act under the Affordable Care Act, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with certain exceptions, to report information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members and payments or other "transfers of value" made to such physician owners. Failure to submit timely, accurately, and completely the required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year and up to an aggregate of \$1 million per year for "knowing failures"). Manufacturers were required to begin collecting data on August 1, 2013 and submit reports on aggregate payment data to the government for the first reporting period of August 1, 2013 to December 31, 2013, by March 31, 2014, and to report detailed payment data for the first reporting period and submit legal attestation to the accuracy of such data by June 30, 2014. Thereafter, manufacturers must submit reports by the 90th day of each subsequent calendar year. CMS made all reported data publicly available on September 30, 2014. Certain states also mandate implementation of compliance programs, impose restrictions on pharmaceutical manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to healthcare providers and entities.

In order to distribute products commercially, we must also comply with state laws that require the registration of manufacturers and wholesale distributors of drug and biological products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain. Several states have enacted legislation requiring pharmaceutical and biotechnology companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, and/or register their sales representatives, as well as to prohibit pharmacies and other healthcare entities from providing certain physician prescribing data to pharmaceutical and biotechnology companies for use in sales and marketing and to prohibit certain other sales and marketing practices. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government programs, such as Medicare and Medicaid, injunctions, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into government contracts, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

### ***Coverage, Pricing and Reimbursement***

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the extent to that third-party payors provide coverage, and establish adequate reimbursement levels for such products. In the United States, third-party payors include federal and state healthcare programs, private managed care providers, health insurers and other organizations. The process for determining whether a third-party payor will provide coverage for a product may be separate from the process for setting the price of a product or for establishing the reimbursement rate that such a payor will pay for the product. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication. Third-party payors are increasingly challenging the price, examining the

medical necessity and reviewing the cost-effectiveness of medical products, therapies and services, in addition to questioning their safety and efficacy. We may need to conduct expensive pharmaco-economic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Different pricing and reimbursement schemes exist in other countries. In the EU, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. In addition, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on healthcare pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

### ***Healthcare Reform***

In March 2010, President Obama enacted the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the Affordable Care Act, which has the potential to substantially change healthcare financing and delivery by both governmental and private insurers, and significantly impact the pharmaceutical and biotechnology industry. The Affordable Care Act will impact existing government healthcare programs and will result in the development of new programs.

Among the Affordable Care Act's provisions of importance to the pharmaceutical and biotechnology industries, in addition to those otherwise described above, are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain specified branded prescription drugs and biologic agents apportioned among these entities according to their market share in some government healthcare programs;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program, to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively and capped the total rebate amount for innovator drugs at 100% of the Average Manufacturer Price, or AMP;
- addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for certain drugs and biologics, including our product candidates, that are inhaled, infused, instilled, implanted or injected;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;



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- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for individuals with income at or below 133% of the federal poverty level, thereby potentially increasing manufacturers' Medicaid rebate liability;
- 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;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. In August 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 of 2% per fiscal year, which went into effect in April 2013, and will remain in effect through 2024 unless additional Congressional action is taken. In January 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 cancer treatment centers.

We anticipate that the Affordable Care Act and other legislative reforms will result in additional downward pressure on the price that we receive for any approved product, if covered, and could seriously harm our business. Any reduction in reimbursement from Medicare and other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products. In addition, it is possible that there will be further legislation or regulation that could harm our business, financial condition and results of operations.

### ***The Foreign Corrupt Practices Act***

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

### ***Additional Regulation***

In addition to the foregoing, state and federal laws regarding environmental protection and hazardous substances, including the Occupational Safety and Health Act, the Resource Conservancy and Recovery Act and the Toxic Substances Control Act, affect our business. These and other laws govern our use, handling and disposal of various biological, chemical and radioactive substances used in, and wastes generated by, our operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. We believe that we are in material compliance with applicable



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environmental laws and that continued compliance therewith will not have a material adverse effect on our business. We cannot predict, however, how changes in these laws may affect our future operations.

### ***Europe and Rest of World Government Regulation***

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products. Whether or not we obtain FDA approval of a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Certain countries outside of the United States have a similar process that requires the submission of a clinical trial application much like the IND prior to the commencement of human clinical trials. In the EU, for example, a clinical trial application must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and IRB, respectively. Once the clinical trial application is approved in accordance with a country's requirements, clinical trial development may proceed. Because biologically sourced raw materials are subject to unique contamination risks, their use may be restricted in some countries.

The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

To obtain regulatory approval of an investigational drug or biological product under EU regulatory systems, we must submit a marketing authorization application. The application used to file the BLA in the United States is similar to that required in the EU, with the exception of, among other things, country-specific document requirements.

For other countries outside of the EU, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, again, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

If we or our potential collaborators fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

### **Legal Proceedings**

We are not currently subject to any material legal proceedings.

### **Facilities**

We lease a 24,687 square foot facility in Berkeley, CA for research and development and administrative activities. The current lease agreement commenced on June 1, 2014 and has an initial term expiring on August 31, 2016. In February 2015, we entered into an addendum to the lease, which extends the term of the lease through December 31, 2018, with an option to extend until December 31, 2020. We believe that our existing facilities are adequate to meet our current needs, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

### **Employees**

As of January 31, 2015, we had 50 full-time employees, 20 of whom hold Ph.D. degrees, 39 of whom were engaged in research and development activities and 11 of whom were engaged in finance, business development, facilities, human resources and administrative support. None of our employees are subject to a collective bargaining agreement. We consider our relationship with our employees to be good.

## MANAGEMENT

### Executive Officers and Directors

Our executive officers and directors, their respective positions and their respective ages at December 31, 2014 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<i>Executive Officers</i>		
Stephen T. Isaacs	65	Chairman, Director, President and Chief Executive Officer
Gregory W. Schafer	50	Chief Operating Officer
Thomas W. Dubensky, Jr., Ph.D.	57	Chief Scientific Officer
Jennifer Lew	42	Senior Vice President of Finance
Dirk G. Brockstedt, Ph.D.	46	Senior Vice President of Research and Development
<i>Non-Employee Directors</i>		
Gerald Chan <sup>(3)</sup>	64	Director
William M. Greenman <sup>(1)(3)</sup>	48	Director
Ross Haghighat <sup>(1)(2)</sup>	51	Director
Frank McCormick, Ph.D. <sup>(3)</sup>	64	Director
Stephanie O'Brien <sup>(1)(2)</sup>	56	Director

- (1) Member of the audit committee.  
(2) Member of the compensation committee.  
(3) Member of the nominating and corporate governance committee.

### Executive Officers

**Stephen T. Isaacs** has served as our Chairman, Director, President and Chief Executive Officer since 2008. Prior to Aduro, Mr. Isaacs founded Cerus Corporation, a biomedical products company commercializing the Intercept Blood Systems, in 1991. He served as President and Chief Executive Officer of Cerus from 1991 to 2004. Prior to Cerus, Mr. Isaacs founded and served as Chief Executive Officer and President of HRIS Associates and HRI Research, both biotechnology companies focusing on research and development. He held a non-teaching faculty position in the Department of Chemistry at the University of California Berkeley from 1978 to 1986. Mr. Isaacs has published over 20 peer-reviewed scientific articles and is an inventor on over 40 issued patents. Mr. Isaacs holds a B.A. degree in Biochemistry from University of California Berkeley, and had graduate training in organic chemistry in the Ph.D. program in the Department of Chemistry at Berkeley. Because of Mr. Isaacs' biomedical expertise, extensive knowledge of our company and experience as founder and executive officer of biotechnology companies, we believe he is able to make valuable contributions to our board of directors.

**Gregory W. Schafer** has served as our Chief Operating Officer since July 2013. Prior to joining Aduro, he served as Chief Financial Officer of Jennerex, Inc, a private biotechnology company, from June 2010 until July 2013, where he was responsible for finance, accounting, planning, investor relations and treasury functions. Prior to Jennerex, he served as Chief Financial Officer of Onyx Pharmaceuticals, Inc., a public biotechnology company, from April 2006 until January 2009, where he was responsible for finance, accounting, risk management and strategic and operational planning. Before joining Onyx, he served as Chief Financial Officer and Vice President of finance for IntraBiotics Pharmaceuticals and Cerus Corporation, both biotechnology companies. Prior to Cerus, Mr. Schafer worked as a management consultant for Deloitte & Touche LLP. Mr. Schafer also serves on the board of directors for Capricor, Inc., a public biotechnology company. He received his M.B.A. from the Anderson Graduate School of Management at the University of California, Los Angeles and a B.S.E. in mechanical engineering from the University of Pennsylvania.

**Thomas W. Dubensky, Jr., Ph.D.** has served as our Chief Scientific Officer since September 2011. From 2009 to 2011, Dr. Dubensky served as Chief Scientific Officer of Immune Design Corp., a biotechnology company, where he was responsible for overseeing the development of immune therapies based on proprietary molecularly defined adjuvants and dendritic cell targeting vaccine platforms. He was a co-founder and Chief Scientific Officer of Anza Therapeutics, Inc., a biotechnology company which was spun out from Cerus Corporation in 2007, where he served as the Vice President of Research beginning in 2002. At Cerus and at Anza, he helped to develop vaccine platforms based on attenuated strains of *Listeria monocytogenes*, which serves as the technology basis for Aduro. Previously, Dr. Dubensky developed vaccine platforms based on alphaviruses, adenoviruses, retroviruses/lentiviruses and plasmid DNA in positions of increasing responsibility at Viagene Biotech, Inc., Chiron Corporation and Onyx Pharmaceuticals, Inc, all biotechnology companies. Dr. Dubensky has co-authored more than 60 scientific papers and is an inventor on more than 25 issued U.S. patents and multiple pending applications. Dr. Dubensky received his B.A. in Bacteriology and Immunology from the University of California, Berkeley; he earned his Ph.D. at the University of Colorado Health Sciences Center; and he was a post-doctoral fellow at Harvard Medical School in the Department of Pathology.

**Jennifer Lew** joined Aduro in October 2013 and has served as our Senior Vice President of Finance since January 2015. Prior to joining Aduro, Ms. Lew held various roles at Dynavax Technologies Corporation, a biopharmaceutical company, from August 2006 to October 2013, most recently as Vice President of Finance and Principal Accounting Officer, where she oversaw accounting and finance operations. Prior to joining Dynavax, Ms. Lew held positions as Assistant Controller and Director of Finance at QRS Corporation, a publicly-held technology company, from 2000 to 2004. Ms. Lew was a member of the audit practice at Ernst & Young from 1994 to 1999. She earned a B.A. in Economics/Accounting and Government from Claremont McKenna College and is a Certified Public Accountant (inactive status).

**Dirk G. Brockstedt, Ph.D.** joined Aduro in April 2009 and has served as our Senior Vice President of Research and Development since September 2011. Prior to joining Aduro, Dr. Brockstedt held various positions in the immunology department of Cerus Corporation since joining that company in 2002 and served as Cerus Corporation's Director, Immunology from 2006 to 2007. He was the third employee in the original Immunotherapy group at Cerus Corporation. Prior to Cerus Corporation, he was a scientist at Aventis in the Immunotherapy and Anti-Angiogenesis group from 1999 until 2002 developing novel therapies against cancer. Dr. Brockstedt has co-authored 36 scientific papers and is a named inventor on five issued patents and several pending applications. Dr. Brockstedt holds a Diploma/Masters of Science in Microbiology from the University of Kiel; he earned his Ph.D. from the University of Kiel and Stanford University, and he was a post-doctoral fellow at the Stanford School of Medicine in the department of Pathology.

## Board of Directors

**Dr. Gerald Chan** has served on our board of directors since 2014. Dr. Chan co-founded Morningside Venture (VI) Investments Limited, a private investment group with venture, private equity and property investments, in 1986. He has served as a member of the Global Advisory Council of the International Society for Stem Cell Research since 2008, the Global Advisory Council of Harvard University since 2012, the Dean's Board of Advisors of the Harvard School of Public Health since 2011, the advisory boards of the Cold Spring Harbor Conferences Asia since 2008, the Johns Hopkins Nanjing Center since 2004 and the Columbia University Center for Radiological Research since 2010. Dr. Chan also has been a member of the board of directors of Hang Lung Group Limited since 1986. Dr. Chan received his B.S. and M.S. degrees in engineering from the University of California, Los Angeles, and his Master's degree in medical radiological physics and Doctor of Science degree in radiation biology from Harvard University. He did his post-doctoral training at the Dana-Farber Cancer Institute as a fellow of the Leukemia Society of America. Because of his extensive experience in life science investments, we believe Dr. Chan will make valuable contributions to our board of directors.

**William M. Greenman** has served as a member of our board of directors since 2010. Mr. Greenman is currently the President and Chief Executive Officer of Cerus Corporation, and has held several executive and management positions with Cerus since joining the company in 1995. Prior to Cerus, he worked in various marketing and business development positions in Baxter's Biotech Division from 1991 to 1995. Mr. Greenman

holds undergraduate degrees in Biological Sciences and Economics from Stanford University. Because of his extensive experience holding executive positions and knowledge of the biomedical industry, we believe Mr. Greenman is able to make valuable contributions to our board of directors.

**Ross Haghighat** has served as a member of our board of directors since 2009. Mr. Haghighat is the founder, Chairman and Managing Partner of Triton Systems, Inc. Mr. Haghighat has served on the board of Triton Systems, Inc., a product venturing company, where he has also served as its Chief Executive Officer since 2009. Mr. Haghighat has served on the board of directors of Triton Systems, S12 Technologies and FRX Polymers since 2009. Mr. Haghighat holds a Bachelor's of Science and a Masters in Material Science, Organometallic Chemistry from Rutgers University and a Master of Business Administration from Boston College. Because of his extensive experience in the biotechnology field, we believe Mr. Haghighat will provide valuable contributions to our board of directors.

**Frank McCormick, Ph.D., F.R.S., D.Sc. (Hon)** has served as a member of our board of directors since 2010. Dr. McCormick has held the positions of Director of the University of California, San Francisco, or UCSF, Helen Diller Family Comprehensive Cancer Center, a multidisciplinary research and clinical care organization, since 1997, the position of Associate Dean of the UCSF School of Medicine since 1997 and has been a Fellow of the Royal Society, a society for science, since 1996. Prior to joining the UCSF faculty, Dr. McCormick pursued cancer-related work with several biotechnology firms, including Cetus Corporation as Director of Molecular Biology from 1981 to 1990 and Vice President of Research from 1990 to 1991, and Chiron Corporation as Vice President of Research from 1991 to 1992. In 1992, Dr. McCormick founded Onyx Pharmaceuticals and served as its Chief Scientific Officer until 1996. Dr. McCormick received his B.Sc. in biochemistry from the University of Birmingham, and his Ph.D. in biochemistry from the University of Cambridge and held postdoctoral fellowships in the U.S. at the State University of New York at Stony Brook and in London at the Imperial Cancer Research Fund. Because of Dr. McCormick's extensive experience in the biomedical industry, we believe Dr. McCormick is able to make valuable contributions to our board of directors.

**Stephanie O'Brien** has served as a member of our board of directors since 2011. Ms. O'Brien has been a member of the investment team at Morningside since 1997. She has served as a director for numerous private nonclinical and clinical stage companies developing drugs across a broad spectrum of therapeutic focus, including oncology and immunotherapy, and has extensive experience providing operational and management oversight to venture-backed technology companies. She has also facilitated multiple financings for public and private companies such as Dendreon, BioVex, Stealth Biotherapeutics and Sohu.com. Prior to joining Morningside, Ms. O'Brien spent nine years as a corporate lawyer with Hale and Dorr in the Boston and Washington, D.C. offices, working primarily on public offerings, venture capital finances and start-up companies. She previously worked at Chase Manhattan Bank, working in international portfolio analysis. She received her A.B., cum laude, from Harvard College and her J.D. from New York University School of Law. Because of Ms. O'Brien's extensive experience serving on boards of directors and governing biotechnology companies, we believe she is able to make valuable contributions to our board of directors.

## Board Composition

Certain members of our board of directors were elected pursuant to the provisions of our amended and restated voting agreement. Under this agreement, our stockholders that are party to the agreement have agreed to vote their shares to elect to our board of directors: (i) two directors designated by a majority of the outstanding shares Series B convertible preferred stock, one of whom shall be designated by MVIL for so long as MVIL holds at least 50% of the shares of Series B convertible preferred stock originally purchased by MVIL; (ii) two directors designated by purchasers who invested at least 60% of the Series C convertible preferred stock investment amount and who shall be reasonably acceptable to MVIL; (iii) the person serving as Chief Executive Officer; and (vi) two individuals to serve as independent directors. This agreement will terminate upon the completion of this offering.

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Our board may establish the authorized number of directors from time to time by resolution. Our board of directors currently consists of six members. In accordance with our amended and restated certificate of incorporation to be filed in connection with this offering, immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual general meeting of stockholders to be held in 2016;
- the Class II directors will be \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual general meeting of stockholders to be held in 2017; and
- the Class III directors will be \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual general meeting of stockholders to be held in 2018.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

### **Director Independence**

Generally, under the listing requirements and rules of NASDAQ, independent directors must comprise a majority of a listed company's board of directors within one year of the closing of this offering. Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Our board of directors has determined that, other than Stephen Isaacs by virtue of his position as Chief Executive Officer, none of our directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each is "independent" as that term is defined under the listing requirements of NASDAQ. Accordingly, a majority of our directors is independent, as required under applicable NASDAQ rules. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

### **Board Committees**

The standing committees of our board of directors consist of an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of the committees report to the board of directors as they deem appropriate and as the board may request. The composition, duties and responsibilities of the committees are set forth below.

#### ***Audit Committee***

Our audit committee consists of William Greenman, Ross Haghighat and Stephanie O'Brien. Our board of directors has determined that William Greenman, Ross Haghighat and Stephanie O'Brien are independent under NASDAQ listing standards and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is William Greenman, who our board of directors has determined is an "audit committee financial expert" within the meaning of SEC regulations. Our board of directors has also determined that each member of our audit committee has the requisite financial expertise required under the applicable requirements of NASDAQ. In

arriving at this determination, the board has examined each audit committee member's scope of experience and the nature of their employment in the corporate finance sector. The primary functions of this committee include:

- reviewing and approving the engagement of our independent registered public accounting firm to perform audit services and any permissible non-audit services;
- evaluating the performance of our independent registered public accounting firm and deciding whether to retain their services;
- monitoring the rotation of partners on our engagement team of our independent registered public accounting firm;
- reviewing our annual and quarterly financial statements and reports and discussing the statements and reports with our independent registered public accounting firm and management, including a review of disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
- considering and approving or disapproving all related party transactions;
- reviewing, with our independent registered public accounting firm and management, significant issues that may arise regarding accounting principles and financial statement presentation, as well as matters concerning the scope, adequacy and effectiveness of our financial controls;
- conducting an annual assessment of the performance of the audit committee and its members, and the adequacy of its charter; and
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters.

#### ***Compensation Committee***

Our compensation committee consists of Ross Haghighat and Stephanie O'Brien. Our board of directors has determined that each of Ross Haghighat and Stephanie O'Brien is independent under NASDAQ listing standards and the rules and regulations of the SEC, is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act and is an "outside director" as that term is defined in Section 162(m) of the Code. The chair of our compensation committee is Stephanie O'Brien. The functions of this committee include:

- determining the compensation and other terms of employment of our chief executive officer and our other executive officers and reviewing and approving corporate performance goals and objectives relevant to such compensation;
- reviewing and recommending to the full board of directors the compensation of our directors;
- evaluating and administering the equity incentive plans, compensation plans and similar programs advisable for us, as well as reviewing and recommending to our board of directors the adoption, modification or termination of our plans and programs;
- establishing policies with respect to equity compensation arrangements;
- reviewing with management our disclosures under the caption "Compensation Discussion and Analysis" and recommending to the full board its inclusion in our periodic reports to be filed with the SEC; and
- reviewing and evaluating, at least annually, the performance of the compensation committee and the adequacy of its charter.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Gerald Chan, William Greenman and Frank McCormick. Our board of directors has determined that Gerald Chan, William Greenman and Frank McCormick are independent under NASDAQ listing standards and the rules and regulations of the SEC. The chair of our nominating and corporate governance committee is Gerald Chan. The functions of this committee include:

- reviewing periodically and evaluating director performance on our board of directors and its applicable committees, and recommending to our board of directors and management areas for improvement;
- interviewing, evaluating, nominating and recommending individuals for membership on our board of directors;
- reviewing and recommending to our board of directors any amendments to our corporate governance policies; and
- reviewing and assessing, at least annually, the performance of the nominating and corporate governance committee and the adequacy of its charter.

### **Code of Business Conduct and Ethics**

In connection with this offering, our board of directors will adopt a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Upon completion of this offering, our code of business conduct and ethics will be available on our website at [www.aduro.com](http://www.aduro.com). We intend to disclose any amendments to the code, or any waivers of its requirements, on our website to the extent required by the applicable rules and exchange requirements. The inclusion of our website address in this prospectus does not include or incorporate by reference into this prospectus the information on or accessible through our website.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee is currently or has been at any time one of our officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

### **Non-Employee Director Compensation**

The table below shows all compensation earned by or paid to our non-employee directors during the year ended December 31, 2014.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Option Awards(1)</u>	<u>Total</u>
Gerald Chan	\$ —	\$ —	\$ —
William M. Greenman.	—	—	—
Ross Haghighat	—	—	—
Frank McCormick, Ph.D.	—	—	—
Stephanie O'Brien	—	—	—

(1) The amounts reported do not reflect the amounts actually received by our non-employee directors. Instead, these amounts represent the aggregate grant date fair value of each stock option granted to our non-

employee directors during the fiscal year ended December 31, 2014, as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in the notes to our audited consolidated financial statements included elsewhere in this prospectus. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Non-employee directors who receive options may only realize compensation with regard to these options to the extent the trading price of our common stock is greater than the exercise price of such options.

Upon completion of this offering, our board of directors may establish a compensation program for our non-employee directors.



## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth information regarding the compensation awarded to or earned by our Chief Executive Officer and our two other highest paid executive officers during the years ended December 31, 2013 and 2014. Throughout this prospectus, these officers are referred to as our named executive officers.

<b>Name and Principal Position</b>	<b>Year (\$)</b>	<b>Salary (\$)</b>	<b>Bonus(1) (\$)</b>	<b>Option Awards \$(2)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Stephen T. Isaacs	2014	402,500	484,100	609,380	6,146	1,502,126
<i>Chairman, President and Chief Executive Officer</i>	2013	372,501	110,441	26,174	6,657	515,773
Gregory W. Schafer(3)	2014	318,000	267,900	168,673	46	754,619
<i>Chief Operating Officer</i>	2013	150,000	39,759	154,920	276	344,955
Thomas W. Dubensky, Jr., Ph.D.	2014	319,545	265,350	119,043	3,391	707,329
<i>Chief Scientific Officer</i>	2013	312,885	69,812	6,804	3,897	393,398

- (1) Includes discretionary annual cash bonuses based on a target percentage of salary and one-time discretionary bonuses for extraordinary performance in 2014 as awarded by the Board of Directors.
- (2) The amounts in the “Option Awards” column reflect the aggregate grant date fair value of stock options granted during the calendar year computed in accordance with the provisions of Accounting Standards Codification (ASC) 718, *Compensation—Stock Compensation*. The assumptions that we used to calculate these amounts are discussed in the notes to our audited consolidated financial statements included elsewhere in this prospectus. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.
- (3) Mr. Schafer became an employee in July 2013.

## Outstanding Equity Awards at December 31, 2014

The following table provides information regarding outstanding equity awards held by our named executive officers at December 31, 2014.

Name	Vesting Commencement Date	Number of Securities Underlying Unexercised Options Exercisable	Option Awards		Option Expiration Date
			Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	
Stephen T. Isaacs	5/15/2006	284	—	14.10	5/15/2016
	2/12/2007	9,942	—	14.10	2/12/2017
	2/12/2008	2,954	—	24.70	2/12/2018
	2/12/2008	1,477	—	49.28	2/12/2018
	4/15/2011	336,047	—	0.37	10/24/2021
	4/15/2011	423,919	—	0.37	10/24/2021
	4/15/2011 <sup>(1)</sup>	572,080	52,008	0.37	10/24/2021
	11/9/2012	362,766	—	0.32	3/18/2020
	11/9/2012	27,323	—	0.32	3/18/2020
	11/9/2012	50,740	—	0.32	3/18/2020
	11/27/2013	72,005	—	0.59	11/26/2023
Gregory W. Schafer	7/31/2014 <sup>(2)</sup>	130,322	1,120,778	0.72	7/30/2024
Thomas W. Dubensky, Jr., Ph.D.	7/1/2013 <sup>(1)</sup>	138,453	252,474	0.59	11/26/2023
	7/31/2014 <sup>(2)</sup>	36,145	310,855	0.72	7/30/2024
	9/1/2011 <sup>(1)</sup>	247,825	57,191	0.37	10/23/2021
	9/1/2011 <sup>(3)</sup>	136,864	27,376	0.37	10/23/2021
	11/9/2012	5,069	—	0.32	3/18/2020
	11/27/2013	18,715	—	0.59	11/26/2023
	7/31/2014 <sup>(2)</sup>	25,510	219,390	0.72	7/30/2024

- (1) Twenty-five percent of the shares subject to the option vested on the first anniversary of the vesting commencement date, and the remainder vests in 36 equal monthly installments thereafter.
- (2) The option vests as to 1/48 of the shares in monthly installments measured from July 31, 2014.
- (3) 13,687 shares subject to the option vested on December 31, 2011, 41,060 shares subject to the option vested on December 31, 2012, 2013 and 2014, and the remaining 27,373 shares subject to the option vest on December 31, 2015.

## Employment and Severance Agreements

We entered into an employment agreement with Stephen Isaacs, our Chairman, President and Chief Executive Officer, in February 2010, which was subsequently amended in July 2014. Mr. Isaacs is employed “at will,” which means that he has no definitive term of employment. The employment agreement provides for an annual base salary, which for 2013 was set at \$380,000 and provides that Mr. Isaacs will be eligible to participate in any bonus plans established by us. If Mr. Isaacs is terminated by us without just cause and not due to his permanent disability, or if he terminates his employment for good reason, he will receive a lump sum payment equal to one year of his base salary and a lump sum payment equal to the product of his target bonus for the year in which his termination occurs multiplied by a percentage equal to the quotient of the number of days that lapsed in the year of termination divided by 365 (366 if a leap year), we will pay all applicable COBRA payments for up to 12 months, and all of his unvested equity awards will immediately vest in full, subject to Mr. Isaacs’ timely execution and the effectiveness of a release of claims against us. Additionally, upon the occurrence of a change in control, any and all of Mr. Isaacs’ unvested equity awards will immediately vest in full. Mr. Isaacs also entered into our standard proprietary information and inventions agreement.

We entered into an offer letter agreement with Gregory Schafer, our Chief Operating Officer, in April 2013. Mr. Schafer is employed “at will,” which means that he has no definitive term of employment. The offer

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agreement provides for an initial base salary of \$300,000 and provides for an annual cash bonus with a target level of 30% of his base salary, subject to the achievement of performance metrics. Mr. Schafer's offer letter also provided certain severance benefits, which were replaced in July 2014, when we entered into a severance agreement with Mr. Schafer. The offer letter agreement was subject to execution of our standard proprietary information and inventions agreement. The severance agreement provides that if Mr. Schafer is terminated by us without cause, and not due to his death or disability, or terminates his employment for good reason, each a qualifying termination, he will continue to receive his base salary for a period of six months following the termination date, we will pay applicable COBRA payments for a period of up to six months following the termination date, he will receive a lump sum payment equal to the product of his target bonus for the year in which his termination occurs multiplied by a percentage equal to the quotient of the number of days that lapsed in the year of termination divided by 365 (366 if a leap year), and the unvested portion of all of his equity awards will become vested and exercisable on an accelerated basis as if the termination had occurred six months after the termination date, subject to Mr. Schafer's timely execution and the effectiveness of a release of all claims against us. If Mr. Schafer's qualifying termination occurs during the time period beginning on the closing date of a change in control and ending on the first anniversary of such change in control, then the unvested portion of all of his equity awards shall become vested and exercisable on the qualifying termination date.

We entered into an offer letter agreement with Thomas W. Dubensky, Jr., Ph.D., our Chief Scientific Officer, in September 2011. Dr. Dubensky is employed "at will," which means that he has no definitive term of employment. The offer letter agreement provides for an annual base salary, which for 2013 was set at \$315,180 and provides for an annual cash bonus with a target level of not less than 25% of his base salary, subject to the achievement of performance metrics. The offer letter agreement was subject to execution of our standard proprietary information and inventions agreement. In July 2014, we entered into a severance agreement with Dr. Dubensky. The severance agreement provides that if Dr. Dubensky is terminated by us without cause, and not due to his death or disability, or terminates his employment for good reason, each a qualifying termination, he will continue to receive his base salary for a period of six months following the termination date, we will pay applicable COBRA payments for a period of up to six months following the termination date, he will receive a lump sum payment equal to the product of his target bonus for the year in which his termination occurs multiplied by a percentage equal to the quotient of the number of days that lapsed in the year of termination divided by 365 (366 if a leap year), and the unvested portion of all of his equity awards will become vested and exercisable on an accelerated basis as if the termination had occurred six months after the termination date, subject to Dr. Dubensky's timely execution and the effectiveness of a release of all claims against us. If Dr. Dubensky's qualifying termination occurs during the time period beginning on the closing date of a change in control and ending on the first anniversary of such change in control, then the unvested portion of all of his equity awards shall become vested and exercisable on the qualifying termination date.

## **Employee Benefit Plans**

The principal features of our equity incentive plans are summarized below. These summaries are qualified in their entirety by reference to the actual text of the plans, which are filed as exhibits to the registration statement of which this prospectus is a part.

### ***Oncologic, Inc. 2000 Long-Term Incentive Plan***

The board of directors of Oncologic, Inc. adopted the Oncologic, Inc. 2000 Long-Term Incentive Plan, or the 2000 Long-Term Incentive Plan, in December 2000. Since the adoption of our 2009 Stock Incentive Plan, our board of directors has not granted and will not grant any additional options under the 2000 Long-Term Incentive Plan. However, the 2000 Long-Term Incentive Plan continues to govern the terms and conditions of outstanding options previously granted under the plan.

The 2000 Long-Term Incentive Plan provided for the grant of incentive stock options to our employees, and for the grant of non-qualified stock options, stock appreciation rights, restricted stock, dividend equivalents

and other incentive awards to our employees, directors and consultants. Our board of directors, or a committee thereof appointed by our board of directors, administers the 2000 Long-Term Incentive Plan and the stock awards granted thereunder. The administrator has the authority to determine the terms and conditions of stock awards granted under the plan.

In the event of a corporate transaction, including a reorganization, merger, consolidation or sale of all or substantially all of our assets, the board of directors may, without the consent or approval of any participant: (1) accelerate the vesting and the time at which stock awards may be exercised, in whole or in part, of the stock awards and provide for their termination if not exercised prior to the corporate transaction; (2) require the mandatory surrender of some or all outstanding stock awards as of a specified date, in which case our board of directors would cancel such awards prior to the corporate transaction in exchange for a cash payment; (3) make such adjustments to the stock awards so that such stock awards thereafter cover the number and class of shares of stock or other securities to which the holder of such stock awards would have been entitled pursuant to the terms of the corporate transaction had such holder been the holder of record of the number of shares covered by the stock award; or (4) in the event of a transaction in which our common stockholder receive shares in the acquiror, the conversion of the stock awards into awards to acquire shares of the acquiror, assumption, continuation or substitution of a stock award by a successor corporation.

#### ***Triton BioSystems, Inc. 2001 Equity Incentive Plan***

The board of directors of Triton BioSystems, Inc. adopted, and its stockholders approved, the Triton BioSystems, Inc. 2001 Equity Incentive Plan, or the 2001 Equity Incentive Plan, in March 2001. Since the adoption of our 2009 Stock Incentive Plan, our board of directors has not granted and will not grant any additional options under the 2001 Equity Incentive Plan. However, the 2001 Equity Incentive Plan continues to govern the terms and conditions of outstanding options previously granted under the plan.

The 2001 Equity Incentive Plan provided for the grant of incentive stock options to our employees, and for the grant of non-qualified stock options and restricted shares to our employees, directors, consultants and other individuals who provide services to us. Our board of directors, or a committee thereof appointed by our board of directors, administers the 2001 Equity Incentive Plan and the stock awards granted thereunder. The administrator has the authority to determine the terms and conditions of the options and restricted shares granted under the plan.

In the event of a change in control, including a sale of more than 50% of the voting power of our stock or a sale of substantially all of our assets, the administrator will take any one or more of the following actions with respect to each outstanding stock award: (1) cause an option to become fully vested and exercisable, (2) cause restricted shares to become non-forfeitable, (3) cancel an option in exchange for an option to purchase common stock of any successor company, (4) substitute restricted shares in exchange for restricted stock of any successor company, (5) cancel an option in exchange for cash and/or other consideration with a value equal to the difference between the option exercise price and the fair market value per share on the date of the change in control, or (6) redeem restricted shares in exchange for cash and/or other consideration.

#### ***2009 Stock Incentive Plan***

Our board of directors adopted our 2009 Stock Incentive Plan, or the 2009 Stock Incentive Plan, and our stockholders approved our 2009 Stock Incentive Plan in October 2009. The 2009 Stock Incentive Plan was subsequently amended in 2011. The 2009 Stock Incentive Plan provides for the grant of incentive stock options to our employees and nonstatutory stock options and stock purchase awards to our employees, directors and consultants. At December 31, 2014, options to purchase 8,292,303 shares of our common stock at a weighted-average exercise price per share of \$0.57 were outstanding under the 2009 Stock Incentive Plan. No other awards have been granted under the 2009 Stock Incentive Plan. At December 31, 2014, 4,381,609 shares of our common stock were available for future issuance pursuant to awards granted under the 2009 Stock Incentive Plan.

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Following the completion of this offering and in connection with the effectiveness of our 2015 Plan, the 2009 Stock Incentive Plan will terminate and no further awards will be granted under the 2009 Stock Incentive Plan. However, all outstanding awards will continue to be governed by their existing terms.

Our board of directors, or a committee thereof appointed by our board of directors, administers the 2009 Stock Incentive Plan and the stock awards granted thereunder. The administrator has the authority to determine the terms and conditions of the options and restricted shares granted under the plan.

In the event of a change of control, including a reorganization, merger, consolidation or sale of all or substantially all of our assets, the board of directors may: (1) accelerate the vesting, in whole or in part, of the stock awards and provide for the cancellation of the awards with notice to the holders at least three days prior to the change in control, and its termination of the Stock Incentive Plan prior to the change in control; (2) cancel or arrange for the cancellation of the plan and all outstanding stock awards with notice to the holders at least three days prior to the change in control without the payment of any consideration; (3) the assumption of the 2009 Stock Incentive Plan and all outstanding stock awards by the successor corporation or its parent; (4) the substitution by the successor corporation or its parent of options in the successor corporation or its parent with substantially the same terms for the outstanding options; or (5) the settlement for full value of all outstanding options under the 2009 Stock Incentive Plan determined as the number of shares to which the options relate multiplied by the difference between the fair market value of a share of our common stock on the date of the change in control and the exercise price.

### **2015 Equity Incentive Plan**

Our board of directors adopted our 2015 Plan in \_\_\_\_\_, 2015 and our stockholders approved our 2015 Plan in \_\_\_\_\_, 2015. Our 2015 Plan is the successor to and continuation of the Stock Incentive Plan. Our 2015 Plan provides for the grant of incentive stock options, or ISOs, to our employees and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, RSU awards, performance stock awards, performance cash awards, and other forms of stock awards to our employees, directors, and consultants.

**Authorized shares.** The maximum number of shares of our common stock that may be issued pursuant to stock awards under our 2015 Plan is equal to \_\_\_\_\_, which number of shares will be increased by any shares subject to stock options or other stock awards granted under the 2009 Stock Incentive Plan that would have otherwise returned to our 2009 Stock Incentive Plan (such as upon the expiration or termination of a stock option prior to vesting), not to exceed \_\_\_\_\_. Additionally, the number of shares of our common stock reserved for issuance pursuant to stock awards under our 2015 Plan will automatically increase on January 1 of each year for a period of up to ten years, beginning on January 1, 2016 and ending on and including January 1, 2025, by \_\_\_\_\_ % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. The maximum number of shares of our common stock that may be issued upon the exercise of ISOs under our 2015 Plan is \_\_\_\_\_.

Shares subject to stock awards granted under our 2015 Plan that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, do not reduce the number of shares available for issuance under our 2015 Plan. Additionally, shares issued pursuant to stock awards under our 2015 Plan that we repurchase or that are forfeited, as well as shares used to pay the exercise price of a stock award or to satisfy the tax withholding obligations related to a stock award, become available for future grant under our 2015 Plan.

**Plan administration.** Our board of directors, or a duly authorized committee of our board of directors, will administer our 2015 Plan. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than officers) to receive specified stock awards, and (2) determine the number of shares subject to such stock awards. Subject to the terms of our 2015 Plan, the board of directors has the authority to determine the terms of awards, including recipients, the exercise, purchase or strike price of stock

awards, if any, the number of shares subject to each stock award, the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration, if any, payable upon exercise or settlement of the award and the terms of the award agreements for use under our 2015 Plan.

The board of directors has the power to modify outstanding awards under our 2015 Plan. The board of directors has the authority to reprice any outstanding option or stock appreciation right, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration or take any other action that is treated as a repricing under GAAP, with the consent of any adversely affected participant.

**Section 162(m) limits.** At such time as necessary for compliance with Section 162(m) of the Code, no participant may be granted stock awards that are intended to comply with Section 162(m) of the Code covering more than \_\_\_\_\_ shares of our common stock under our 2015 Plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise price or strike price of at least 100% of the fair market value of our common stock on the date of grant. Additionally, no participant may be granted in a calendar year a performance stock award covering more than \_\_\_\_\_ shares of our common stock or a performance cash award having a maximum value in excess of \$ \_\_\_\_\_ under our 2015 Plan. These limitations are intended to give us the flexibility to grant compensation that will not be subject to the \$1,000,000 annual limitation on the income tax deductibility imposed by Section 162(m) of the Code.

**Performance awards.** We believe our 2015 Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the \$1,000,000 limitation on the income tax deductibility imposed by Section 162(m) of the Code. Our compensation committee may structure awards so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period.

Our compensation committee may establish performance goals by selecting from one or more of the following performance criteria: (1) profit before tax; (2) billings; (3) revenues; (4) net revenues; (5) earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings); (6) operating income; (7) operating margin; (8) operating profit; (9) controllable operating profit, or net operating profit; (10) net profit; (11) gross margin; (12) operating expenses or operating expenses as a percentage of revenue; (13) net income; (14) earnings per share; (15) total stockholder return; (16) market share; (17) return on assets or net assets; (18) our stock price; (19) growth in stockholder value relative to a pre-determined index; (20) return on equity; (21) return on invested capital; (22) cash flow (including free cash flow or operating cash flows); (23) cash conversion cycle; (24) economic value added; (25) individual confidential business objectives; (26) contract awards or backlog; (27) overhead or other expense reduction; (28) credit rating; (29) strategic plan development and implementation; (30) succession plan development and implementation; (31) improvement in workforce diversity; (32) customer indicators; (33) new product invention or innovation; (34) attainment of research and development milestones; (35) improvements in productivity; (36) bookings; (37) initiation of phases of clinical trials and/or studies by specified dates; (38) regulatory body approval with respect to products, studies and/or trials; (39) patient enrollment dates; (40) commercial launch of products; and (41) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by our board of directors or compensation committee.

Our compensation committee may establish performance goals on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless otherwise specified by our board of directors (i) in the award agreement at the time the award is granted or (ii) in such other document setting forth the performance goals at the time the performance goals are established, our compensation committee will appropriately make adjustments in the method of calculating the attainment of the performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges;

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(2) to exclude exchange rate effects; (3) to exclude the effects of changes to GAAP; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any “extraordinary items” as determined under GAAP; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by our company achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under GAAP; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under GAAP; (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item; (13) to exclude the effects of the timing of acceptance for review and/or approval of submissions to the FDA or any other regulatory body; and (14) to exclude the effects of entering into or achieving milestones involved in licensing joint ventures.

**Changes to Capital Structure.** In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split or recapitalization, appropriate adjustments will be made to: (1) the class and maximum number of shares reserved for issuance under our 2015 Plan; (2) the class and maximum number of shares by which the share reserve may increase automatically each year; (3) the class and maximum number of shares that may be issued upon the exercise of incentive stock options; (4) the class and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under our 2015 Plan pursuant to Section 162(m) of the Code); and (5) the class and maximum number of shares and exercise price, strike price or purchase price, if applicable, of all outstanding stock awards.

**Corporate transactions.** Our 2015 Plan provides that in the event of certain specified significant corporate transactions, as defined under our 2015 Plan, each outstanding award will be treated as the administrator determines. The administrator may (1) arrange for the assumption, continuation or substitution of a stock award by a successor corporation; (2) arrange for the assignment of any reacquisition or repurchase rights held by us to a successor corporation; (3) accelerate the vesting, in whole or in part, of the stock award and provide for its termination prior to the transaction; (4) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us; (5) cancel or arrange for the cancellation of the stock award prior to the transaction in exchange for a cash payment, if any, determined by the board of directors; or (6) cancel or arrange for the cancellation of the stock award prior to the transaction in exchange for a payment, in such form as may be determined by our board of directors equal to the excess, if any, of the value of the property the participant would have received upon the exercise of the stock award immediately prior to the transaction over any exercise price payable by such holder in connection with such exercise. The plan administrator is not obligated to treat all stock awards or portions of stock awards, even those that are of the same type, in the same manner.

**Plan amendment or termination.** Our board of directors has the authority to amend, suspend, or terminate our 2015 Plan, provided that such action does not materially impair the existing rights of any participant without such participant’s written consent. No ISOs may be granted after the tenth anniversary of the date our board of directors adopted our 2015 Plan. No stock awards may be granted under our 2015 Plan while it is suspended or after it is terminated.

### **2015 Employee Stock Purchase Plan**

Our board of directors adopted our ESPP in \_\_\_\_\_, 2015 and our stockholders approved our ESPP in \_\_\_\_\_, 2015. Our ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code. The first offering period under our ESPP will begin and end upon a date to be approved by our board of directors or the compensation committee.

**Authorized shares.** The maximum aggregate number of shares of our common stock that may be issued under our ESPP is \_\_\_\_\_ shares. Additionally, the number of shares of our common stock reserved for issuance

under our ESPP will increase automatically each year for a period of up to ten years, beginning on January 1, 2016 and continuing through and including January 1, 2025, by the lesser of (1) % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year; (2) shares of common stock; or (3) such lesser number as determined by our board of directors. The stock purchasable under our ESPP will be shares of authorized but unissued or reacquired common stock, including shares repurchased by us in the open market. Shares subject to purchase rights granted under our ESPP that terminate without having been exercised in full will be available for grant under our ESPP.

**ESPP administration.** Our board of directors will administer our ESPP. Our board of directors may delegate authority to administer our ESPP to our compensation committee. The administrator may approve offerings with a duration of not more than 27 months, and may specify one or more shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for the employees who are participating in the offering. The administrator, in its discretion, will determine the terms of offerings under our ESPP including determining which of our designated affiliates will be eligible to participate in the 423 component of our ESPP and which of our designated affiliates will be eligible to participate in the non-423 component of our ESPP.

**Eligibility.** Our employees, including executive officers, may have to satisfy one or more of the following service requirements before participating in our ESPP, as determined by the administrator: (1) customary employment for more than 20 hours per week and more than five months per calendar year, or (2) continuous employment for a minimum period of time, not to exceed two years. An employee may not be granted rights to purchase stock under our ESPP if such employee (a) immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of our common stock; or (b) holds rights to purchase stock under our ESPP that would accrue at a rate that exceeds \$25,000 worth of our stock for each calendar year that the rights remain outstanding.

**Purchase rights and purchase price.** Our ESPP permits participants to purchase shares of our common stock through payroll deductions or other methods with up to 15% of their earnings, as defined in the ESPP. The purchase price of the shares will be not less than 85% of the lower of the fair market value of our common stock on the first day of an offering or on the date of purchase.

**Corporate transactions.** In the event of certain specified corporate transactions, as defined in our ESPP, a successor corporation may assume, continue or substitute each outstanding purchase right. If the successor corporation does not assume, continue or substitute for the outstanding purchase rights, the offering in progress may be shortened and a new exercise date will be set, so that the participants' purchase rights can be exercised and terminate immediately thereafter.

**Changes to Capital Structure.** In the event there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of director will make appropriate adjustments to: (1) the number of shares reserved under our ESPP; (2) the maximum number of shares by which the shares reserve may increase automatically each year; (3) the number of shares and purchase price of all outstanding purchase rights; and (4) the number of shares that are subject to purchase limits under ongoing offerings.

**ESPP amendment or termination.** Our board of directors has the authority to amend, suspend or terminate our ESPP, at any time and for any reason. Any benefits, privileges, entitlements and obligations under any outstanding purchase rights granted before an amendment, suspension or termination of our ESPP will not be materially impaired except (1) with the participant's consent; (2) to comply with any laws, listing requirements or regulations; or (3) to obtain or maintain favorable tax, listing or regulatory treatment.



## **401(k) Plan**

We maintain a tax-qualified retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees may defer eligible compensation subject to applicable annual Code limits. The 401(k) plan permits participants to make both pre-tax and certain after-tax (Roth) deferral contributions. These contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant's directions. Employees are immediately and fully vested in their contributions. Currently, we do not make matching contributions or discretionary contributions to the 401(k) plan. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan's related trust intended to be exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan.

## **Limitation on Liability and Indemnification Matters**

Our amended and restated certificate of incorporation and restated bylaws, each to be effective upon the completion of this offering, will provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law. However, Delaware law prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of a director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which a director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our amended and restated certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. It also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our amended and restated bylaws, we will also be empowered to enter into indemnification agreements with our directors, officers, employees and other agents and to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we have entered into indemnification agreements with each of our current directors and executive officers. These agreements provide for the indemnification of such persons for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were serving in such capacity. We believe that these certificate of incorporation and bylaws provisions and indemnification agreements are necessary to attract and retain qualified persons as directors, officers and employees. Furthermore, we have obtained director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us and expect to increase the level upon completion of this offering.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A

stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The following is a description of transactions since January 1, 2011 to which we have been a party, in which the amount involved exceeded or will exceed \$120,000, and in which any of our executive officers, directors, promoters or holders of more than 5% of any class of our voting securities, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest, other than compensation, termination and change in control arrangements, which are described under “Executive Compensation.” We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm’s-length transactions with unrelated third parties.

### Convertible Note Financing

In August 2013, September 2013, October 2013, December 2013 and January 2014 we issued and sold to investors, including an executive officer and holders of more than 5% of our capital stock, convertible promissory notes, or the notes, in the aggregate principal amount of \$13.0 million, which we refer to as our bridge notes. The bridge notes issued carried an interest rate of 5.0% per annum.

The participants in these loan arrangements included the following holders of more than 5% of our capital stock or entities affiliated with them. The following table presents the aggregate principal amount of convertible promissory notes issued to these related parties for more than \$120,000.

	<u>Aggregate Principal Amount of Notes</u>
Morningside Venture (VI) Investments Limited <sup>(1)</sup>	\$ 8,000,000
John E. and Lois A. Rogers	\$ 3,116,000

(1) Dr. Chan and Ms. O’Brien, members of our board of directors, are affiliated with Morningside Venture (VI) Investments Limited.

Additionally, pursuant to the Series B purchase agreement, as defined below, we issued and sold to MVIL convertible promissory notes in the aggregate principal amount of \$9.0 million. The notes carried no interest.

### Series B Preferred Stock Financing

In April 2011, we entered into a Series B convertible preferred stock purchase agreement, or the Series B purchase agreement, pursuant to which we issued and sold an aggregate of 12,716,523 shares of our Series B convertible preferred stock for \$1.19 per share, warrants exercisable for 855,096 shares of our common stock and warrants exercisable for 83,771 shares of Series B Preferred Stock for aggregate consideration of approximately \$15.1 million. In addition during 2011, the aggregate amount of \$1.1 million of convertible notes converted into 1,185,806 shares of Series B convertible preferred stock at a conversion price equal to approximately \$0.95 per share, a 20% discount to the purchase price, and approximately \$9.0 million of convertible notes converted during 2013 and 2014 into 7,539,380 shares of Series B convertible preferred stock at a conversion price equal to \$1.19 per share. The table below sets forth the number of shares of Series B convertible preferred stock issued to our stockholders who held more than 5% of any class of our voting securities and their affiliates, to the extent they were issued more than \$120,000 of our Series B convertible preferred stock. For each share of preferred stock set forth in the table below, the holder will receive, upon conversion, one share of our common stock upon the closing of this offering.

	<u>Number of Shares of Series B Convertible Preferred Stock</u>	<u>Number of Common Stock Warrant Shares</u>	<u>Number of Series B Preferred Stock Warrant Shares</u>	<u>Aggregate Purchase Price</u>
Morningside Venture (VI) Investments Limited <sup>(1)</sup>	15,497,614	628,282	61,410	\$18,499,999.68 <sup>(2)</sup>
John E. and Lois A. Rogers	3,046,477	95,220	11,815	\$ 3,559,341.00 <sup>(3)</sup>

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- (1) Dr. Chan and Ms. O'Brien, members of our board of directors, are affiliated with Morningside Venture (VI) Investments Limited.
  - (2) Includes the conversion of an aggregate principal amount of \$9.0 million of convertible notes into 7,539,380 shares of Series B convertible preferred stock.
  - (3) Includes the conversion of an aggregate principal and interest amount of \$0.3 million of convertible notes into 323,924 shares of Series B convertible preferred stock.

### Series C Preferred Stock Financing

In May 2014, we entered into a Series C convertible preferred stock purchase agreement, or the Series C purchase agreement, pursuant to which we issued and sold an aggregate of 19,423,965 shares of our Series C convertible preferred stock for approximately \$2.17 per share, for aggregate consideration of approximately \$42.2 million. In addition, the aggregate amount of approximately \$13.5 million of the bridge notes converted into 6,199,217 shares of Series C convertible preferred stock at a conversion price equal to approximately \$2.17 per share. The table below sets forth the number of shares of Series C convertible preferred stock issued to stockholders who held more than 5% of any class of our voting securities and their affiliates, to the extent they were issued more than \$120,000 of our Series C convertible preferred stock. For each share of preferred stock set forth in the table below, the holder will receive, upon conversion, one share of our common stock upon the closing of this offering.

	Number of Shares of Series C Convertible Preferred Stock	Aggregate Purchase Price
Morningside Venture (VI) Investments Limited <sup>(1)</sup>	15,345,433	\$ 33,299,588.45 <sup>(3)</sup>
Johnson & Johnson Development Corporation	4,608,295	\$ 10,000,000.15
John E. and Lois A. Rogers <sup>(2)</sup>	4,244,750	\$ 9,211,107.50 <sup>(4)</sup>

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- (1) Dr. Chan and Ms. O'Brien, members of our board of directors, are affiliated with Morningside Venture (VI) Investments Limited.
  - (2) Consists of (a) 3,955,243 purchased by John E. Rogers and Lois A. Rogers, JTWROS, (b) 52,637 purchased by the Buchholz Rogers Family Living Trust 2012, (c) 52,637 purchased by the Phan Rogers Trust, (d) 26,319 shares purchased by Christopher Hagerman, (e) 26,319 shares purchased by Joseph Rogers, (f) 26,319 shares purchased by Lisa M. Rogers, (g) 26,319 shares purchased by Michael J. Rogers, (h) 26,319 shares purchased by Molly Rogers, (i) 26,319 shares purchased by Peter Rogers and (j) 26,319 shares purchased by Sara Rogers, over which John E. Rogers exercises voting control.
  - (3) Includes the conversion of an aggregate principal and interest amount of \$8.3 million of convertible notes into 3,824,695 shares of Series C convertible preferred stock.
  - (4) Includes the conversion of an aggregate principal and interest amount of \$3.2 million of convertible notes into 1,479,773 shares of Series C convertible preferred stock.

**Series D Preferred Stock Financing**

In December 2014, we entered into a Series D convertible preferred stock purchase agreement, or the Series D purchase agreement, pursuant to which we issued and sold an aggregate of 19,012,173 shares of our Series D convertible preferred stock for approximately \$2.70 per share, for aggregate consideration of approximately \$51.4 million. The table below sets forth the number of shares of Series D convertible preferred stock issued to stockholders who held more than 5% of any class of our voting securities and their affiliates, to the extent they were issued more than \$120,000 of our Series D convertible preferred stock. For each share of preferred stock set forth in the table below, the holder will receive, upon conversion, one share of our common stock upon the closing of this offering.

	Number of Shares of Series D Convertible Preferred Stock	Aggregate Purchase Price
Morningside Venture (VI) Investments Limited <sup>(1)</sup>	2,774,798	\$ 7,500,001.51
John E. and Lois A. Rogers	731,072	\$ 1,976,014.51
Entities affiliated with Fidelity Investments <sup>(2)</sup>	5,549,595	\$ 15,000,000.32

(1) Dr. Chan and Ms. O’Brien, members of our board of directors, are affiliated with Morningside Venture (VI) Investments Limited.

(2) Consists of (a) 2,692,455 shares purchased by Fidelity Securities Fund: Fidelity OTC Portfolio. (b) 2,376,915 shares purchased by Fidelity Select Portfolios: Biotechnology Portfolio and (c) 480,225 shares purchased by Fidelity Advisors Series VII: Fidelity Advisor Biotechnology Fund.

**Amended and Restated Voting Agreement**

We have entered into an amended and restated voting agreement with certain holders of our common stock and preferred stock, including certain of our named executive officers and directors and entities with which certain of our directors are affiliated, with respect to the election of our directors and certain other matters. All of our current directors were elected pursuant to the terms of this agreement. The amended and restated voting agreement will terminate upon the closing of this offering. For more information, see “Management—Board Composition.”

**Amended and Restated Right of First Refusal and Co-Sale Agreement**

We have entered into an amended and restated right of first refusal and co-sale agreement with certain holders of our common stock and preferred stock, including certain of our named executive officers and directors and entities with which certain of our directors are affiliated. This agreement provides the holders of preferred stock a right of purchase and a right of co-sale in respect of sales of securities by certain holders of our common stock and preferred stock. These rights of purchase and co-sale will terminate upon the closing of this offering.

**Amended and Restated Investors’ Rights Agreement**

We have entered into an amended and restated investors’ rights agreement with certain holders of our preferred stock, including certain of our directors and entities with which certain of our directors are affiliated. This agreement provides that the holders of common stock issuable upon conversion of our preferred stock have the right to demand that we file a registration statement or request that their shares of common stock be covered by a registration statement that we are otherwise filing. With respect to this offering, the registration rights have been validly waived. In addition to the registration rights, the second amended and restated investors’ rights agreement provides for certain information rights and a right of first offer. The provisions of the second amended and restated investors’ rights agreement, other than those relating to registration rights, will terminate upon the closing of this offering. For more information regarding this agreement, see “Description of Capital Stock—Registration Rights.”

## **Indemnification Agreements**

We have entered into indemnification agreements with each of our directors and executive officers. For more information regarding these agreements, see “Executive Compensation—Limitation on Liability and Indemnification Matters.”

## **Policies and Procedures for Transactions with Related Persons**

We intend to adopt a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the prior consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest, must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person’s interest in the transaction. All of the transactions described above were entered into prior to the adoption of such policy, but after presentation, consideration and approval by our board of directors.

## PRINCIPAL STOCKHOLDERS

The following table sets forth, at January 31, 2015, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options and warrants that are currently exercisable within 60 days of January 31, 2015. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

Our calculation of the percentage of beneficial ownership prior to this offering is based on 70,135,715 shares of our common stock (including preferred stock on an as-converted basis) outstanding at January 31, 2015. We have based our calculation of the percentage of beneficial ownership after this offering on \_\_\_\_\_ shares of our common stock outstanding immediately after the closing of this offering (assuming no exercise of the underwriters' option to purchase additional shares of common stock).

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Aduro Biotech, Inc., 626 Bancroft Way, 3C, Berkeley, California 94710.

Name of beneficial owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned Before Offering	After Offering
<b>5% Stockholders:</b>			
Morningside Venture (VI) Investments Limited <sup>(1)</sup>	26,894,950	37.8%	
John E. and Lois A. Rogers <sup>(2)</sup>	8,841,313	12.5%	
Ultimate Keen Limited <sup>(3)</sup>	7,781,251	11.1%	
Entities affiliated with Fidelity Investments <sup>(4)</sup>	5,549,595	7.9%	
Johnson & Johnson Development Corporation <sup>(5)</sup>	4,608,295	6.6%	
<b>Executive Officers and Directors:</b>			
Stephen T. Isaacs <sup>(6)</sup>	2,382,236	3.3%	
Gregory W. Schafer <sup>(7)</sup>	300,335	*	
Thomas W. Dubensky, Jr. <sup>(8)</sup>	493,961	*	
Gerald Chan <sup>(9)</sup>	5,000	*	
Stephanie O'Brien <sup>(10)</sup>	50,790	*	
William M. Greenman <sup>(11)</sup>	51,364	*	
Ross Haghighat <sup>(12)</sup>	1,745,803	2.5%	
Frank McCormick <sup>(13)</sup>	64,300	*	
<b>All executive officers and directors as a group (10 persons)<sup>(14)</sup></b>	<b>5,809,989</b>	<b>7.8%</b>	

\* Represents beneficial ownership of less than 1% of the outstanding common stock.

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- (1) Includes 1,058,356 shares issuable upon the exercise of warrants held by Morningside Venture (VI) Investments Limited, or MVIL. Yuk Lan Wong and Louise Mary Garbarino, the directors of MVIL, share voting and dispositive control over the shares held by MVIL. The address of MVIL is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000, Monaco.
- (2) Consists of (a) 8,117,650 shares and 295,772 shares issuable upon the exercise of warrants held by John E. Rogers and Lois A. Rogers, JTWROS, (b) 72,637 shares and 5,162 shares issuable upon the exercise of warrants held by the Buchholz Rogers Family Living Trust 2012, (c) 72,637 shares and 5,162 shares issuable upon the exercise of warrants held by the Phan Rogers Trust, (d) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Christopher Hagerman, (e) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Joseph Rogers, (f) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Lisa M. Rogers, (g) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Michael J. Rogers, (h) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Molly Rogers, (i) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Peter Rogers and (j) 36,319 shares and 2,580 shares issuable upon the exercise of warrants held by Sara Rogers, over which John E. Rogers exercises voting control. The address for John E. and Lois A. Rogers is 5110 North 40<sup>th</sup> Street, Suite 234, Phoenix, Arizona 85018.
- (3) Raymond Long Sing Tang and Jill Marie Franklin, the directors of Ultimate Keen Limited, or UKL, share voting and dispositive control over the shares held by UKL. The address of UKL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (4) Consists of (a) 2,692,455 shares held by Fidelity Securities Fund: Fidelity OTC Portfolio, (b) 2,376,915 shares held by Fidelity Select Portfolios: Biotechnology Portfolio and (c) 480,225 shares held by Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund. These accounts are managed by direct or indirect subsidiaries of FMR LLC. Edward C. Johnson 3d is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act, or the Fidelity Funds, advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address for FMR LLC is 245 Summer Street, Boston, MA 02210.
- (5) The board of directors of Johnson & Johnson Development Corporation, or JJDC, Linda M. Vogel, Manager, Operations of JJDC, exercises voting and dispositive control over the shares held by JJDC. The address of JJDC is 410 George Street, New Brunswick, NJ 08901.
- (6) Includes (a) 2,167,388 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015, (b) 16,552 shares issuable upon the exercise of warrants.
- (7) Includes (a) 248,117 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015, and (b) 4,608 shares issuable upon the exercise of a warrant.
- (8) Consists of 493,961 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (9) Consists of 5,000 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (10) Consists of 50,790 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (11) Consists of 51,364 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (12) Consists of (a) 20,504 shares and 66,276 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015 held by Ross Haghighat, (b) 518,624 shares and 9,217 shares issuable upon the exercise of warrants held by Triton Holdings LLC, (c) 1,035,370 shares and 78,919 shares issuable upon the exercise of warrants held by Triton Systems, Inc. and (d) 16,893 shares held by Turnpike Properties, LLC, over which Ross Haghighat exercises voting and dispositive control.
- (13) Consists of 64,300 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015.
- (14) Includes 3,863,396 shares issuable pursuant to stock options exercisable within 60 days of January 31, 2015 and 109,296 shares issuable upon the exercise of warrants held by the directors and executive officers.



## DESCRIPTION OF CAPITAL STOCK

### General

The following description of our capital stock summarizes the most important terms of our capital stock as they are expected to be in effect upon the closing of this offering. The descriptions of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect upon the closing of this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part.

Our amended and restated certificate of incorporation provides for common stock and undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the closing of this offering, our authorized capital stock will consist of                      shares, all with a par value of \$0.0001 per share, of which shares will be designated as common stock and                      shares will be designated as preferred stock.

At December 31, 2014, we had outstanding 70,111,221 shares of common stock, which assumes the conversion of all 69,608,339 shares of preferred stock outstanding at December 31, 2014 into the same number of shares of common stock upon the closing of this offering. Our outstanding capital stock was held by approximately 244 stockholders of record at December 31, 2014. In addition, at December 31, 2014, there were outstanding options to acquire 8,292,303 shares of our common stock.

### Common Stock

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive ratably any dividends declared by our board of directors out of assets legally available therefor. In the event that we liquidate, dissolve or wind up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

### Preferred Stock

At December 31, 2014, there were 69,608,339 shares of our preferred stock outstanding, which will convert into 69,608,339 shares of our common stock upon the closing of this offering.

Upon the closing of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of                      shares of preferred stock in one or more series and authorize their issuance, subject to the approval rights of the common stock described above. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock or common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock or common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. Upon the closing of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

## **Registration Rights**

We are party to an amended and restated investors' rights agreement that provides that holders of our preferred stock, including certain holders of 5% of our capital stock and entities affiliated with certain of our directors, have certain registration rights, as set forth below. The registration of shares of our common stock pursuant to the exercise of registration rights described below would enable the holders to sell these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than the underwriting discount, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. The demand, piggyback and Form S-3 registration rights described below will expire upon the earlier of five years following the completion of this offering, or when all investors, considered with their affiliates, can sell all of their shares in a 90-day period under Rule 144.

### ***Demand Registration Rights***

The holders of an aggregate of 66,238,908 shares of common stock outstanding at December 31, 2014, including shares issuable upon conversion of outstanding preferred stock, giving effect to the company conversion as if it occurred on such date, will be entitled to certain demand registration rights. At any time beginning after the earlier of December 19, 2016 or six months following the date of this prospectus, the holders of at least (a) a majority of our common stock issued or issuable upon conversion of our Series C preferred stock and Series D preferred stock, voting together as a single class, or (b) a majority of our common stock issued or issuable upon conversion of our Series B preferred stock, on not more than two occasions, request that we register all or a portion of their shares, subject to certain specified exceptions. Such request for registration must cover such number of shares such that the anticipated aggregate offering price, net of the underwriting discount, would equal or exceed \$5.0 million.

### ***Piggyback Registration Rights***

In connection with this offering, the holders of an aggregate of 66,252,258 shares of common stock outstanding at December 31, 2014, including shares issuable upon conversion of outstanding preferred stock, giving effect to the company conversion as if it occurred on such date, were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act in another offering, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain "piggyback" registration rights allowing them to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, including a registration statement on Form S-3 as discussed below, other than with respect to a demand registration or a registration statement on Forms S-4 or S-8 or related to stock issued upon conversion of debt securities, the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

### ***Form S-3 Registration Rights***

The holders of an aggregate of 66,238,908 shares of common stock outstanding at December 31, 2014, including shares issuable upon conversion of outstanding preferred stock, giving effect to the company conversion as if it occurred on such date, will be entitled to certain Form S-3 registration rights. Any holder or holders of these shares can make a request that we register their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to certain specified exceptions. Such request for registration on Form S-3 must cover securities the aggregate offering price of which, before payment of the underwriting discount, equals or exceeds \$1.5 million.

## **Anti-Takeover Provisions**

### ***Certificate of Incorporation and Bylaws to be in Effect upon the Closing of this Offering***

Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the outstanding shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective upon the closing of this offering will provide that all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent. A special meeting of stockholders may be called by holders of a majority of our common stock and common stock, voting together as a single class, or by the majority of our whole board of directors, or our chief executive officer.

As described above in “Management—Board Composition,” in accordance with our amended and restated certificate of incorporation to be filed in connection with this offering, immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms.

The foregoing provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are also designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in our control or management. As a consequence, these provisions also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

### ***Section 203 of the Delaware General Corporation Law***

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

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In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

A Delaware corporation may “opt out” of these provisions with an express provision in its certificate of incorporation. We have not opted out of these provisions, which may discourage or prevent mergers or other takeover or change of control attempts of our company.

### ***Choice of Forum***

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

### **Limitations of Liability and Indemnification**

See “Executive Compensation—Limitation on Liability and Indemnification Matters.”

### **Listing**

We intend to apply to have our common stock approved for listing on the NASDAQ Global Market under the symbol “ADRO.”

### **Transfer Agent and Registrar**

Upon the closing of this offering, the transfer agent and registrar for our common stock will be .

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our capital stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares outstanding at December 31, 2014, upon the closing of this offering, \_\_\_\_\_ shares of common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares of common stock and no exercise of outstanding options. Of the outstanding shares, all of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below.

The remaining shares of our common stock outstanding after this offering are restricted securities as such term is defined in Rule 144 under the Securities Act and are subject to lock-up agreements with us as described below. Following the expiration of the lock-up period, restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 promulgated under the Securities Act, described in greater detail below.

### Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock outstanding after this offering, which will equal \_\_\_\_\_ shares assuming no exercise of the underwriters' option to purchase additional shares of common stock; or
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

### Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits re-sales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" and will become eligible for sale at the expiration of those agreements.

## **Lock-Up Agreements**

We, our directors and executive officers, and substantially all of our stockholders have agreed with the underwriters that for a period of 180 days following the date of this prospectus, subject to certain exceptions, we and they will not, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any of our shares of common stock, any options or warrants to purchase shares of our common stock, or any securities convertible into, or exchangeable for or that represent the right to receive shares of our common stock. Merrill, Lynch, Pierce, Fenner & Smith Incorporated and Leerink Partners LLC may, in their sole discretion, at any time, release all or any portion of the shares from the restrictions in such agreement.

Employees can only sell vested shares. Employees who do not hold vested shares, including shares subject to options, upon expiration of these selling restrictions will not be able to sell shares until they vest.

## **Registration Rights**

On the date beginning 181 days after the date of this prospectus, the holders of approximately 66,252,258 shares of our common stock, or their transferees, will be entitled to certain rights with respect to the registration of those shares under the Securities Act. For a description of these registration rights, see “Description of Capital Stock—Registration Rights.” If these shares are registered, they will be freely tradable without restriction under the Securities Act.

## **Equity Incentive Plans**

As soon as practicable after the closing of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock issued or reserved for issuance under our equity compensation plans and agreements. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equity compensation plans, see “Executive Compensation—Employee Benefit Plans.”

## **MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following is a summary of the material U.S. federal income and estate tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, does not address the potential application of the Medicare contribution tax and does not address any gift tax consequences or any tax consequences arising under any state, local or foreign tax laws, or any other U.S. federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date of this prospectus. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder’s particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation, certain former citizens or long-term residents of the United States, partnerships or other pass-through entities, “controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, banks, financial institutions, investment funds, insurance companies, brokers, dealers or traders in securities, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, persons that own, or have owned, actually or constructively, more than 5% of our common stock and persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our common stock and the partners in such partnerships are urged to consult their tax advisors as to particular U.S. federal income tax consequences to them of holding and disposing of our common stock.

**PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS, ANY OTHER U.S. FEDERAL TAX LAWS OR ANY APPLICABLE TAX TREATY.**

### **Definition of Non-U.S. Holder**

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a “U.S. person” or a partnership (including any entity or arrangement treated as a partnership) for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

## **Distributions on our Common Stock**

As described in the section entitled “Dividend Policy,” we do not anticipate paying any cash dividends in the foreseeable future. However, if we make cash or other property distributions on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder’s tax basis in our common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described under the section of this prospectus titled “—Gain on Disposition of our Common Stock” below.

Dividends (out of earnings and profits) paid to a non-U.S. holder of our common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (in the case of an individual), IRS Form W-8BEN-E (in the case of an entity) or applicable successor form, including a U.S. taxpayer identification number and certifying such holder’s qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder’s behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Non-U.S. holders that do not timely provide the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on our common stock are effectively connected with such holder’s U.S. trade or business (and are attributable to such holder’s permanent establishment in the United States if required by an applicable tax treaty), the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must generally furnish a properly executed IRS Form W-8ECI (or applicable successor form).

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder’s U.S. trade or business (and if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States) generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.



## **Gain on Disposition of our Common Stock**

Subject to the discussion below regarding backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our common stock constitutes a "United States real property interest" by reason of our status as a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period for our common stock, and our common stock is not regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs.

The determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests. We believe we are not currently and do not anticipate becoming a USRPHC for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation may also be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by certain U.S.-source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

## **Information Reporting and Backup Withholding**

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on our common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 28% rate, generally will not apply to payments to a non-U.S. holder of dividends on or the gross proceeds of a disposition of our common stock provided the non-U.S. holder furnishes the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

## **Foreign Accounts**

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) will impose a U.S. federal withholding tax of 30% on certain payments, including dividends on and the gross proceeds of a disposition of our common stock, made to a “foreign financial institution” (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally will impose a U.S. federal withholding tax of 30% on certain payments, including dividends on and the gross proceeds of a disposition of our common stock, made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying the direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. These withholding taxes currently may be imposed on dividends paid on our common stock. These withholding taxes may also be imposed on gross proceeds from sales or other dispositions of our common stock after December 31, 2016.

Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of these rules on their investment in our common stock.

## **Estate Tax**

Individual non-U.S. holders and entities whose property is potentially includible in such an individual’s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, our common stock generally will be treated as U.S. situs property subject to U.S. federal estate tax.

## UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Leerink Partners LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

<u>Underwriter</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Leerink Partners LLC	
William Blair & Company, L.L.C.	
Canaccord Genuity Inc.	
<b>Total</b>	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$        per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to Aduro Biotech, Inc.	\$	\$	\$

The expenses of the offering, not including the underwriting discount, are estimated at \$        and are payable by us.

## **Option to Purchase Additional Shares**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

## **Reserved Shares**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to \_\_\_\_\_ shares offered by this prospectus for sale to certain of our directors, officers, employees, business associates and related persons through a Reserved Share Program. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

## **No Sales of Similar Securities**

We, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Leerink Partners LLC. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

## **NASDAQ Global Market Listing**

We expect the shares to be approved for listing on the NASDAQ Global Market, subject to notice of issuance, under the symbol "ADRO."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,

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- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

## Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area, each a Relevant Member State, no offer of shares may be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a

prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

#### **Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

#### **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and

has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

### **Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### **Notice to Prospective Investors in Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Notice to Prospective Investors in Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial



guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

#### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## LEGAL MATTERS

Cooley LLP of Palo Alto, California will pass upon the validity of the shares of common stock offered hereby. The underwriters are being represented by Latham & Watkins LLP of Menlo Park, California in connection with the offering.

## EXPERTS

The financial statements included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement of which this prospectus forms a part. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room of the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. We also maintain a website at <http://www.aduro.com>. After the closing of this offering, you may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.

**ADURO BIOTECH, INC.**  
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Years Ended December 31, 2013 and 2014

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
Aduro Biotech, Inc.  
Berkeley, California

We have audited the accompanying consolidated balance sheets of Aduro Biotech, Inc. and its subsidiary (the “Company”) as of December 31, 2013 and 2014, and the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders’ deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Aduro Biotech, Inc. and its subsidiary as of December 31, 2013 and 2014, and the results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

San Francisco, California  
March 2, 2015

**ADURO BIOTECH, INC.**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share amounts)

	<u>December 31,</u>		<u>Pro Forma at December 31, 2014 (unaudited)</u>
	<u>2013</u>	<u>2014</u>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,532	\$ 119,456	\$ 119,456
Accounts receivable	357	3,153	3,153
Prepaid expenses and other current assets	467	2,612	2,612
Total current assets	9,356	125,221	125,221
Property and equipment, net	399	1,053	1,053
Other assets	125	188	188
Total assets	<u>\$ 9,880</u>	<u>\$ 126,462</u>	<u>\$ 126,462</u>
<b>Liabilities, Convertible Preferred Stock and Stockholders' (Deficit) Equity</b>			
Current liabilities:			
Accounts payable	\$ 763	\$ 5,030	\$ 5,030
Accrued clinical trial and manufacturing expenses	890	3,350	3,350
Accrued expenses and other liabilities	1,138	2,408	2,408
Deferred revenue	57	33,427	33,427
Note payable to related party	200	—	—
Convertible promissory notes payable to related parties, net	11,383	—	—
Total current liabilities	14,431	44,215	44,215
Deferred revenue	—	2,592	2,592
Convertible promissory note payable to related party, net	1,406	—	—
Convertible preferred stock warrant liability	72	100	—
Common stock warrant liability	505	889	889
Total liabilities	<u>16,414</u>	<u>47,796</u>	<u>47,696</u>
Commitments and contingencies (Note 9)			
Convertible preferred stock; \$0.0001 par value, 25,555,508 and 69,716,345 shares authorized at December 31, 2013 and 2014; 22,041,003 and 69,608,339 shares issued and outstanding at December 31, 2013 and 2014; no shares issued and outstanding, pro forma (unaudited); aggregate liquidation value of \$145,261 at December 31, 2014	32,224	139,963	—
Stockholders' (deficit) equity:			
Common stock, \$0.0001 par value; 32,000,000 and 85,000,000 shares authorized; and 410,522 and 502,882 shares issued and outstanding at December 31, 2013 and 2014, respectively; 70,111,221 shares issued and outstanding, pro forma (unaudited)	—	—	7
Additional paid-in capital	5,871	346	140,402
Accumulated deficit	(44,629)	(61,643)	(61,643)
Total stockholders' (deficit) equity	(38,758)	(61,297)	78,766
Total liabilities, convertible preferred stock and stockholders' (deficit) equity	<u>\$ 9,880</u>	<u>\$ 126,462</u>	<u>\$ 126,462</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ADURO BIOTECH, INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
(In thousands, except share and per share amounts)

	<u>2013</u>	<u>Year Ended December 31, 2014</u>
Revenue:		
Collaboration and license revenue	\$ —	\$ 13,038
Grant revenue	828	351
Total revenue	828	13,389
Operating expenses:		
Research and development	10,687	23,513
General and administrative	4,677	8,994
Total operating expenses	15,364	32,507
Loss from operations	(14,536)	(19,118)
Interest expense	(1,371)	(2,395)
Gain on extinguishment of convertible promissory notes	—	3,553
Other (expense) income, net	(147)	946
Net loss and comprehensive loss	\$ (16,054)	\$ (17,014)
Net loss per common share, basic and diluted	\$ (40.16)	\$ (38.19)
Shares used in computing net loss per common share, basic and diluted	399,706	445,505
Pro forma net loss per common share, basic and diluted (unaudited)		\$ (0.51)
Shares used in computing pro forma net loss per common share, basic and diluted (unaudited)		38,948,479

The accompanying notes are an integral part of these consolidated financial statements.

**ADURO BIOTECH, INC.**  
**Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit**  
(In thousands, except share amounts)

	<b>Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Deficit</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>			
Balance at January 1, 2013	14,839,965	\$ 23,693	365,143	\$ —	\$ 866	\$ (28,575)	\$ (27,709)
Issuance of Series B convertible preferred stock for cash, net of \$65 of issuance costs	2,593,639	3,031	—	—	—	—	—
Issuance of Series B convertible preferred stock upon conversion of convertible promissory notes	4,607,399	5,500	—	—	—	—	—
Convertible promissory notes beneficial conversion feature (Note 5)	—	—	—	—	2,339	—	2,339
Recognition of equity component of Series B convertible promissory note (Note 5)	—	—	—	—	2,241	—	2,241
Issuance of common stock upon exercise of stock options	—	—	45,379	—	16	—	16
Stock-based compensation expense	—	—	—	—	409	—	409
Net loss	—	—	—	—	—	(16,054)	(16,054)
Balance at December 31, 2013	22,041,003	32,224	410,522	—	5,871	(44,629)	(38,758)
Issuance of Series C convertible preferred stock for cash, net of \$262 of issuance costs (Note 10)	19,423,965	41,888	—	—	—	—	—
Issuance of Series C convertible preferred stock upon conversion of convertible promissory notes (Note 5)	6,199,217	13,452	—	—	—	—	—
Effects of Series C convertible preferred stock tranche (Note 10)	—	(1,475)	—	—	—	—	—
Issuance of Series B convertible preferred stock upon conversion of Series B convertible promissory notes (Note 5)	2,931,981	4,956	—	—	—	—	—
Issuance of Series D convertible preferred stock for cash, net of \$2,470 of issuance costs (Note 10)	19,012,173	48,918	—	—	—	—	—
Reclassification of common stock warrants (Note 12)	—	—	—	—	784	—	784
Convertible promissory notes beneficial conversion feature	—	—	—	—	57	—	57
Reacquisition of equity component of Series B convertible promissory note	—	—	—	—	(3,432)	—	(3,432)
Reacquisition of convertible promissory notes beneficial conversion feature	—	—	—	—	(3,553)	—	(3,553)
Issuance of common stock upon exercise of stock options	—	—	92,360	—	49	—	49
Stock-based compensation expense	—	—	—	—	570	—	570
Net loss	—	—	—	—	—	(17,014)	(17,014)
Balance at December 31, 2014	<u>69,608,339</u>	<u>\$139,963</u>	<u>502,882</u>	<u>\$ —</u>	<u>\$ 346</u>	<u>\$ (61,643)</u>	<u>\$ (61,297)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ADURO BIOTECH, INC.**  
**Consolidated Statement of Cash Flows**  
(In thousands)

	Year Ended December 31,	2014
	2013	2014
<b>Cash Flows from Operating Activities</b>		
Net loss	\$(16,054)	\$ (17,014)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	129	240
Stock-based compensation	409	570
Loss from changes in the fair value of warrants, net	162	566
Gain from changes in the fair value of preferred stock derivative liability	—	(1,475)
Gain on extinguishment of convertible promissory notes	—	(3,553)
Non-cash interest expense related to convertible promissory notes payable	1,367	2,380
Changes in operating assets and liabilities:		
Accounts receivable	(315)	(2,796)
Prepaid expenses and other assets	(382)	(1,117)
Accounts payable	(670)	1,681
Deferred revenue	—	35,962
Accrued clinical trial and manufacturing expenses	711	2,460
Accrued expenses and other liabilities	411	1,461
<b>Net cash (used in) provided by operating activities</b>	<b>(14,232)</b>	<b>19,365</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(170)	(782)
<b>Net cash used in investing activities</b>	<b>(170)</b>	<b>(782)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of convertible promissory note payable to related parties	16,192	308
Repayment of note payable to related party	—	(200)
Proceeds from issuance of convertible preferred stock, net of issuance costs	3,031	93,276
Deferred offering costs	—	(1,092)
Proceeds from exercise of stock options	16	49
<b>Net cash provided by financing activities</b>	<b>19,239</b>	<b>92,341</b>
Net increase in cash and cash equivalents	4,837	110,924
Cash and cash equivalents at beginning of period	3,695	8,532
Cash and cash equivalents at end of period	<u>\$ 8,532</u>	<u>\$119,456</u>
<b>Supplemental Disclosure</b>		
Cash paid for interest	<u>\$ 32</u>	<u>\$ 18</u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Issuance of Series C convertible preferred stock to a related party and other investors in connection with conversion of convertible promissory notes and accrued interest	<u>\$ —</u>	<u>\$ 13,452</u>
Issuance of Series B convertible preferred stock to a related party in connection with conversion of convertible promissory notes	<u>\$ 5,500</u>	<u>\$ 4,956</u>

The accompanying notes are an integral part of these consolidated financial statements.



**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements**

**1. Nature of Business and Management's Plans**

***Nature of Business***

Aduro Biotech, Inc., or the Company, is a clinical-stage immuno-oncology company located in Berkeley, California. The Company was founded in 2000 under the name Oncologic, Inc., later merged with Triton BioSystems, Inc. in 2008, and subsequently changed its name to Aduro Biotech, Inc. in 2009. The Company is focused on the development of technology platforms designed to stimulate robust and durable immune responses against cancer. The Company operates in one business segment.

The Company's more advanced technology platform is its proprietary Live, Attenuated, Double- Deleted, or LADD, method of engineering *Listeria monocytogenes* bacteria into therapeutic agents that stimulate both an immediate innate immune response and a targeted adaptive immune response to specific tumor antigens. The Company's earlier-stage technology platform is based on cyclic dinucleotides, or CDNs, novel small molecules that activate the intracellular Stimulator of Interferon Genes, or STING, receptor, a central mediator of the innate immune response. The Company's pipeline of product candidates has the potential to be applicable to a variety of cancers and to be combinable with a range of conventional and emerging cancer therapies, including cellular vaccines, chemotherapy, radiotherapy and checkpoint inhibitors, among others.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Aduro Biotech, Inc. and its wholly owned subsidiary, Aduro GVAX, Inc. All intercompany transactions and balances have been eliminated.

***Unaudited Pro Forma Stockholders' Equity***

On December 16, 2014, the Company's board of directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission for the Company to sell shares of its common stock to the public. The unaudited pro forma stockholders' equity at December 31, 2014 presents the Company's stockholders' equity as though all the Company's outstanding convertible preferred stock had converted into shares of common stock upon the completion of an initial public offering, or IPO, of the Company's common stock. In addition, the pro forma stockholders' equity assumes the reclassification of the convertible preferred stock warrant liability and deferred offering costs to stockholders' equity upon completion of an IPO of the Company's common stock.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of expenses in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, clinical trial accruals, convertible preferred stock and related warrants, common stock and related warrants, income taxes and stock-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

***Revenue Recognition***

The Company recognizes revenues from collaboration, license or research arrangements and development grants when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

For revenue agreements with multiple-element arrangements, such as license and research and development agreements, the Company allocates revenue to each non-contingent element based on the relative selling price of each element. When applying the relative selling price method, the Company determines the selling price for each deliverable by first using vendor-specific objective evidence, if available, and then third-party evidence. If neither exists, the Company uses its best estimate of selling price for that deliverable. Revenue allocated to an element is then recognized when the four basic revenue recognition criteria are met.

Revenue associated with nonrefundable upfront license fees under arrangements where the license fees and research and development activities cannot be accounted for as separate units of accounting is deferred and recognized as revenue on a straight-line basis over the expected period of performance. Revenues from the achievement of research and development milestones, if deemed substantive, are recognized as revenue when the milestones are achieved and the milestone payments are due and collectible. If not deemed substantive, the Company recognizes such milestones as revenue on a straight-line basis over the remaining expected performance period under the arrangement. The Company will account for sales-based royalties as revenue upon achievement of certain sales milestones.

Milestones are considered substantive if all of the following conditions are met: (1) the milestone is nonrefundable; (2) achievement of the milestone was not reasonably assured at the inception of the arrangement; (3) substantive effort is involved to achieve the milestone; and (4) the amount of the milestone appears reasonable in relation to the effort expended, and the other milestones in the arrangement and the related risk associated with the achievement of the milestone and any ongoing research and development or other services are priced at fair value. Revenue related to research and development grants is recognized when the related research expenses are incurred and the Company's specific performance obligations under the terms of the respective contracts are satisfied. Revenue recognized in the condensed consolidated statement of operations is not subject to repayment.

Deferred revenue at December 31, 2014 represents the portion of payments received for which the earnings process has not been completed. Deferred revenue expected to be recognized within the next 12 months is classified as a current liability.

The Company recognizes revenue from research and development grants when the related research expenses are incurred and the Company's specific performance obligations under the terms of the respective contracts are satisfied. Revenue recognized in the accompanying financial statements is not subject to repayment.

***Cash and Cash Equivalents***

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less from the date of purchase. At December 31, 2013 and 2014, cash and cash equivalents consisted of cash in bank deposits and money market accounts held at financial institutions. The recorded carrying amount of cash equivalents approximates their fair value.

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

**Deferred Offering Costs**

Deferred offering costs, consisting primarily of legal, accounting and filing fees related to the IPO, are capitalized. The deferred offering costs will be offset against proceeds from the IPO upon the effectiveness of the offering. In the event the offering is terminated, all capitalized deferred offering costs will be expensed. At December 31, 2014, \$1.4 million of deferred offering costs were capitalized, which were included in prepaid and other assets in the accompanying consolidated balance sheets. No amounts were deferred at December 31, 2013.

**Preferred Stock Derivative Liability**

In May 2014, the Company recorded a preferred stock derivative liability for a related party's right to purchase from the Company, on the same terms as the Series C Preferred Stock Purchase Agreement, additional shares of Series C preferred stock in a second and third tranche. At initial recognition, the Company recorded this derivative as a liability on the balance sheets at its estimated fair value. The derivative was subject to remeasurement at each balance sheet date, with changes in fair value recognized as a component of other income (expense), net. At the time of each tranche funding, the Company remeasured the derivative liability, with the change in fair value recognized as a component of other income (expense), net and then reclassified the remaining value associated with the preferred stock derivative liability to the Series C convertible preferred stock.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are held at financial institutions in the United States. The Company is exposed to credit risk in the event of default by the financial institution to the extent that cash and cash equivalent balances recorded in the balance sheets are in excess of the amounts that are insured by the Federal Deposit Insurance Corporation, or FDIC. The Company has not experienced any losses on its deposits since inception, and management believes that minimal credit risk exists with respect to these financial institutions.

Accounts receivable consist of amounts due from a company related to a milestone payment and grant proceeds for services under an agreement with the United States government. The Company's management believes these receivables are fully collectible.

**Property and Equipment**

Property and equipment is carried at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is calculated using the straight-line method. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

The useful lives of the property and equipment are as follows:

Lab equipment	5 years
Furniture and fixtures	5 years
Computer and office equipment	3 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

***Impairment of Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated from the use of the asset and its eventual disposition. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the impaired assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. The Company has not recorded an impairment of long-lived assets since inception.

***Accrued Research and Development Costs***

The Company records accrued liabilities for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical studies and clinical trials and contract manufacturing activities. These costs are a significant component of the Company's research and development expenses. The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers under the service agreements. The Company makes significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The Company has not experienced any material differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed, number of patients enrolled and the rate of patient enrollments may vary from the Company's estimates, resulting in adjustments to expense in future periods. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations.

***Convertible Preferred Stock***

The Company has classified the convertible preferred stock as temporary equity in the balance sheets due to certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company, as holders of the convertible preferred stock can cause redemption of the shares. The Company has not adjusted the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate the Company to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to the carrying values to the liquidation preferences will be made only when it becomes probable that such a redemption event will occur.

***Convertible Preferred Stock and Common Stock Warrant Liability***

Warrants for shares that are contingently redeemable are classified as liabilities in the balance sheets. Certain common stock warrants are subject to performance conditions which may result in the issuance of a variable number of shares. At initial recognition, the Company classified these warrants as liabilities on the balance sheets at their estimated fair value. The warrants are subject to remeasurement at each balance sheet date, with changes in fair value recognized as a component of other income (expense), net. The Company will continue to adjust the liability for changes in fair value until the earlier of the conversion to common stock warrants, performance conditions met, expiration or exercise of the warrants.

***Research and Development Costs***

Research and development costs are expensed as incurred. Research and development costs consist of salaries and benefits, lab supplies, contract and grant research costs, fees paid to consultants and third parties that

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

conduct certain research and development activities on the Company's behalf and allocations of facilities-related costs. Nonrefundable advance payments for goods or services to be rendered in the future for use in research and development activities are deferred and capitalized as prepaid expenses until the related goods are delivered or the services are performed.

***Stock-Based Compensation***

The Company measures its stock-based awards made to employees based on the estimated fair values of the awards as of the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized over the requisite service period using the straight-line method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, the Company's stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock-based compensation expense for options granted to non-employees as consideration for services received is measured on the date of performance at the fair value of the consideration received or the fair value of the equity instruments issued, using the Black-Scholes option-pricing model, whichever can be more reliably measured. Compensation expense for options granted to non-employees is remeasured each period as the underlying options vest.

***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income taxes are classified as current or non-current, based on the classifications of the related assets and liabilities giving rise to the temporary differences. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company follows the authoritative guidance under Accounting Standards Codification Topic, or ASC 740, which clarifies the accounting for uncertainty in tax positions recognized in the financial statements. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09 (ASC 606), *Revenue from Contracts with Customers*. This ASU affects any entity that either enters into contracts with customers to transfer goods and services or enters into contracts for the transfer of nonfinancial assets. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the currently effective guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, including interim periods within that period. Early adoption is not permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

In June 2014, the FASB issued ASU 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. ASU 2014-10 simplifies the accounting guidance by removing all incremental financial reporting requirements for development stage entities. The amendments related to the elimination of the inception-to-date information and other disclosure requirement of Topic 915 should be applied retrospectively and are effective for annual reporting periods beginning after December 15, 2014 and interim periods therein. The Company has elected to early adopt this guidance and, accordingly, there is no inception to date information presented in these consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures than under today's guidance. ASU 2014-15 is effective for the Company in the first quarter of 2016 with early adoption permitted. The Company does not believe the impact of adopting ASU 2014-15 on its consolidated financial statements will be material.

### **3. Fair Value Measurements**

The carrying amounts of certain of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable and convertible promissory notes payable approximated their fair values due to their short maturities. Assets and liabilities recorded at fair value on a recurring basis in the balance sheets, as well as assets and liabilities measured at fair value on a non-recurring basis or disclosed at fair value, are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value, and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

*Level 1*—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

*Level 2*—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

*Level 3*—Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's financial instruments consist of Level 1 assets and Level 3 liabilities. Where quoted prices are available in an active market, securities are classified as Level 1. Level 1 assets consist of highly liquid money market funds that are included in cash equivalents.

In certain cases where there is limited activity or less transparency around the inputs to valuation, securities are classified as Level 3. Level 3 liabilities consist of common and preferred stock warrant liabilities,

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

convertible promissory note warrant liabilities and preferred stock derivative liability. The determination of the fair value of the warrants is discussed in Note 12. Generally, increases or decreases in the fair value of the underlying convertible preferred stock or common stock would result in a directionally similar impact in the fair value measurement of the associated warrant liability.

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	Level 1	December 31, 2013 Level 2	Level 3	Total
<b>Financial Assets:</b>				
Money market funds	\$ 633	\$ —	\$ —	\$ 633
<b>Financial Liabilities:</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 72	\$ 72
Common stock warrant liability	—	—	505	505
Convertible promissory note warrants <sup>(1)</sup>	—	—	617	617
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$1,194</b>	<b>\$ 1,194</b>

(1) Convertible promissory note warrants are classified as part of convertible promissory notes payable.

	Level 1	December 31, 2014 Level 2	Level 3	Total
<b>Financial Assets:</b>				
Money market funds	\$110,001	\$ —	\$ —	\$110,001
<b>Financial Liabilities:</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 100	\$ 100
Common stock warrant liability	—	—	889	889
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 989</b>	<b>\$ 989</b>

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities (in thousands):

	Preferred Stock Warrant Liability	Common Stock Warrant Liability	Preferred Stock Derivative Liability	Convertible Promissory Note Warrants
Balance at December 31, 2012	\$ 81	\$ 334	\$ —	\$ —
Issuance of convertible promissory note warrants	—	—	—	617
Net increase (decrease) in fair value upon revaluation	(9)	171	—	—
Balance at December 31, 2013	72	505	—	617
Issuance of convertible promissory note warrants	—	—	—	15
Initial recognition of preferred stock derivative liability	—	—	3,018	—
Issuance of preferred stock	—	—	(1,543)	—
Net increase (decrease) in fair value upon revaluation	28	384	(1,475)	152
Reclassification to additional paid-in capital	—	—	—	(784)
Balance at December 31, 2014	<b>\$ 100</b>	<b>\$ 889</b>	<b>\$ —</b>	<b>\$ —</b>

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

#### 4. Balance Sheet Components

##### *Property and Equipment, Net*

Property and equipment, net consisted of the following (in thousands):

	<u>2013</u>	<u>December 31,</u> <u>2014</u>
Lab equipment	\$ 569	\$ 1,165
Computer and office equipment	439	520
Furniture and fixtures	24	87
Leasehold improvements	150	304
Total property and equipment	1,182	2,076
Less: accumulated depreciation and amortization	(783)	(1,023)
Property and equipment, net	<u>\$ 399</u>	<u>\$ 1,053</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2014 was \$129,000 and \$240,000, respectively.

##### *Accrued Expenses and Other Liabilities*

Accrued expenses and other liabilities consisted of the following (in thousands):

	<u>2013</u>	<u>December 31,</u> <u>2014</u>
Compensation and related benefits	\$ 786	\$1,276
Professional and consulting services	135	961
Interest payable	190	—
Other	27	171
Total accrued expenses and other liabilities	<u>\$1,138</u>	<u>\$2,408</u>

#### 5. Related Party Convertible Promissory Notes

##### *Convertible Promissory Notes Payable to Related Parties, Short-Term*

In August 2013, the Company entered into a note and warrant purchase agreement with related parties to raise up to \$13.0 million via the issuance of convertible promissory notes, or the Notes, and warrants to purchase common stock. The Notes bear interest at 5% per annum and automatically convert into equity shares upon the earlier of the closing of a convertible preferred stock financing with proceeds of at least \$35.0 million, or Next Financing Event, or the merger or sale of the Company, or Sale Event, or the maturity of the notes on May 30, 2014. If the Notes are converted due to a Next Financing Event, the conversion price shall be equal to the issue price of the equity financing, with investors receiving a variable number of shares. If the Notes are converted due to a Sale Event or their maturity, the conversion price shall be based on the Series B convertible preferred stock issue price of \$1.1937322 per share, with the investors receiving a fixed number of shares, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B convertible preferred stock. The Company determined that the automatic conversion feature upon occurrence of the Next Financing Event represented a redemption feature embedded within the



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**Notes to Consolidated Financial Statements (continued)**

Notes. The Company also determined that the provisions whereby the Notes automatically convert upon a Sale Event or on the original maturity date of the Notes of May 30, 2014 were considered to be conversion options within the Notes.

During 2013, the Company issued \$12.7 million in Notes and in January 2014 issued an additional \$0.3 million in Notes. At the time the Notes were issued, the Company determined that a beneficial conversion feature existed as the fair value of the securities into which the Notes were convertible was greater than the effective conversion price on the borrowing date. Accordingly, the Company recorded a beneficial conversion feature of \$2.3 million and \$0.1 million during 2013 and 2014, respectively. The beneficial conversion feature was recorded as an increase to additional paid-in capital with the offset recorded as a discount on the Notes.

Each Note was also issued with warrants to purchase common stock with the number of warrants being equal to 10% of the outstanding principal balance of the Notes (or \$1.3 million) divided by the issuance price per share of the shares into which the Notes convert. The warrants can be exercised at any time into a variable number of shares of common stock at an exercise price of \$0.01 per share for a period of 10 years from the date of issuance. See Note 12. In May 2014, a total of 599,076 warrant shares were issued when the Notes and accrued interest were converted into Series C convertible preferred stock. At the time the warrants were issued, the Company recognized the fair value of the warrants of \$0.6 million as a discount on the related Notes. Prior to the Series C convertible preferred stock financing in May of 2014, such warrants were determined to be embedded derivatives and classified together with the Notes on the consolidated balance sheet.

The discounts associated with both the beneficial conversion feature and warrants were amortized to interest expense using the effective interest method through May 30, 2014, the contractual maturity date of the Notes. During the years ended December 31, 2013 and 2014, the Company recognized interest expense of \$1.0 million and \$2.0 million, respectively.

At the time of the Series C convertible preferred stock offering in May 2014, the Notes were redeemed under the Next Financing Event redemption feature whereby the aggregate of the outstanding principal and accrued interest balance of the Notes of \$13.4 million was converted into 6,199,217 shares of Series C convertible preferred stock based on the Series C convertible preferred stock fair value. The redemption of the Notes was accounted for as a debt extinguishment. Additionally, the Notes contained a beneficial conversion feature which was reacquired and a portion of the reacquisition price allocated to the beneficial conversion feature. The amount allocated to reacquire the beneficial conversion feature was measured using the intrinsic value of the conversion option at the extinguishment date and reflected as a reduction to equity of \$3.6 million. As a result, the amount allocated to reacquire the Notes was less than the carrying value of the Notes which resulted in a gain on extinguishment of \$3.6 million.

Additionally, on the date of the Series C convertible preferred stock offering in May 2014, the warrants issued together with the Notes were no longer classified as embedded derivatives and accordingly the fair value of such warrants was reclassified to equity in the amount of \$0.8 million.

***Convertible Promissory Notes Payable to Related Party, Long-Term***

As part of the Series B convertible preferred stock financing, the Company entered into various unsecured convertible promissory notes and warrants with an investor. The notes are noninterest-bearing, convertible into Series B preferred stock at a price of \$1.1937322 per share upon the closing of a convertible preferred stock financing with proceeds of at least \$2.0 million and mature on April 15, 2021. Convertible promissory notes in the amounts of \$2.5 million, \$3.0 million and \$3.5 million were issued in October

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

2011, August 2012 and January 2013, respectively. In January 2013, the \$2.5 million and \$3.0 million notes were converted into 4,607,399 shares of Series B convertible preferred stock. In May and November 2014 \$1.6 million and \$1.9 million of the convertible promissory notes, respectively, were converted into 1,373,843 and 1,558,138 shares of Series B convertible preferred stock, respectively. See Note 10.

As part of the Series B preferred stock financing, the Company also issued warrants to the investor as follows: (a) in April 2011, warrants to purchase 61,410 shares of Series B convertible preferred stock and 83,771 shares of common stock; (b) in June 2011, warrants to purchase 335,084 shares of common stock; and (c) in October 2011, warrants to purchase 209,427 shares of common stock. See Note 12 for information regarding the terms of the warrants.

The notes issued in January 2013 were determined to contain a feature allowing for cash settlement. In accordance with the applicable accounting standards for certain convertible debt instruments that may be settled in cash or other assets, or partially in cash, upon conversion, the Company recorded the long-term debt and equity components of the convertible promissory note separately. At initial recognition, the Company allocated \$1.3 million and \$2.2 million to the debt and equity components, respectively. The Company recorded the equity component as a discount on the related debt. The discount, which represents non-cash interest expense, is being amortized to interest expense through maturity date of April 15, 2021 using the effective interest method. The Company recognized \$0.1 million in interest expense for each of the years ended December 31, 2013 and 2014. In May 2014 and November 2014, the Company converted \$1.6 million and \$1.9 million, respectively, of the \$3.5 million Series B convertible promissory notes prior to their maturity date. Upon conversion, the Company reacquired the equity component of the related convertible promissory notes, recording a reduction to additional paid in capital of \$3.4 million, the elimination of the related unamortized debt discount of \$2.0 million and the issuance of Series B preferred stock of \$5.0 million.

The outstanding carrying balance of the long-term convertible promissory note payable to related party, net of the unamortized debt discount was \$1.4 million at December 31, 2013. There was no balance outstanding at December 31, 2014.

**6. Note Payable to Related Party**

In December 2008, the Company issued an unsecured note payable to an existing minority stockholder for \$200,000. The note bears interest at the U.S. Federal Reserve prime rate, or prime, per annum, compounded quarterly, and beginning in 2014, the interest rate increases to prime plus 4%, compounded quarterly. Accrued interest from the date of issuance of the note until December 31, 2013 in the amount of \$32,000 was paid in 2013, according to the terms of the note agreement. The outstanding principal balance of \$200,000 along with \$15,000 of accrued interest was paid in December 2014.

**7. Collaboration Agreements**

***Janssen ADU-741 and GVAX Prostate Agreements***

In May 2014, the Company entered into a Research and License Agreement, or Janssen ADU-741 Agreement, and a GVAX Prostate License Agreement, or Janssen GVAX Prostate Agreement, with Janssen Biotech, Inc., or Janssen, a wholly-owned subsidiary of Johnson & Johnson Development Corporation, to collaborate in the development of a drug for the treatment of prostate cancer. Under the terms of the Janssen ADU-741 Agreement, the Company granted Janssen exclusive, worldwide license under intellectual property rights controlled by the Company to research, develop, manufacture, use, sell and otherwise exploit products containing ADU-741 for any and all uses. The Company is responsible for certain research and development

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**Notes to Consolidated Financial Statements (continued)**

activities from the effective date of the agreement until approval of an investigational new drug, or IND. During 2014, the Company received an upfront payment of \$12.0 million and non-substantive milestone payments of \$3.5 million upon completion of certain development activities. In December 2014, the Company completed a substantive milestone resulting in recognition of collaboration and license revenue of \$3.0 million. The Company received the \$3.0 million payment in January 2015. Under the terms of the Janssen ADU-741 Agreement, the Company may receive future nonrefundable milestone payments up to a total of \$1.0 million after completion of various stages of the research and development activities, and the Company is eligible to receive future contingent payments up to a total of \$345.5 million comprised of development milestones through completion of all Phase 3 clinical trials, as well as launch, commercialization and sales milestones. The contingent payments are triggered upon the activities expected to be undertaken by Janssen. The Company is eligible to receive royalties on net sales of licensed products by Janssen, its affiliates and sublicensees at a rate ranging from the mid-single digits to low teens based on the aggregate annual net sales and based on the country of sale.

Under the Janssen GVAX Prostate Agreement, the Company granted Janssen an exclusive worldwide license under intellectual property rights controlled by the Company to research, develop, manufacture, use, sell and otherwise exploit products containing GVAX Prostate for any and all uses. The Company received an upfront payment of \$500,000 in June 2014 and may receive an additional \$2.0 million on the achievement of a specified commercial milestone. In addition, the Company is eligible to receive royalties in the high single digits based on net sales of the product.

The development activities being conducted by the Company are based on a combination of the technology licensed under both agreements. Accordingly, the Company has accounted the Janssen ADU-741 Agreement and Janssen GVAX Prostate Agreement as one arrangement and has identified the deliverables within the arrangement as a license to the technology and research and development activities through IND regulatory approval. The Company has determined that the licenses and development services under the license and research agreements represent a single unit of accounting. The licenses do not have stand-alone value to Janssen, separable from the development services to be performed under the agreement, as Janssen is unable to use the licenses for their intended purpose without the Company's performance of the research and development services. As a result, the Company recognizes revenue from the upfront payments ratably over the term of its estimated period of performance under the agreement. Changes in the estimated period of performance will be accounted for prospectively as a change in estimate. The upfront fees received totaling \$12.5 million are being recognized on a straight-line basis from the effective date of the agreements to September 2015, the Company's estimated performance period. The Company will recognize non-substantive milestone payments on a straight-line basis through September 2015, the Company's estimated performance period.

***Janssen ADU-214 Agreement***

In November 2014, a Research and License Agreement with Janssen, or Janssen ADU-214 Agreement, became effective to develop a drug for the treatment of lung cancer. Under the terms of the Janssen ADU-214 Agreement, the Company granted Janssen an exclusive, worldwide license under intellectual property rights controlled by the Company to research, develop, manufacture, use, sell and otherwise exploit products containing ADU-214 for any and all uses. The Company is responsible for certain research and development activities from the effective date of the agreement until IND regulatory approval. In November 2014, the Company received an upfront license fee of \$30.0 million, which is being recognized as revenue on a straight-line basis from the effective date of the Janssen ADU-214 Agreement to February 2016, the Company's estimated performance period. Changes in the estimated period of performance will be accounted for prospectively as a change in estimate. Under the terms of the Janssen ADU-214 Agreement, the Company may receive future nonrefundable milestone payments up to a total of \$11.0 million after completion of various stages of the research and development activities, and the Company is eligible to receive future contingent payments up to a total of

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**Notes to Consolidated Financial Statements (continued)**

\$776.0 million comprised of development milestones through completion of all Phase 3 clinical trials, as well as regulatory and commercial milestones. The contingent payments are triggered upon the activities expected to be undertaken by Janssen. The Company is eligible to receive royalties on net sales of licensed products by Janssen, its affiliates and sublicensees at a rate ranging from the high-single digits to the low teens based on the aggregate annual net sales of licensed products worldwide and based on the country of sale.

For the year ended December 31, 2014, the Company recognized revenue totaling \$13.0 million related to amortization of the upfront fees and development-related substantive and non-substantive milestones. The remaining balance of the payments received of \$36.0 million is included in deferred revenue at December 31, 2014.

**8. Research and Development and License Agreements**

***Listeria-Based Agreements***

*JHU Listeria Agreement*

In March 2011, the Company entered into a license agreement with The Johns Hopkins University, or JHU, pursuant to which the Company received an exclusive, worldwide, sublicensable license to certain patent rights covering the tumor-associated antigen mesothelin to make, use, import and commercialize products and to provide services for all bacteria-based therapeutic and/or prophylactic uses for cancer treatment and/or prevention and as a companion diagnostic. Under the agreement, or the JHU *Listeria* Agreement, the Company is obligated to use commercially reasonable efforts to develop and market licensed products and services, which can be demonstrated by achieving specified development milestones by specified dates.

Under the JHU *Listeria* Agreement, the Company is required to make future milestone payments totaling up to \$375,000 upon achievement of certain regulatory milestones. Under the JHU *Listeria* Agreement, the Company is obligated to pay JHU royalties based on net sales of licensed products and services by us, our affiliates and our sublicensees at a rate in the low-single digits, subject to minimum annual royalties, and a percentage of consideration received from any sublicensing arrangements ranging from the low-single digits to the low twenties depending on the field of use and the stage of development of the product candidate at the time the sublicense is granted.

The JHU *Listeria* Agreement will continue in effect on a country-by-country basis until the expiration of the last patent within the licensed patent rights, or if no patents issue then for 20 years from the effective date of the agreement. Either party may terminate the JHU *Listeria* Agreement for the other party's uncured breach of the agreement upon 30 days' prior notice or for the other party's insolvency. Additionally, the Company may terminate the JHU *Listeria* Agreement at will upon 90 days' prior written notice to JHU.

*UCB Listeria Agreement*

In March 2012, the Company entered into a license agreement with the Regents of the University of California on behalf of its Berkeley campus, or UCB, granting the Company an exclusive, worldwide, sublicensable license to certain patent rights covering the use of the *Listeria monocytogenes* phage integration vector which accelerates the genetic engineering of *Listeria* to express more than one antigen to make, use, import, and commercialize products and to provide services for all fields of use. Under this agreement, or the UCB *Listeria* Agreement, the Company is obligated to use commercially reasonable efforts to develop, manufacture and sell licensed products and services and the Company is obligated to achieve specified development and regulatory milestones by specified dates.

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**Notes to Consolidated Financial Statements (continued)**

Under the UCB *Listeria* Agreement, the Company is required to make future milestone payments totaling up to \$350,000 upon achievement of certain development and regulatory milestones. The Company is required to pay an annual license maintenance fee until its first sale of a product covered by the licensed patent rights. Under the UCB *Listeria* Agreement, the Company is obligated to pay UCB royalties based on net sales of licensed products and services sold by the Company and its sublicensees at a rate in the low single digits, subject to minimum annual royalties and customary reductions, and a percentage of certain of the Company's sublicensing revenues in the low-single digits to low thirties depending on how the product covered by the licensed patent rights is used.

The UCB *Listeria* Agreement will last until the expiration of the last patent within the licensed patent rights. UCB may terminate the agreement for the Company's uncured material breach upon 90 days' prior written notice and the Company may terminate the agreement at will upon 90 days' prior written notice to UCB.

The Company made payments of \$30,000 and \$845,000 in milestone, annual maintenance fees and sublicensing fees related to this agreement during the years ended December 31, 2013 and 2014, respectively, which were recorded in research and development expense.

*Cerus Corporation Agreement*

On November 3, 2009, the Company entered into a license agreement with Cerus Corporation, or Cerus. Under the terms of this license agreement, Cerus granted the Company a worldwide exclusive license under certain of Cerus' patents and technology to make, have made, use, import, offer for sale and sell therapeutics for the treatment or prevention of any human or animal diseases involving a vaccine or immunotherapy.

The Company is required to pay Cerus royalties based on a percentage of net sales in the low single digits, including net sales by sublicensees, of products incorporating the licensed technology and from the provision of any services based upon the licensed technology. If the products or services are bundled with any other products or services, the portion of the net sales allocated to the licensed technology would be used in determining the royalty payments.

**GVAX-Based Agreements**

*ANI Agreement*

In January 2013, the Company entered into an asset purchase agreement with BioSante Pharmaceuticals, Inc., which subsequently merged with and into ANI Pharmaceuticals, Inc., or ANI, in June 2013. Under the agreement, or the ANI Agreement, the Company purchased all the rights, title and interest of ANI in and to all of the assets related to or comprising GVAX product candidates and any assets necessary or reasonably useful to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop, have developed, commercialize and have commercialized GVAX products.

Under the ANI Agreement, the Company paid ANI cash consideration of \$1.0 million and will be required to make royalty payments on net sales of GVAX products sold by the Company, its affiliates and its sublicensees for the treatment of certain cancers, which are covered by purchased intellectual property rights or developed using purchased technology, at rates in the low single digits. The Company is also required to pay milestone payments up to \$4.0 million for GVAX pancreas or prostate products in combination with *Listeria* or up to \$12.0 million per product for other GVAX products upon the achievement of certain sales milestones. The Company is obligated to make royalty payments on a product-by-product and country-by-country basis until the later of (i) the expiration of the last to expire of the purchased patent rights covering the GVAX product or the

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

regulatory exclusivity period and (ii) up to seven years from the first commercial sale of the product in such country depending on the level of net sales in such country after the expiration of the patent or regulatory exclusivity period. The royalties and milestone payments for GVAX products for the treatment of pancreas and prostate cancer, as well as the royalties and milestone payments for other cancer products, are each capped at specified maximum amounts. To the extent the Company enters into a sublicensing agreement relating to the GVAX pancreas or prostate cancer products in combination with *Listeria*, the Company is required to pay ANI a percentage of the Company's sublicensing income, ranging from the low teens to the low thirties based on the indication, the stage of development of the GVAX products at the time the sublicense is granted and the amount of development costs expended by the Company at the time the sublicense is granted. The sublicensing payments owed under this ANI Agreement for pancreas and prostate cancer products in combination with *Listeria* are each capped at specified maximum amounts.

In 2013, the Company recorded the \$1.0 million payment for the purchase of the assets as research and development expense because the Company determined that there was no alternative future use. During 2014, the Company made a payment of \$0.1 million for sublicensing fees, which was recorded in research and development expense.

*JHU GVAX Agreement*

In January 2013, the Company entered into a license agreement with JHU granting the Company an exclusive, worldwide, sublicensable license under certain GVAX-related patent rights and cell lines, and a non-exclusive, worldwide, sublicensable license to related know-how, in each case to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop and commercialize products and services using or incorporating licensed patent rights, cell lines, or know-how for any use. Under the agreement, or the New License Agreement, the Company is obligated to use commercially reasonable efforts to develop and market licensed products and services, including using commercially reasonable efforts to achieve specified development milestones by specified dates.

Under the New License Agreement, the Company paid licensing fees of \$125,000 in 2013 and 2014, which were recorded in research and development expenses. Under the New License Agreement, the Company is also required to pay JHU development and regulatory milestone payments totaling up to approximately \$1.1 million for STINGVAX, a GVAX product with CDNs, approximately \$1.2 million for TEGVAX, a GVAX product with TLRs, and approximately \$1.2 million for other licensed products. The Company is also required to pay JHU royalties based on net sales of licensed products and services by the Company, its affiliates and its sublicensees at a rate in the low single digits, subject to minimum annual royalties and standard reductions upon expiration of patent coverage and for licenses to third-party intellectual property rights, as well as a percentage of certain consideration received in consideration of the grant of sublicenses under this agreement ranging from the low tens to the mid-twenties depending on the stage of development of the product candidate at the time the sublicense is granted and the number of sublicenses granted.

The New License Agreement will continue in effect on a product-by-product basis and service-by-service basis until 30 years after the first commercial sale of such product or service, provided that the term may be extended for additional ten-year periods upon mutual agreement of the parties. Either party may terminate the New License Agreement for the other party's uncured material breach of the agreement upon 60 days' prior notice to the breaching party, or 30 days' notice if such breach relates to a payment obligation, or for the other party's insolvency. Additionally, the Company may terminate the New License Agreement at will upon 90 days' prior written notice to JHU.

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

***CDN-Based Agreements***

*Karagen Agreement*

In June 2012, the Company entered into a license agreement with Karagen Pharmaceuticals, Inc., or Karagen, pursuant to which Karagen granted the Company an exclusive, worldwide, sublicenseable license under certain patents and know-how related to CDNs to make, develop, use and commercialize products for use in the therapeutic and/or prophylactic treatment of cancer or precancerous conditions and a non-exclusive license to such patents and know-how to make, develop, use, and commercialize products in all other fields of use. Under the agreement, or the Karagen Agreement, the Company was also granted an option to designate a particular disease or condition to be added to the field of use under its exclusive license. Under the Karagen Agreement, the Company is obligated to use commercially reasonable efforts to develop and commercialize licensed products in the United States and the European Union.

Under the Karagen Agreement, the Company is required to make milestone payments totaling up to \$900,000, in the aggregate, upon its achievement of specified development and regulatory milestones as well as royalty payments based on net sales of products by the Company and by its affiliates and sublicensees at rates ranging in the low single-digit percentages, determined by whether the disease field is an exclusive or non-exclusive disease field, subject to minimum annual royalties and standard reductions. In addition, the Company is required to pay Karagen a percentage of consideration received from any sublicensing arrangements ranging from the mid-single digits to the mid-teen digits, determined by the current stage of development of the relevant licensed product at the time of the sublicense grant, or by whether the Company has exercised its option to add a designated field of use to its exclusive license, as applicable.

The Karagen Agreement will expire, on a country-by-country basis, upon the expiration of the last-to- expire valid claim within the licensed patent rights. Either party may terminate the Karagen Agreement upon 90 days' advance written notice in the event of the other party's material breach that is not cured within such 90-day period, and immediately upon notice in the event of the other party's bankruptcy or insolvency. Additionally, the Company may terminate the Karagen Agreement at will upon 90 days' advance written notice to Karagen.

*UCB Vance Agreement*

In September 2014, the Company entered into a license agreement with UCB, granting the Company an exclusive, worldwide, sublicenseable license under certain patent rights covering the use of the CDN molecules that activate the STING receptor to make, develop, use and commercialize products, to practice methods and to offer services, in each case that are covered by the licensed patent rights, in all fields of use. Under this agreement, or the UCB Vance Agreement, the Company is obligated to use commercially reasonable efforts to develop, manufacture and sell licensed products and services and are obligated to achieve specified development and regulatory milestones by specified dates.

Under the UCB Vance Agreement, the Company paid UCB an upfront fee of \$50,000 in 2014, which was recorded in research and development expenses, and is required to make future milestone payments totaling up to \$1.8 million upon achievement of certain development and regulatory milestones. Under the UCB Vance Agreement, the Company is also obligated to pay UCB royalties based on net sales of licensed products by the Company and our sublicensees at a rate in the low single-digit percentages, subject to minimum annual royalties and a percentage of certain of the Company's sublicensing revenues ranging from the low-single digits to the low thirties, determined by the current stage of development of the relevant licensed product at the time the sublicense is granted.

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**Notes to Consolidated Financial Statements (continued)**

The UCB Vance Agreement will continue in effect until the expiration of the last-to-expire valid claim within the licensed patent rights. UCB may terminate the agreement upon 90 days' advance written notice in the event of the Company's material breach that is not cured within such 90 day period. The Company may terminate the agreement at will upon 90 days' advance written notice.

*Memorial Sloan Kettering Cancer Center Agreement*

In December 2014, the Company entered into a license agreement with Memorial Sloan Kettering Cancer Center, or MSK, The Rockefeller University, Rutgers, The University of New Jersey, and University of Bonn, collectively the Licensors, granting the Company an exclusive, worldwide, sublicensable license to certain patent rights related to CDNs and a non-exclusive, worldwide, sublicensable license under specified know-how, in each case to develop, make, have made, use, have used, import, sell, and otherwise commercialize licensed products for use in therapeutic and/or prophylactic treatments in humans. Under this agreement, or the MSK Agreement, the Company is obligated to use commercially reasonable efforts to develop and commercialize a licensed product, including achieving specified development and regulatory milestones by specified dates.

Under the MSK Agreement, the Company paid MSK an up-front fee of \$50,000 in January 2015, which was recorded in research and development expenses in 2014, and is required to make future milestone payments totaling up to \$3.3 million upon achievement of certain development, regulatory and commercialization milestones. Under the MSK Agreement, the Company is also obligated to pay MSK royalties based on net sales of licensed products by the Company and our sublicensees at a rate in the low single digits, subject to minimum annual royalties and a percentage of certain of the Company's sublicensing revenues ranging from ten to mid-twenties.

The MSK Agreement will continue in effect until the expiration of our royalty obligations. The Company or the Licensors may terminate the agreement for uncured material breach upon 90 days' prior written notice and the Company may terminate the agreement at will upon 30 days' prior written notice to the Licensors.

## **9. Commitments and Contingencies**

### ***Leases***

The Company leases their office and research and development facility in Berkeley, California, under a non-cancelable operating lease which expires in August 2016. In April 2014, the Company amended its office lease agreement to increase the square footage by 3,990 square feet of rentable space resulting in an \$8,000 increase in the monthly rent payment effected on June 1, 2014.

Rent expense was \$281,000 and \$344,000 for the years ended December 31, 2013 and 2014, respectively. Under the terms of the lease agreement, the Company is also responsible for certain insurance, property tax and maintenance expenses. Future minimum payments under the lease at December 31, 2014 are as follows (in thousands):

<u>Year ending December 31,</u>	<u>Amounts</u>
2015	\$ 392
2016	261
Total	<u>\$ 653</u>



**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

***Indemnifications***

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified parties for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

***Legal***

During the normal course of business, the Company may be a party to legal claims that may not be covered by insurance. Management does not believe that any such claims would have a material impact on the Company's financial statements.

***Other Commitments***

The Company has various manufacturing, clinical, research and other contracts with vendors in the conduct of the normal course of its business. All contracts are terminable, with varying provisions regarding termination. If a contract with a specific vendor were to be terminated, the Company would only be obligated for the products or services that the Company had received at the time the termination became effective as well as non-cancelable and non-refundable payment obligations incurred by the vendor for products or services before the termination became effective. In the case of terminating a clinical trial agreement at a particular site, the Company would also be obligated to provide continued support for appropriate medical procedures at that site until completion or termination.

**10. Convertible Preferred Stock**

In January 2013, the Company issued 2,593,639 shares of Series B convertible preferred stock to a related party for net cash proceeds of \$3.0 million and 4,607,399 shares as settlement of outstanding convertible promissory notes issued in October 2011 and August 2012, in the amount of \$5.5 million. In May and November 2014, the Company issued 1,373,843 and 1,558,138 shares, respectively, of Series B convertible preferred stock to the related party as settlement of a convertible promissory note issued in January 2013. See Note 5.

On May 30, 2014, the Company entered into the Series C Preferred Stock Purchase Agreement with existing as well as new investors for the issuance of up to 31,544,844 shares of Series C convertible preferred stock at a purchase price of \$2.17 per share. Upon the execution of the agreement, the Company issued 17,119,818 shares of Series C convertible preferred stock for net cash proceeds of \$36.9 million and 6,199,217 shares as settlement of outstanding convertible promissory notes, including accrued interest, in the amount of \$13.5 million. On December 15, 2014, the Company issued 2,304,148 additional shares of Series C convertible preferred stock to the related party for cash proceeds of \$5.0 million.

In May 2014, the Company recorded a preferred stock derivative liability in the amount of \$3.0 million, as a related party received the right to purchase from the Company, on the same terms, additional shares of Series

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C convertible preferred stock, in a second and third tranche. As the related party holds a majority of the board seats, the decision to complete these tranches was deemed to be outside the control of the Company. During the year ended December 31, 2014, the Company recognized a \$1.5 million gain related to changes in fair value of the preferred stock derivative liability. At the time of the second and third tranche funding, the Company remeasured the preferred stock derivative liability, with the change in fair value recognized as a component of other income (expense), net. At the date of derecognition of the preferred stock derivative liability, the Company reclassified the remaining value associated with the liability of \$1.5 million to Series C convertible preferred stock.

The key assumptions used in the valuation of the preferred stock derivative liability were as follows:

	Year Ended December 31, 2014
Expected term (in years)	0 – 0.55
Fair value of underlying shares	\$2.17 – \$2.46
Volatility	80.0%
Risk-free interest rate	0.02% – 0.07%
Dividend yield	— %

On December 19, 2014, the Company entered into the Series D Preferred Stock Purchase Agreement with existing as well as new investors for the issuance of up to 19,012,173 shares of Series D convertible preferred stock at a purchase price of \$2.7029 per share. Upon the execution of the agreement, the Company issued 19,012,173 shares of Series D convertible preferred stock for net cash proceeds of \$48.9 million.

At December 31, 2013, convertible preferred stock consisted of the following (in thousands, except share data):

	Shares Authorized	Shares Outstanding	Net Carrying Value	Liquidation Preference
Series A	161,844	161,844	\$ 8,092	\$ 8,092
Series A-1	3,393,666	3,369,431	4,582	4,582
Series B	22,000,000	18,509,728	19,550	22,096
Total	<u>25,555,508</u>	<u>22,041,003</u>	<u>\$32,224</u>	<u>\$ 34,770</u>

At December 31, 2014, convertible preferred stock consisted of the following (in thousands, except share data):

	Shares Authorized	Shares Outstanding	Net Carrying Value	Liquidation Preference
Series A	161,843	161,843	\$ 8,092	\$ 8,092
Series A-1	3,393,666	3,369,431	4,582	4,582
Series B	21,525,480	21,441,709	24,505	25,596
Series C	25,623,183	25,623,183	53,866	55,603
Series D	19,012,173	19,012,173	48,918	51,388
Total	<u>69,716,345</u>	<u>69,608,339</u>	<u>\$ 139,963</u>	<u>\$ 145,261</u>

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

Significant provisions of the convertible preferred stock are as follows:

*Dividends*—The holders of preferred stock are entitled to receive, on a pari passu basis, non-cumulative dividends, as adjusted for stock splits, dividends, reclassifications or the like, prior and in preference to any declaration or payment of any dividends to the holders of common stock, when and if declared by the Board of Directors, at a rate of 8% of the original issuance price per share for Series B, Series C, and Series D, or collectively, Senior Preferred, and 5% for Series A-1 and Series A, or collectively, Junior Preferred, per annum. No dividends have been declared by the Board of Directors or paid since inception.

*Conversion*—At the option of the holder, each share of preferred stock is convertible into fully paid and nonassessable shares of common stock on a one-to-one basis, subject to stock splits, stock dividends and dilution. Each share of preferred stock automatically converts into the number of shares of common stock into which such shares are convertible at the then applicable conversion ratio upon (i) the closing of the sale of shares of common stock in a public offering resulting in at least \$45.0 million of gross proceeds, or (ii) the consent of the majority of the holders of the then outstanding shares of Series B and Series C and at least 60% of the then outstanding shares of Series D, voting together as a single class on an as-converted basis.

*Liquidation*—In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Senior Preferred are entitled to receive, prior and in preference to holders of Junior Preferred and common stock, an amount equal to their original issue price plus any declared and unpaid dividends. If upon occurrence of such an event, the assets and funds to be distributed among the holders of Senior Preferred are insufficient to permit the payment to such holders, the entire assets and funds of the Company legally available for distribution will be distributed ratably among the holders of Senior Preferred. Upon completion of the distribution to the holders of Senior Preferred, holders of Junior Preferred are entitled to receive prior and in preference to holders of common stock, an amount equal to their original issue price plus any declared but unpaid dividends. If upon occurrence of such an event, after payment in full of preferential amounts due to holders of Senior Preferred, the assets and funds to be distributed among the holders of Junior Preferred are insufficient to permit the payment to such holders, the entire remaining assets and funds of the Company legally available for distribution will be distributed ratably among the holders of Junior Preferred. All remaining legally available assets of the Company are to be distributed pro rata to the holders of Senior Preferred and common stock, on an as-converted basis. A liquidation may be deemed to be occasioned by or to include (unless waived by the written election of the majority of the outstanding shares of Series B and majority of Series C and Series D holders at least 10 days prior to the effective date of such event) (i) a consolidation or merger of the Company with or into any other corporation in which the Company's stockholders of record as constituted immediately prior to such transaction will, immediately after such transaction, fail to hold at least 50% of the voting power of the result of the surviving corporation; or (ii) a sale, conveyance or disposition of all or substantially all of the assets of the Company.

*Voting*—Each holder of preferred stock is entitled to the number of votes equal to the number of shares of common stock into which each such shares of preferred stock could be converted on the record date for the vote or consent of the stockholders, except as otherwise required by law or other provisions of the Company's Certificate of Incorporation, and have voting rights and powers equal to the voting rights and powers of the common stockholders. The holders of Series B, voting as a separate class, are entitled to elect two member of the Board of Directors. The holders of Series C, voting as a separate class, are entitled to elect two members of the Board of Directors. The holders of preferred stock and common stock, voting as a single class on an as-converted basis, are entitled to elect three members of the Board of Directors.

*Protective Provisions*—The holders of Series D have certain protective provisions. As long as any shares of Series D are outstanding, the Company cannot, without the approval of the majority of the then

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

outstanding shares of Series D, voting as a separate class, take any actions that: (i) amends, alters or repeals any powers, preferences or rights of Series D preferred stock; (ii) increase or decrease the authorized number of shares of Series D; (iii) redeem, repurchase or make acquisitions of the Series C, Series B, Junior Preferred or common stock; or (iv) declare or pay any dividends or distributions on the Series C, Series B, Junior Preferred or common stock.

The holders of Series C and Series B have certain protective provisions. As long as any shares of Series C and Series B are outstanding, the Company cannot, without the approval of 60% of the then outstanding shares of Series C and a majority of the then outstanding shares of Series B, each voting as a separate class, take any actions that: (i) consummates a liquidation, dissolution or winding up of the Company; (ii) amends, alters or repeals any powers, preferences or rights of Series C or Series B preferred stock; (iii) results in issuance of any additional class or series of capital stock, unless the class ranks junior to Series C or Series B preferred stock with respect to liquidation preferences; (iv) increases or decreases the authorized number of members of the Board of Directors; (v) declare or pay any dividends or distributions on the preferred and common stock; or (vi) redeem, repurchase or make acquisitions of any securities of the Company.

The holders of Junior Preferred have certain protective provisions. As long as any shares of Junior Preferred are outstanding, the Company cannot, without the approval of the majority of the then outstanding shares of Junior Preferred, voting as a separate class, take any action that: (i) amends, alters or repeals any powers, preferences or rights of Junior Preferred; or (ii) increase the number of authorized shares of Junior Preferred.

## **11. Common Stock**

The Company had reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	<u>2013</u>	<u>December 31,</u> <u>2014</u>
Convertible preferred stock outstanding	22,041,003	69,608,339
Options issued and outstanding	5,596,400	8,292,303
Shares available for future stock option grants	128,168	4,381,609
Series A-1 convertible preferred stock warrants	24,235	24,235
Series B convertible preferred stock warrants	83,771	83,771
Common stock warrants	1,589,005	1,603,197
Total	<u>29,462,582</u>	<u>83,993,454</u>

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

**12. Warrants**

The Company had issued and outstanding warrants that are not subject to remeasurement as follows:

Type of Security:	Warrants Outstanding		Issuance Date	Exercise Price per Share	Terms (Years)
	December 31, 2013	December 31, 2014			
Common	1,600	1,600	November 2008	\$ 25.00	10.0
Common	1,000	1,000	January 2009	\$ 25.00	10.8
Common	400	400	February 2009	\$ 25.00	10.0
Common	500	500	March 2009	\$ 25.00	10.0
Common	200	200	April 2009	\$ 25.00	10.0
Common	91,913	91,913	July 2009	\$ 1.36	10.0
Common	29,412	29,412	September 2009	\$ 1.36	10.0
Common	24,000	24,000	April 2011	\$ 0.50	10.0
Common	N/A	322,581 <sup>(1)</sup>	August 2013	\$ 0.01	10.0
Common	N/A	184,332 <sup>(1)</sup>	September 2013	\$ 0.01	10.0
Common	N/A	77,971 <sup>(1)</sup>	December 2013	\$ 0.01	10.0
Common	N/A	14,192 <sup>(1)</sup>	January 2014	\$ 0.01	10.0
Total	<u>149,025</u>	<u>748,101</u>			

- (1) In connection with the issuance of convertible promissory notes to related parties, warrants to purchase common stock were issued in August 2013, September 2013, December 2013 and January 2014. These warrants were classified together with convertible promissory notes payable at issuance. At December 31, 2013, the number of warrants issued was subject to adjustment pending the occurrence of the next round of financing. On May 30, 2014, outstanding principal and accrued interest of the convertible promissory notes in the amount of \$13.5 million was converted into Series C convertible preferred stock and issued 599,076 common stock warrants. See Note 5. At the conversion date, warrants at the then fair value were reclassified into additional paid-in capital in the amount of \$0.8 million.

The Company had issued and outstanding warrants that are subject to remeasurement as follows:

Type of Security:	Warrants Outstanding		Issuance Date	Exercise Price per Share	Terms (Years)
	December 31, 2013	December 31, 2014			
Series A-1	10,002	10,002	April 2011	\$ 1.36	10.0
Series A-1	14,233	14,233	April 2011	\$ 1.23	10.0
Series B	83,771	83,771	April 2011	\$ 1.19	5.0
Common	274,506	274,506	April 2011	\$0.0001	10.0
Common	335,084	335,084	June 2011	\$0.0001	9.8
Common	245,506	245,506	October 2011	\$0.0001	9.5
Common	— (2)	N/A	August 2013	\$ 0.01	10.0
Common	— (2)	N/A	September 2013	\$ 0.01	10.0
Common	— (2)	N/A	December 2013	\$ 0.01	10.0
Total	<u>963,102</u>	<u>963,102</u>			

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

- (2) In connection with the issuance of convertible promissory notes to related parties, warrants to purchase common stock were issued in August 2013, September 2013, and December 2013. At December 31, 2013, the number of warrants issued was subject to adjustment pending the occurrence of the next round of financing. On May 30, 2014, outstanding principal and accrued interest of the convertible promissory notes in the amount of \$13.5 million was converted into Series C convertible preferred stock and issued 599,076 common stock warrants. See Note 5.

The following is a summary of the outstanding warrants to purchase common stock and warrants to purchase convertible preferred stock that are subject to remeasurement and their fair values at December 31, 2013 and 2014 (in thousands, except share data):

	<u>December 31,</u> <u>2013</u>	<u>Shares at</u> <u>December 31,</u> <u>2014</u>	<u>Fair Value at</u> <u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>
Classified as warrant liability:				
Series A-1	24,235	24,235	\$ 13	\$ 25
Series B	83,771	83,771	59	75
Total convertible preferred stock warrants	108,006	108,006	72	100
Common	855,096	855,096	505	889
Total classified as warrant liability	963,102	963,102	\$ 577	\$ 989
Classified within convertible promissory notes payable:				
Common <sup>(3)</sup>	—	—	617	—
Total classified within convertible promissory notes payable	—	—	\$ 617	\$ —

- (3) In connection with the issuance of convertible promissory notes to related parties, warrants to purchase common stock were issued in August 2013, September 2013 and December 2013. At December 31, 2013, the number of warrants issued is subject to adjustment should the Next Financing Event occur. See Note 5.

In April 2011, the Company issued warrants to purchase 24,235 shares of Series A-1 convertible preferred stock as consideration for services provided, with a weighted-average exercise price of \$1.28 per share. The warrants are immediately exercisable and expire, if not exercised, in April 2021. As the shares into which the warrants are exercisable are contingently redeemable, the Company has recognized a liability for the fair value of these warrants on the consolidated balance sheets. The Company determined the fair value of the warrants to be \$16,000 on the date of grant using the Black-Scholes option pricing model. The fair value of the warrants was \$13,000 and \$25,000 at December 31, 2013 and December 31, 2014, respectively.

In April 2011, in connection with the Series B convertible preferred stock financing, the Company issued warrants to purchase 83,771 shares of Series B convertible preferred stock, with an exercise price of \$1.19 per share. The warrants are immediately exercisable and expire, if not exercised, in April 2016. As the shares into which the warrants are exercisable are contingently redeemable, the Company has recognized a liability for the fair value of these warrants on the consolidated balance sheets. The Company determined the fair value of the warrants to be \$70,000 on the date of grant using the Black-Scholes option pricing model. The fair value of the warrants was \$59,000 and \$75,000 at December 31, 2013 and December 31, 2014, respectively.

In April, June, and October 2011, as part of the Series B convertible preferred stock financing, the Company issued warrants to purchase an aggregate of 855,096 shares of common stock, with an exercise price of

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

\$0.0001 per share. The warrants are exercisable beginning in April 2015 and may terminate, in whole or part, if the Company obtains certain levels of government grant funds before April 2015. The warrants expire, if not exercised, in April 2021. The Company estimated that it is more likely than not that the minimum level of grant funds will not be achieved and has recognized a liability for the fair value of these warrants on the consolidated balance sheet, as the warrants are subject to performance conditions which may result in the issuance of a variable number of shares. The Company determined the fair value of the warrants to be \$393,000 on the date of grant using a Black-Scholes option pricing model. The fair value of the warrants was \$0.5 million and \$0.9 million at December 31, 2013 and December 31, 2014, respectively.

In August 2013, September 2013, December 2013 and January 2014, in connection with the issuance of the convertible promissory notes payable to related parties, the Company issued warrants to purchase shares of common stock equal to 10% of the outstanding principal balance of the convertible promissory notes (or \$1.3 million) divided by the issuance price per share of the shares into which the convertible promissory notes convert. The warrants are immediately exercisable at \$0.01 per share and expire, if not exercised, 10 years from the date of issuance. The warrants are recorded at fair value as a bifurcated embedded derivative instrument subject to remeasurement at the end of each reporting period in other income (expense), net in the consolidated statements of operations and comprehensive loss. The fair value of the derivative liability was \$0.6 million at December 31, 2013 and is presented on a combined basis with the underlying convertible promissory notes on the consolidated balance sheets. In May 2014, the fair value of derivative liability of \$0.8 million was reclassified to additional paid-in capital.

**Convertible Preferred Stock Warrants**

The key assumptions used in the Black-Scholes option-pricing model for the valuation of the convertible preferred stock warrants were as follows:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Expected term (in years)	2.29 – 8.04	1.29 – 7.04
Fair value of underlying shares	\$0.79 – \$1.41	\$0.67 – \$1.98
Volatility	80.0%	53.9% – 80.8%
Risk-free interest rate	0.37% – 2.51%	0.23% – 2.30%
Dividend yield	— %	— %

**Common Stock Warrants and Convertible Promissory Note Warrants**

The key assumptions used in the Black-Scholes option-pricing model for the valuation of the common stock warrants were as follows:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Expected term (in years)	7.29 – 9.83	6.29 – 9.79
Fair value of underlying shares	\$0.59	\$0.73 – \$1.04
Volatility	80.0%	75.7% – 80.4%
Risk-free interest rate	1.46% – 3.04%	1.84% – 2.73%
Dividend yield	— %	— %

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

### 13. Stock Option Plan

In October 2009, the Company adopted the 2009 Stock Incentive Plan, or the Plan. The Plan provides for the granting of stock-based awards to employees, directors and consultants under terms and provisions established by the Board of Directors.

Under the Plan, the Board of Directors may grant incentive stock options or nonqualified stock options. Incentive stock options may only be granted to Company employees. The exercise price of incentive stock options and nonqualified stock options will be no less than 100% of the fair value per share of the Company's common stock on the date of grant. If an individual owns capital stock representing more than 10% of the voting shares, the price of each share will be at least 110% of the fair value on the date of grant. The Board of Directors determined the fair value of common stock using valuations prepared by an unrelated third-party valuation firm. Options expire after 10 years (five years for stockholders owning greater than 10% of the voting stock). The Board of Directors determines the period over which the options vest and become exercisable. Shares issued upon exercise of unvested options shall be subject to the Company's right to repurchase at their purchase price.

Stock option activity under the Company's stock option plan was as follows:

	Shares Available for Grant	Options Outstanding Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value (In thousands)
Balance—December 31, 2012	809,181	4,313,865	\$ 0.53	
Authorized	650,000	—		
Granted	(1,340,136)	1,340,136	\$ 0.59	
Exercised	—	(45,379)	\$ 0.34	
Canceled	9,123 <sup>(1)</sup>	(12,222)	\$ 12.37	
Balance—December 31, 2013	128,168	5,596,400	\$ 0.52	\$ 985
Authorized	7,043,166	—		
Granted	(2,805,000)	2,805,000	\$ 0.72	
Exercised	—	(92,360)	\$ 0.53	
Canceled	15,275 <sup>(1)</sup>	(16,737)	\$ 6.74	
Balance—December 31, 2014	<u>4,381,609</u>	<u>8,292,303</u>	\$ 0.57	\$ 4,335
Options exercisable—December 31, 2014		<u>4,915,360</u>	\$ 0.51	\$ 3,090
Options vested and expected to vest—December 31, 2014		<u>7,990,955</u>	\$ 0.57	\$ 4,220

<sup>(1)</sup> The amount excludes 3,099 and 1,462 canceled options for the years ended December 31, 2013 and 2014, respectively, initially granted from the legacy stock option plans. As these plans have been terminated, any options canceled are not added back to the existing option plan pool.

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the Company's common stock, as determined by the Board of Directors, at December 31, 2014.

The aggregate intrinsic value of options exercised under the Plan was zero and \$17,000 for the years ended December 31, 2013 and December 31, 2014, respectively.



**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

The total fair value of options that vested during the years ended December 31, 2013 and 2014 were \$0.3 million and \$0.5 million, respectively.

The weighted-average grant date fair value of employee options granted during the years ended December 31, 2013 and 2014 were \$0.39 and \$0.48 per share, respectively.

At December 31, 2014, the weighted-average remaining contractual life was 6.9 years and 7.8 years for exercisable options and vested and expected to vest options, respectively. The weighted-average remaining contractual life of options outstanding was 8.0 years and 7.9 years at December 31, 2013 and 2014, respectively.

**Stock-based Compensation Expense**

Total stock-based compensation expense recognized was as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Research and development	\$194	\$202
General and administrative	215	368
Total stock-based compensation expense	<u>\$409</u>	<u>\$570</u>

At December 31, 2014, the total unrecognized compensation expense related to unvested options, net of estimated forfeitures, was \$1.4 million, which the Company expects to recognize over an estimated weighted- average period of 3.2 years.

In determining the fair value of the stock-based awards, the Company uses the Black-Scholes option- pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

*Expected Term*—The Company’s expected term represents the period that the Company’s stock-based awards are expected to be outstanding and is determined using the simplified method (based on the mid- point between the vesting date and the end of the contractual term).

*Expected Volatility*—Since the Company is not yet a public company and does not have any trading history for its common stock, the expected volatility was estimated based on the average volatility for comparable publicly traded biopharmaceutical companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle or area of specialty.

*Risk-Free Interest Rate*—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

*Expected Dividend*—The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

The fair value of stock option awards granted to employees was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Expected term (in years)	5.0 – 6.0	5.3 – 6.1
Volatility	75.7 – 78.6%	70.2 – 77.3%
Risk-free interest rate	1.36 – 1.73%	1.85 – 2.0%
Dividend yield	— %	— %

For the years ended December 31, 2013 and 2014, the Company recognized \$0.4 million and \$0.5 million, respectively, of stock-based compensation related to options granted to employees. The compensation expense is allocated on a departmental basis, based on the classification of the option holder. No income tax benefits have been recognized in the statements of operations for stock-based compensation arrangements and no stock-based compensation costs have been capitalized as property and equipment as of December 31, 2014.

The Company uses the fair value method to value options granted to non-employees. In 2013 and 2014, the Company recognized stock-based compensation of \$50,000 and \$85,000, respectively, related to options granted to non-employees.

The fair value of stock option awards granted to non-employees was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
Expected term (in years)	10.0	9.3 – 9.7
Volatility	78.4%	78.0 – 78.1%
Risk-free interest rate	2.72%	2.19 – 2.39%
Dividend yield	— %	— %

#### 14. Income Taxes

For both the years ended December 31, 2013 and 2014, the Company recorded no provision for income taxes due to losses incurred.

A reconciliation of the statutory U.S. federal rate to the Company's effective tax rate is as follows:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2014</b>
U.S. federal taxes at statutory rate	(34.0%)	(34.0%)
U.S. research credits	(1.3)	(1.0)
Warrants	3.8	2.1
Other permanent items	0.2	1.0
Change in valuation allowance	31.3	31.9
Total	— %	— %

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets are as follows (in thousands):

	<u>December 31,</u> <u>2013</u>	<u>2014</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 16,823	\$ 17,746
Research and development credits	1,394	870
Stock-based compensation	100	124
Accruals and reserves	291	488
Gross deferred tax assets	18,608	19,228
Valuation allowance	(18,600)	(19,212)
Total deferred tax assets	<u>8</u>	<u>16</u>
Deferred tax liabilities:		
Tangible assets	(8)	(16)
Total deferred tax liabilities	(8)	(16)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company is required to reduce its deferred tax assets by a valuation allowance if it is more likely than not that some or all of its deferred tax assets will not be realized. Management must use judgment in assessing the potential need for a valuation allowance, which requires an evaluation of both negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. In determining the need for and amount of the valuation allowance, if any, the Company assesses the likelihood that it will be able to recover its deferred tax assets using historical levels of income, estimates of future income and tax planning strategies. As a result of historical cumulative losses, the Company determined that, based on all available evidence, there was substantial uncertainty as to whether it will recover recorded net deferred taxes in future periods. Accordingly, the Company recorded a valuation allowance against all of its net deferred tax assets at December 31, 2013 and 2014. The net valuation allowance increased by \$5.7 million and \$0.6 million in 2013 and 2014, respectively.

At December 31, 2014, the Company generated net operating loss, or NOL, carryforwards (before tax effects) for federal and state income tax purposes of \$51.2 million and \$6.0 million, respectively. These federal and state NOL carryforwards will begin to expire in 2027 and 2017, respectively, if not utilized. In addition, the Company generated federal and state research and development tax credit carryforwards of \$0.3 million and \$0.9 million, respectively, to offset future income tax liabilities. The federal research and development tax credits can be carried forward for 20 years and will start to expire in 2034, if not utilized, while the state research and development tax credit can be carried forward indefinitely.

Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, the Company's ability to utilize NOL carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if the Company has experienced an "ownership change." Generally, a Section 382 ownership change occurs if one or more stockholders or groups of stockholders who owns at least 5% of a corporation's stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a specified testing period. Similar rules may apply under state tax laws. The Company performed a Section 382 analysis and believes that it experienced multiple ownership changes under Section 382 of the Code. As a result of the ownership changes, the Company estimates that the utilization of \$42.4 million and \$5.0 million of federal and state NOLs, respectively, is subject to annual limitations under Section 382. Future changes in the

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

Company's stock ownership, some of which are outside of the Company's control, could result in additional ownership changes under Section 382 of the Code and result in additional limitations. All of the Company's federal tax credits generated prior to 2014 will expire unutilized subject to limitation while the state credit carryforwards will not expire as they are carried forward indefinitely. The Company has recorded a full valuation allowance related to its NOLs, tax credits and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets. The Company's NOLs may expire unutilized or underutilized, which would prevent the Company from offsetting future taxable income.

**Uncertain Tax Positions**

A reconciliation of the Company's unrecognized tax benefits for the years ended December 31, 2013 and 2014 is as follows (in thousands):

	<b>December 31,</b>	
	<b>2013</b>	<b>2014</b>
Balance at beginning of year	\$587	\$ 695
Reductions based on tax positions related to prior year	—	(412)
Additions based on tax positions related to current year	108	225
Balance at end of year	<u>\$695</u>	<u>\$ 508</u>

There were no unrecognized tax benefits included in the balance sheet that would, if recognized, affect the effective tax rate.

The Company does not foresee material changes to its gross uncertain income tax position liability within the next 12 months.

The Company files income tax returns in the United States and state jurisdictions. The federal and state income tax returns are open under the statute of limitations subject to tax examinations for the tax years ended December 31, 2010 through December 31, 2013. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the IRS or state tax authorities to the extent utilized in a future period.

The Company will recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense in its statements of operations. At December 31, 2014, the amount of interest and penalties the Company has recorded was zero.

**15. Employee Benefit Plan**

The Company sponsors a 401(k) plan. All employees are eligible to participate in the 401(k) plan after meeting certain eligibility requirements. Participants may elect to have a portion of their salary deferred and contributed to the 401(k) plan up to the limit allowed under the Internal Revenue Code. The Company has made no contributions to the 401(k) plan since inception.

**16. Net Loss per Common Share and Pro Forma Net Loss per Common Share (Unaudited)**

*Net Loss per Common Share*

Since the Company was in a loss position for all periods presented, basic net loss per common share is the same as diluted net loss per common share for all periods presented as the inclusion of all potential common

**ADURO BIOTECH, INC.**  
**Notes to Consolidated Financial Statements (continued)**

shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per common share calculations because they would be anti-dilutive were as follows:

	<u>December 31,</u> 2013	<u>2014</u>
Convertible preferred stock	22,041,003	69,608,339
Options to purchase common stock	5,596,400	8,292,303
Convertible preferred stock warrants	108,006	108,006
Common stock warrants	1,004,121	1,603,197
Convertible notes	13,564,181	—
Total	<u>42,313,711</u>	<u>79,611,845</u>

*Pro Forma Net Loss per Common Share (Unaudited)*

The Company has presented pro forma basic and diluted net loss per common share, which has been computed to give effect to the conversion of all shares of convertible preferred stock into shares of common stock as if such conversion had occurred as of the beginning of the period presented or the original date of issuance, if later. The following table sets forth the computation of the Company's pro forma basic and diluted net loss per common share (in thousands, except share and per share amounts):

	<u>Year Ended December 31, 2014</u>
Net loss	\$ (17,014)
Change in fair value of convertible preferred stock warrant liability	28
Interest expense associated with convertible promissory notes payable to related parties	266
Interest expense associated with beneficial conversion feature and warrants related to convertible promissory notes payable to related parties	1,998
Gain from preferred stock derivative liability revaluation	(1,475)
Gain on extinguishment of convertible promissory notes	(3,553)
Net loss used in computing pro forma net loss per common share, basic and diluted	<u>\$ (19,750)</u>
Shares used in computing net loss per common share, basic and diluted	445,505
Pro forma adjustments to reflect assumed conversion of convertible preferred stock and convertible promissory notes to related parties	38,502,974
Shares used in computing pro forma net loss per common share, basic and diluted	<u>38,948,479</u>
Pro forma net loss per common share, basic and diluted	<u>\$ (0.51)</u>

**17. Subsequent Events**

Subsequent events have been evaluated through March 2, 2015 which is the date the financial statements were available to be issued.

Through and including \_\_\_\_\_, 2015, (the 25th day after the date of this prospectus), all dealers effecting transactions in the Common Stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

## Shares



## Common Stock

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### PROSPECTUS

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**BofA Merrill Lynch**

**Leerink Partners**

**William Blair**

**Canaccord Genuity**

, 2015

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**PART II****Information Not Required in Prospectus****Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than the underwriting discount, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee. Except as otherwise noted, all the expenses below will be paid by us.

SEC registration fee	\$ 10,023
FINRA filing fee	\$ 13,438
NASDAQ initial listing fee	\$ 25,000
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous fees and expenses	*
Total	<u>\$ *</u>

\* To be completed by amendment.

**Item 14. Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended. Our amended and restated certificate of incorporation to be in effect prior to the closing of this offering provides for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws to be in effect prior to the closing of this offering provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law.

We have entered into indemnification agreements with our directors and executive officers, whereby we have agreed to indemnify our directors and executive officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or executive officer was, or is threatened to be made, a party by reason of the fact that such director or executive officer is or was our director, officer, employee or agent, provided that such director or executive officer acted in good faith and in a manner that the director or executive officer reasonably believed to be in, or not opposed to, the our best interest. At present, there is no pending litigation or proceeding involving any of our directors or executive officers regarding which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, that might be incurred by any director or officer in his capacity as such.

The underwriters are obligated, under certain circumstances, pursuant to the underwriting agreement to be filed as Exhibit 1.1 hereto, to indemnify us, our officers and our directors against liabilities under the Securities Act of 1933, as amended.

**Item 15. Recent Sales of Unregistered Securities.**

The following sets forth information regarding all unregistered securities sold since July 1, 2011:

- (a) From July 1, 2011 to date, we have granted stock options under our 2009 Stock Plan to purchase an aggregate of 11,510,041 shares of our common stock at an exercise price ranging between \$0.32 and \$1.04 per share to a total of 72 employees, directors and consultants. From July 1, 2011 to date, options to purchase an aggregate of 177,233 shares of common stock have been exercised.
- (b) In October 2011, we issued an aggregate of 2,815,822 shares of our Series B convertible preferred stock (convertible into 2,815,822 shares of common stock) to seven accredited investors at a price per share of \$1.19, for aggregate consideration of \$3.4 million.
- (c) In August 2012, we issued an aggregate of 2,396,968 shares of our Series B convertible preferred stock (convertible into 2,396,968 shares of common stock) to seven accredited investors at a price per share of \$1.19, for aggregate consideration of \$2.9 million.
- (d) In January 2013, we issued an aggregate of 6,986,656 shares of our Series B convertible preferred stock (convertible into 6,986,656 shares of common stock) to 11 accredited investors at a price per share of \$1.19, for aggregate consideration of \$8.3 million.
- (e) In February 2013, we issued an aggregate of 214,382 shares of our Series B convertible preferred stock (convertible into 214,382 shares of common stock) to two accredited investors at a price per share of \$1.19, for aggregate consideration of \$0.3 million.
- (f) In August 2013, we issued and sold to an investor convertible promissory notes in the aggregate principal amount of \$7.0 million, which notes bore interest at a rate of 5% per annum. This note converted into shares of our Series C convertible preferred stock in May 2014 as described in paragraph (l) below.
- (g) In September 2013, we issued and sold to investors convertible promissory notes in the aggregate principal amount of \$0.8 million, which notes bore interest at a rate of 5% per annum. These notes converted into shares of our Series C convertible preferred stock in May 2014 as described in paragraph (l) below.
- (h) In October 2013, we issued and sold to investors convertible promissory notes in the aggregate principal amount of \$3.2 million, which notes bore interest at a rate of 5% per annum. These notes converted into shares of our Series C convertible preferred stock in May 2014 as described in paragraph (l) below.
- (i) In December 2013, we issued and sold to investors convertible promissory notes in the aggregate principal amount of \$1.7 million, which notes bore interest at a rate of 5% per annum. These notes converted into shares of our Series C convertible preferred stock in May 2014 as described in paragraph (l) below.
- (j) In January 2014, we issued and sold to investors convertible promissory notes in the aggregate principal amount of \$0.3 million, which notes bore interest at a rate of 5% per annum. These notes converted into shares of our Series C convertible preferred stock in May 2014 as described in paragraph (l) below.



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- (k) In May 2014, an aggregate principal amount of \$1.6 million of convertible notes converted into 1,373,843 shares of our Series B convertible preferred stock (convertible into 1,373,843 shares of common stock) at a price per share of \$1.19.
- (l) In May 2014, we issued an aggregate of 12,511,523 shares of our Series C convertible preferred stock (convertible into 12,511,523 shares of common stock) to nine accredited investors at a price per share of \$2.17, for aggregate consideration of \$27.1 million. In addition, the aggregate principal and interest amount of \$13.5 million of convertible notes referred to in paragraphs (f), (g), (h), (i) and (j) above converted into 6,199,217 shares of Series C convertible preferred stock at a conversion price equal to \$2.17.
- (m) In September 2014, we issued 4,608,295 shares of our Series C convertible preferred stock (convertible into 4,608,295 shares of common stock) to one accredited investors at a price per share of \$2.17, for aggregate consideration of \$10.0 million.
- (n) In November 2014, an aggregate principal amount of \$1.9 million of convertible notes converted into 1,558,138 shares of our Series B convertible preferred stock (convertible into 1,558,138 shares of common stock) at a price per share of \$1.19.
- (o) In December 2014, we issued 2,304,148 shares of our Series C convertible preferred stock (convertible into 2,304,148 shares of common stock) to one accredited investor at a price per share of \$2.17, for aggregate consideration of \$5.0 million.
- (p) In December 2014, we issued an aggregate of 19,012,173 shares of our Series D convertible preferred stock (convertible into 19,012,173 shares of common stock) to 28 accredited investors at a price per share of \$2.70, for aggregate consideration of \$51.4 million.

The offers, sales and issuances of the securities described in Item 15(a) were deemed to be exempt from registration under the Securities Act under either (1) Rule 701 promulgated under the Securities Act as offers and sale of securities pursuant to certain compensatory benefit plans and contracts relating to compensation in compliance with Rule 701 or (2) Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and instruments issued in such transactions.

## **Item 16. Exhibits and Financial Statement Schedules.**

- (a) Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
1.1*	Form of Underwriting Agreement.
3.1*	Restated Certificate of Incorporation of Aduro Biotech, Inc., as currently in effect.
3.2*	Form of Restated Certificate of Incorporation of Aduro Biotech, Inc., to be in effect upon completion of this offering.
3.3	Bylaws of Aduro Biotech, Inc., as currently in effect.
3.4*	Form of Amended and Restated Bylaws of Aduro Biotech, Inc., to be in effect upon completion of this offering.
4.1*	Form of common stock certificate.
4.2	Amended and Restated Investor Rights Agreement, by and among Aduro Biotech, Inc. and the stockholders named therein, dated December 19, 2014.
5.1*	Opinion of Cooley LLP.
10.1	2000 Oncologic Equity Incentive Plan.

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.2	Forms of Stock Option Agreement and Notice of Grant of Stock Option under the 2000 Oncologic Equity Incentive Plan.
10.3	2001 Triton BioSystems Equity Incentive Plan.
10.4	Forms of Stock Option Agreement and Notice of Grant of Stock Option under the 2001 Triton BioSystems Equity Incentive Plan.
10.5	Aduro Biotech 2009 Stock Incentive Plan.
10.6	Forms of Stock Option Agreement and Notice of Grant of Stock Option under the 2009 Stock Plan.
10.7*	2015 Equity Incentive Plan, to be in effect upon completion of this offering.
10.8*	Forms of Stock Option Agreement and Notice of Grant of Stock Option under the 2015 Equity Incentive Plan.
10.9*	Forms of Restricted Stock Unit Agreement and Notice of Grant of Restricted Stock Unit under the 2015 Equity Incentive Plan.
10.10*	2015 Employee Stock Purchase Plan, to be in effect upon completion of this offering.
10.11	Form of Indemnification Agreement made by and between Aduro Biotech, Inc. and each of its directors and executive officers.
10.12	Executive Employment Agreement between Aduro Biotech, Inc. and Stephen T. Isaacs, dated as of February 26, 2010.
10.13	Amendment to Executive Employment Agreement between Aduro Biotech, Inc. and Stephen T. Isaacs, dated as of July 31, 2014.
10.14	Offer of Employment Letter between Aduro Biotech, Inc. and Gregory W. Schafer, dated as of April 28, 2013.
10.15	Severance Agreement between Aduro Biotech, Inc. and Gregory W. Schafer, dated as of July 31, 2014.
10.16	Offer of Employment Letter between Aduro Biotech, Inc. and Thomas Dubensky, dated September 7, 2011.
10.17	Severance Agreement between Aduro Biotech, Inc. and Thomas Dubensky, dated as of July 31, 2014.
10.18+	Research and License Agreement between Aduro Biotech, Inc. and Janssen Biotech, Inc., dated as of May 27, 2014.
10.19+	GVAX Prostate License Agreement between Aduro Biotech, Inc. and Janssen Biotech, Inc., dated as of May 27, 2014.
10.20+	Research and License Agreement between Aduro Biotech, Inc. and Janssen Biotech, Inc., dated as of October 13, 2014.
10.21+	Exclusive License Agreement between Aduro Biotech, Inc. and The Johns Hopkins University, dated March 24, 2011.
10.22+	Exclusive License Agreement between Aduro Biotech, Inc. and the Regents of the University of California, dated March 15, 2012.

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.23+	Asset Purchase Agreement between Aduro GVAX Inc. and BioSante Pharmaceuticals, Inc., dated January 31, 2013.
10.24+	Patent and Technology License and Materials Transfer Agreement between Aduro Biotech, Inc. and The Johns Hopkins University, dated January 31, 2013.
10.25+	Restated and Amended License Agreement between The Johns Hopkins University and BioSante Pharmaceuticals, Inc., dated March 3, 2011.
10.26+	License Agreement between Karagen Pharmaceuticals, Inc. and Aduro Biotech, Inc., dated June 20, 2012.
10.27+	Exclusive License between Aduro Biotech, Inc. and the Regents of the University of California, dated September 25, 2014.
10.28+	Exclusive License Agreement among Aduro Biotech, Inc., Memorial Sloan Kettering Cancer Center, The Rockefeller University, Rutgers, the State University of New Jersey and University of Bonn, dated December 18, 2014.
10.29+	Manufacturing Services Agreement between Lonza Walkersville, Inc. and Aduro Biotech, Inc., dated August 6, 2013.
10.30+	Process Development and Manufacturing Services Agreement between IDT Biologika GmbH and Aduro Biotech, Inc., dated December 12, 2013.
10.31	Fourth Addendum to Office Lease, dated February 20, 2015, by and between the Company and Bancroft Way, LLC.
10.32+	Amendment No. 1 to Exclusive License between Aduro Biotech, Inc. and the Regents of the University of California, dated March 6, 2015.
10.33	Aduro Biotech, Inc. Severance Plan and Summary Plan Description.
23.1*	Consent of Cooley LLP (included in Exhibit 5.1).
23.2	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
24.1	Power of Attorney (see page II-7 to this registration statement).

\* To be filed by amendment.

+ Confidential treatment requested.

(b) Financial statement schedules.

All schedules have been omitted because the information required to be presented in them is not applicable or is shown in the financial statements or related notes.

### **Item 17. Undertakings**

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a

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claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, we have duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the Berkeley, State of California, on the day of March 11, 2015.

**ADURO BIOTECH, INC.**

By: /s/ Stephen T. Isaacs

Stephen T. Isaacs

*Chairman, President and Chief Executive Officer*

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stephen T. Isaacs and Jennifer Lew, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stephen T. Isaacs</u> Stephen T. Isaacs	Chairman, President, Chief Executive Officer and Chief Financial Officer ( <i>principal executive officer</i> )	March 11, 2015
<u>/s/ Gregory W. Schafer</u> Gregory W. Schafer	Chief Operating Officer ( <i>principal financial officer</i> )	March 11, 2015
<u>/s/ Jennifer Lew</u> Jennifer Lew	Senior Vice President of Finance ( <i>principal accounting officer</i> )	March 11, 2015
<u>/s/ Gerald Chan, DSc</u> Gerald Chan, DSc	Director	March 11, 2015
<u>/s/ William M. Greenman</u> William M. Greenman	Director	March 11, 2015
<u>/s/ Ross Haghighat</u> Ross Haghighat	Director	March 11, 2015
<u>/s/ Frank McCormick</u> Frank McCormick	Director	March 11, 2015
<u>/s/ Stephanie O'Brien</u> Stephanie O'Brien	Director	March 11, 2015

**EXHIBIT INDEX**

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24.1	Power of Attorney (see page II-7 to this registration statement).

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\* To be filed by amendment.

+ Confidential treatment requested.

**BYLAWS**  
**OF**  
**ADURO BIOTECH, INC.,**  
**a Delaware corporation**

**ARTICLE I**  
**STOCKHOLDERS**

Section 1:        Annual Meeting.

An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months of the last annual meeting of stockholders or, if no such meeting has been held, the date of incorporation.

Section 2:        Special Meetings.

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

Section 3:        Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4:        Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum



for all purposes, unless or except to the extent that the presence of a larger number may be required by law or the Certificate of Incorporation. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

Section 5:        Organization.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chief Executive Officer of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6:        Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 7:        Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefore by a stockholder entitled to vote or by his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent

required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

**Section 8:        Stock List.**

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

**Section 9:        Consent of Stockholders in Lieu of Meeting.**

Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Except as otherwise provided by the Certificate of Incorporation, stockholders may act by written consent to elect directors; provided, however, that, if such consent is less than unanimous, such action by written consent may be in lieu of holding an annual meeting only if all of the directorships to which directors could be elected at an annual meeting held at the effective time of such action are vacant and are filled by such action.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the date the earliest dated consent is delivered to the

Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this Section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the Board of Directors. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

## **ARTICLE II**

### **BOARD OF DIRECTORS**

#### **Section 1:       Number and Term of Office.**

The authorized number of directors constituting the whole Board shall be as set forth in the Certificate of Incorporation of the Corporation. Each director shall hold office until the next annual meeting of stockholders and until a successor is elected and qualified, or until such director's earlier death, resignation or removal.

Section 2:        Vacancies.

If the office of any director becomes vacant by reason of death, resignation, disqualification, removal or other cause, the vacancy may be filled pursuant to the Certificate of Incorporation of the Corporation.

Section 3:        Removal.

Except as otherwise provided by the Delaware General Corporation Law, any one or more or all of the directors of the corporation may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except that the directors elected by the holders of a particular class or series of stock may be removed without cause only by vote of the holders of a majority of the outstanding shares of such class or series.

Section 4:        Resignation.

Any director may resign by delivering a resignation in writing or by electronic transmission to the corporation at its principal office or to the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event.

Section 5:        Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 6:        Special Meetings.

Special meetings of the Board of Directors may be called by one-third (1/3) of the directors then in office (rounded up to the nearest whole number), the Chairman of the Board, or by the Chief Executive Officer and shall be held at such place, on such date, and at such time as they or he or she shall fix. Notice of the place, if any, date, and time of each such special meeting shall be given each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by electronic transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 7:        Quorum.

At any meeting of the Board of Directors, a majority of the total number of the whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 8:      Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 9:      Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 10:      Powers.

The Board of Directors may, except as otherwise required by law or the Certificate of Incorporation of the Corporation, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 11:      Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

**ARTICLE III**

**COMMITTEES**

Section 1:      Committees of the Board of Directors.

The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Subject to the Certificate of Incorporation, any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or

not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2:        Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. The greater of two (2) members or one-third (1/3) of the total number of members on a committee shall constitute a quorum unless the committee shall consist of one (1) member, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

**ARTICLE IV**

**OFFICERS**

Section 1:        Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies.

The Board of Directors shall elect a President and Secretary, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose a Chief Executive Officer, a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as it deems appropriate. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at anytime, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 2:        Powers and Duties of Executive Officers.

The officers of the corporation shall have such powers and duties in the management of the corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his duties.

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## ARTICLE V

### STOCK

#### Section 1: Certificates of Stock.

The Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman of the Board or Vice Chairman of the Board, President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of such Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

#### Section 2: Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

#### Section 3: Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than ten (10) days after the date upon which the resolution fixing the record date is adopted. If no record date has been fixed by the Board of Directors and no prior action by the Board of Directors is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Article 1, Section 9 hereof. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General Corporation Law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

**Section 4:**        **Lost, Stolen or Destroyed Certificates.**

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

**Section 5:**        **Regulations.**

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

**ARTICLE VI**

**NOTICES**

**Section 1:**        **Notices.**

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram or by electronic transmission. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by telegram, electronic transmission or mailgram, shall be the time of the giving of the notice.



Section 2:      Waivers.

A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

**ARTICLE VII**

**MISCELLANEOUS**

Section 1:      Notices.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2:      Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3:      Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the corporation.

Section 4:      Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5:      Time Periods.

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

## ARTICLE VIII

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

#### Section 1: Right to Indemnification and Advancement of Expenses.

The Corporation shall indemnify, advance expenses, and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article VIII, in such Proceeding the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors of the Corporation. Any amendment, repeal or modification of this paragraph shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

#### Section 2: Prepayment of Expenses of Directors and Officers.

The Corporation shall pay the expenses (including attorneys' fees) incurred by an Covered Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VIII or otherwise.

#### Section 3: Claims by Directors and Officers.

If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

#### Section 4: Non-Exclusivity of Rights.

The rights to indemnification and to the advancement of expenses conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter

acquire under any statute, the Corporation's Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

**Section 5:**        **Insurance.**

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

**Section 6:**        **Indemnification of Employees and Agents of the Corporation.**

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

**ARTICLE IX**

**AMENDMENTS**

Subject to the Certificate of Incorporation of the Corporation, these Bylaws may be amended or repealed by the Board of Directors at any meeting or by the stockholders at any meeting.

ADURO BIOTECH, INC.

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

December 19, 2014

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AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This Agreement dated as of December 19, 2014 is entered into by and among Aduro Biotech, Inc., a Delaware corporation (the “**Company**”), and the individuals and entities listed on Exhibit A attached hereto (the “**Purchasers**”).

Recitals

WHEREAS, the Company and certain of the Purchasers have entered into a Series D Preferred Stock Purchase Agreement of even date herewith (as the same may be amended from time to time, the “**Purchase Agreement**”), pursuant to which such Purchasers are purchasing shares of Series D Preferred Stock, \$0.0001 par value per share (the “**Series D Preferred**”), of the Company;

WHEREAS, the obligations in the Purchase Agreement are conditioned upon the execution and delivery of this Agreement;

WHEREAS, the Company and certain of the Purchasers (the “**Prior Parties**”) previously entered into that certain Amended and Restated Investor Rights Agreement dated May 30, 2014 (the “**Prior Investor Rights Agreement**”);

WHEREAS, the Company and the Purchasers desire to provide for certain arrangements with respect to (i) the registration of shares of capital stock of the Company under the Securities Act (as defined below), (ii) certain Purchasers’ right of first refusal with respect to certain issuances of securities of the Company, and (iii) certain covenants of the Company; and

WHEREAS, the Company and the Prior Parties desire to amend and restate the Prior Investor Rights Agreement in its entirety pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties hereto agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following respective meanings:

“**Affiliated Party**” means, with respect to any Purchaser, shall mean, with respect to any Purchaser, (a) any person or entity which, directly or indirectly, controls, is controlled by or is under common control with such Purchaser, including, without limitation, any general partner, officer or director of such Purchaser, (b) any venture capital fund now or hereafter existing which is controlled by one or more general partners of, or shares the same management company as, such Purchaser, (c) any registered investment company that shares the same investment advisor, and (d) a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including any trust for the benefit of the Purchaser or any of the foregoing persons.

**“Available Undersubscription Amount”** means the difference between the total of all of the Basic Amounts available for purchase by Qualified Purchasers pursuant to Section 3.1 and the Basic Amounts subscribed for pursuant to Section 3.1.

**“Basic Amount”** means, with respect to a Qualified Purchaser, its pro rata portion of the Offered Securities determined by multiplying the number of Offered Securities by a fraction, the numerator of which is the aggregate number of shares of Common Stock that are then held by such Qualified Purchaser or that are issuable upon conversion of all Shares (including Shares held pursuant to Series B Warrants) and other convertible securities and convertible notes of the Company then held by such Qualified Purchaser and the denominator of which is the total number of shares of Common Stock then outstanding (giving effect to the conversion into Common Stock of all outstanding shares of convertible Preferred Stock).

**“Charter”** means the Amended and Restated Certificate of Incorporation of the Company, as in effect as of the date hereof, as the same may be amended and restated from time to time.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Commission”** means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

**“Common Stock”** means the common stock, \$0.0001 par value per share, of the Company.

**“Company”** has the meaning ascribed to it in the introductory paragraph hereto.

**“Company Sale”** means: (a) a merger or consolidation in which (i) the Company is a constituent party, or (ii) a Company Subsidiary is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except in the case of either clause (i) or (ii) any such merger or consolidation involving the Company or a Company Subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock which represent, immediately following such merger or consolidation, more than 50% by voting power of the capital stock (including, for the purposes of this clause, the capital stock issuable upon conversion of any convertible promissory notes prior to such event) of (A) the surviving or resulting corporation or (B) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or a Company Subsidiary of all or substantially all the assets of the Company and the Company Subsidiaries taken as a whole (except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned Company Subsidiary); or (c) the sale or transfer, in a single transaction or series of related transactions, by the stockholders of the Company of more than 50% by voting power of the then-outstanding capital stock of the Company to any person or entity or group of affiliated persons or entities.



**“Company Subsidiary”** means any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which the Company (or another Company Subsidiary) holds stock or other ownership interests representing (a) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (b) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

**“Confidential Information”** means any information that is labeled as confidential, proprietary or secret which a Purchaser obtains from the Company pursuant to financial statements, reports and other materials provided by the Company to such Purchaser pursuant to this Agreement or pursuant to visitation or inspection rights granted hereunder.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

**“Fidelity”** means Fidelity Management & Research Company.

**“Fidelity Purchaser”** means each of Fidelity Securities Fund: Fidelity OTC Portfolio, Fidelity Select Portfolios: Biotechnology Portfolio and Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund.

**“Indemnified Party”** means a party entitled to indemnification pursuant to Section 2.5.

**“Indemnifying Party”** means a party obligated to provide indemnification pursuant to Section 2.5.

**“Initial Public Offering”** means the initial underwritten public offering of shares of Common Stock pursuant to an effective Registration Statement or in a jurisdiction and on a recognized securities exchange outside of the United States provided that such public offering is reasonably equivalent to a public offering in the United States in terms of price, offering proceeds and regulatory approval.

**“Initiating Holders”** means the Purchasers initiating a request for registration pursuant to Section 2.1(a) or 2.1(b), as the case may be.

**“JJDC”** means Johnson & Johnson Development Corporation.

**“Notice of Acceptance”** means a written notice from a Purchaser to the Company containing the information specified in Section 3.1(b).

**“Major Investor”** means a Purchaser holding shares of Series A Preferred and/or Series A-1 Preferred that are convertible into at least 3,000,000 shares of Common Stock, a Purchaser holding at least 1,000,000 shares of Series B Preferred, a Purchaser holding at least 2,000,000 shares of Series C Preferred, and/or a Purchaser holding at least 3,000,000 shares of Series D Preferred.

“**MVIL**” means Morningside Venture (VI) Investments Limited.

“**Offer**” means a written notice of any proposed or intended issuance, sale or exchange of Offered Securities containing the information specified in Section 3.1(a).

“**Offered Securities**” means (a) any shares of its Common Stock, (b) any other equity securities of the Company, including, without limitation, shares of preferred stock, (c) any option, warrant or other right to subscribe for, purchase or otherwise acquire any equity securities of the Company, or (d) any debt securities convertible into capital stock of the Company.

“**Other Holders**” means holders of securities of the Company (other than Purchasers) who are entitled, by contract with the Company, to have securities included in a Registration Statement.

“**Preferred Stock**” means the preferred stock, \$0.0001 par value per share, of the Company.

“**Prior Investor Rights Agreement**” shall have the meaning ascribed to it in the recitals hereto.

“**Prospectus**” means the prospectus included in any Registration Statement, as amended or supplemented by an amendment or prospectus supplement, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

“**Purchase Agreement**” has the meaning ascribed to it in the recitals hereto.

“**Purchaser**” has the meaning ascribed to it in the introductory paragraph hereto.

“**Qualified IPO**” means the closing of the sale of shares of Common Stock to the public in an Initial Public Offering resulting in at least \$45,000,000 of gross proceeds to the Company; provided, that the Common Stock has been listed for trading on a “national securities exchange” registered with the Commission under Section 6 of the Exchange Act.

“**Qualified Purchaser**” means a Purchaser that is an “accredited investor” within the meaning of Rule 501(a) under the Securities Act.

“**Refused Securities**” means those Offered Securities as to which a Notice of Acceptance has not been given by the Qualified Purchasers pursuant to Section 3.1.

“**Registrable Shares**” means (a) the shares of Common Stock issued or issuable upon conversion of the Shares, (b) the shares of Common Stock issued or issuable upon exercise of the warrants issued to the Purchasers pursuant to the Series B Purchase Agreement, (c) the shares of Common Stock issued or issuable upon conversion of the Shares issued or issuable pursuant to the exercise of the Series B Warrants, (d) the shares of Common Stock issued or issuable upon exercise of the warrants issued to the Purchasers pursuant to the Series C Purchase Agreement, (e) any other shares of Common Stock, and any shares of Common Stock issued or

issuable upon the conversion or exercise of any other securities, acquired by the Purchasers and (f) any other shares of Common Stock issued in respect of such shares (because of stock splits, stock dividends, reclassifications, recapitalizations or similar events); provided, however, that shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares (i) upon any sale pursuant to a Registration Statement or Rule 144 under the Securities Act, (ii) upon any sale in any manner to a person or entity which is not entitled, pursuant to Section 6, to the rights under this Agreement or (iii) at such time, following an Initial Public Offering, as they become eligible for sale pursuant to Rule 144(b)(1)(i) under the Securities Act; provided, however, with respect to clause (iii), a period of at least one year, as determined in accordance with paragraph (d) of Rule 144 under the Securities Act, has elapsed since the later of the date such shares were acquired from the Company or an affiliate of the Company. Wherever reference is made in this Agreement to a request or consent of holders of a certain percentage of Registrable Shares, the determination of such percentage shall include shares of Common Stock issuable upon conversion of the Shares even if such conversion has not been effected.

**“Registration Expenses”** means all expenses incurred by the Company in complying with the provisions of Section 2, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for the Company and the fees and expenses of one counsel selected by the Selling Stockholders to represent the Selling Stockholders, state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting discounts, selling commissions and the fees and expenses of Selling Stockholders’ own counsel (other than the counsel selected to represent all Selling Stockholders).

**“Registration Statement”** means a registration statement filed by the Company with the Commission for a public offering and sale of securities of the Company (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a similar limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

**“Securities Act”** means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

**“Selling Stockholder”** means any Purchaser owning Registrable Shares included in a Registration Statement.

**“Senior Preferred”** means the Series B Preferred, Series C Preferred and Series D Preferred.

**“Series A Preferred”** shall have the meaning ascribed to it in the recitals hereto.

**“Series A-1 Preferred”** means Series A-1 Preferred Stock, \$0.0001 par value per share.

**“Series B Directors”** means the members of the Board of Directors designated by the holders of a majority of the outstanding shares of Series B Preferred pursuant to the terms of the Amended and Restated Voting Agreement by and between the Company, the Purchasers and the Key Holders named therein of even date herewith.

“**Series B Purchase Agreement**” means that certain Series B Preferred Stock Purchase Agreement, dated April 15, 2011, among the Company and the Purchasers listed on Exhibit A thereto.

“**Series B Preferred**” means Series B Preferred Stock, \$0.0001 par value per share.

“**Series B Warrants**” means warrants for Series B Preferred issued pursuant to the Series B Purchase Agreement.

“**Series C Directors**” means the members of the Board of Directors designated by the Purchasers who hold at least 60% of the outstanding shares of Series C Preferred pursuant to the terms of the Amended and Restated Voting Agreement by and between the Company, the Purchasers and the Key Holders named therein of even date herewith.

“**Series C Preferred**” shall have the meaning ascribed to it in the recitals hereto.

“**Series C Purchase Agreement**” means that certain Series C Preferred Stock Purchase Agreement, dated May 30, 2014, among the Company and the Purchasers listed on Exhibit A thereto.

“**Series D Preferred**” shall have the meaning ascribed to it in the recitals hereto.

“**Shares**” means, collectively, shares of Series A Preferred, Series A-1 Preferred, Series B Preferred, Series C Preferred and Series D Preferred.

“**Significant Investor**” means a Purchaser holding at least 2,250,000 shares of Series D Preferred.

“**Undersubscription Amount**” means, with respect to a Qualified Purchaser, any additional portion of the Offered Securities attributable to the Basic Amounts of other Qualified Purchasers as such Qualified Purchaser indicates it will purchase or acquire should the other Qualified Purchasers subscribe for less than their Basic Amounts.

## 2. Registration Rights.

### 2.1 Required Registrations.

(a) At any time after the earlier of (i) two years after the date of this Agreement or (ii) six months after the closing of the Initial Public Offering, a Purchaser or Purchasers holding in the aggregate at least a majority of the then outstanding Common Stock issued or issuable upon conversion of the Series C Preferred and Series D Preferred, voting together as a single class, or a majority of the then outstanding Common Stock issued or issuable upon conversion of the Series B Preferred may request, in writing, that the Company effect the registration on Form S-1 (or any successor form) of Registrable Shares owned by such Purchaser or Purchasers having an aggregate value of at least \$5,000,000 (based on the market price or fair value on the date of such request).

(b) At any time after the Company becomes eligible to file a Registration Statement on Form S-3 (or any successor form relating to secondary offerings), a Purchaser or Purchasers holding Registrable Shares may request, in writing, that the Company effect the registration on Form S-3 (or such successor form), of Registrable Shares having an aggregate value of at least \$1,500,000 (based on the public market price on the date of such request).

(c) Upon receipt of any request for registration pursuant to this Section 2, the Company shall promptly give written notice of such proposed registration to all other Purchasers. Such Purchasers shall have the right, by giving written notice to the Company within 30 days after the Company provides its notice, to elect to have included in such registration such of their Registrable Shares as such Purchasers may request in such notice of election, subject in the case of an underwritten offering to the terms of Section 2.1(d); provided, that holders of the Senior Preferred will have first priority over other Purchasers to have their shares included in any such registrations. Thereupon, the Company shall, as expeditiously as possible, use its best efforts to effect the registration on an appropriate registration form of all Registrable Shares which the Company has been requested to so register; provided, however, that in the case of a registration requested under Section 2.1(b), the Company will only be obligated to effect such registration on Form S-3 (or any successor form).

(d) If the Initiating Holders intend to distribute the Registrable Shares covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1(a) or (b), as the case may be, and the Company shall include such information in its written notice referred to in Section 2.1(c). In such event, (i) the right of any other Purchaser to include its Registrable Shares in such registration pursuant to Section 2.1(a) or (b), as the case may be, shall be conditioned upon such other Purchaser's participation in such underwriting on the terms set forth herein, and (ii) all Purchasers including Registrable Shares in such registration shall enter into an underwriting agreement upon customary terms with the underwriter or underwriters managing the offering; provided that such underwriting agreement shall not provide for indemnification or contribution obligations on the part of the Purchasers materially greater than the obligations of the Purchasers pursuant to Section 2.5. The Initiating Holders shall have the right to select the managing underwriter(s) for any underwritten offering requested pursuant to Section 2.1(a) or (b), subject to the approval of the Company, which approval will not be unreasonably withheld, conditioned or delayed. If any Purchaser who has requested inclusion of its Registrable Shares in such registration as provided above disapproves of the terms of the underwriting, such Purchaser may elect, by written notice to the Company, to withdraw its Registrable Shares from such Registration Statement and underwriting. If the managing underwriter advises the Company in writing that marketing factors require a limitation on the number of shares to be underwritten, the number of Registrable Shares to be included in the Registration Statement and underwriting shall be allocated among

all Purchasers requesting registration in proportion, as nearly as practicable, to the respective number of Registrable Shares held by them on the date of the request for registration made by the Initiating Holders pursuant to Section 2.1(a) or (b), as the case may be. If any Purchaser would thus be entitled to include more Registrable Shares than such Purchaser requested to be registered, the excess shall be allocated among other requesting Purchasers pro rata in the manner described in the preceding sentence.

(e) The Company shall not be required to effect more than two registrations pursuant to Section 2.1(a). In addition, the Company shall not be required to effect any registration within six months after the effective date of the Registration Statement relating to the Initial Public Offering. For purposes of this Section 2.1(e), a Registration Statement shall not be counted until such time as such Registration Statement has been declared effective by the Commission (unless the Initiating Holders withdraw their request for such registration (other than as a result of information concerning the business or financial condition of the Company which is made known to the Purchasers after the date on which such registration was requested) and elect not to pay the Registration Expenses therefor pursuant to Section 2.4). For purposes of this Section 2.1(e), a Registration Statement shall not be counted if, as a result of an exercise of the underwriter's cut-back provisions, less than 50% of the total number of Registrable Shares that Purchasers have requested to be included in such Registration Statement are so included.

(f) If at the time of any request to register Registrable Shares by Initiating Holders pursuant to this Section 2.1, the Company is engaged or has plans to engage in a registered public offering or is engaged in any other activity which, in the good faith determination of the Company's Board of Directors, would be adversely affected by the requested registration, then the Company may at its option direct that such request be delayed for a period not in excess of 90 days from the date of such request, such right to delay a request to be exercised by the Company not more than once in any 12-month period.

## 2.2 Incidental Registration.

(a) Whenever the Company proposes to file a Registration Statement (other than a Registration Statement filed pursuant to Section 2.1) at any time and from time to time, it will, prior to such filing, give written notice to all Purchasers of its intention to do so. Upon the written request of a Purchaser or Purchasers given within 20 days after the Company provides such notice (which request shall state the intended method of disposition of such Registrable Shares), the Company shall use its best efforts to cause all Registrable Shares which the Company has been requested by such Purchaser or Purchasers to register to be registered under the Securities Act to the extent necessary to permit their sale or other disposition in accordance with the intended methods of distribution specified in the request of such Purchaser or Purchasers; provided that the Company shall have the right to postpone or withdraw any registration effected pursuant to this Section 2.2 without obligation to any Purchaser.

(b) If the registration for which the Company gives notice pursuant to Section 2.2(a) is a registered public offering involving an underwriting, the Company shall so advise the Purchasers as a part of the written notice given pursuant to Section 2.2(a). In such event, (i) the right of any Purchaser to include its Registrable Shares in such registration pursuant to this Section 2.2 shall be conditioned upon such Purchaser's participation in such underwriting on the terms set forth herein and (ii) all Purchasers including Registrable Shares in such registration shall enter into an underwriting agreement upon customary terms with the underwriter or underwriters selected for the underwriting by the Company; provided that such underwriting agreement shall not provide for indemnification or contribution obligations on the part of Purchasers materially greater than the obligations of the Purchasers pursuant to Section 2.5. If any Purchaser who has requested inclusion of its Registrable Shares in such registration as provided above disapproves of the terms of the underwriting, such person may elect, by written notice to the Company, to withdraw its shares from such Registration Statement and underwriting. If the managing underwriter advises the Company in writing that marketing factors require a limitation on the number of shares to be underwritten, the shares held by holders of securities of the Company other than Purchasers and Other Holders shall be excluded from such Registration Statement and underwriting to the extent deemed advisable by the managing underwriter, and, if a further reduction of the number of shares is required, the number of shares that may be included in such Registration Statement and underwriting shall be allocated first to all Purchasers holding Senior Preferred requesting registration in proportion, as nearly as practicable, to the respective number of shares of Common Stock (on an as-converted basis) held by them on the date the Company gives the notice specified in Section 2.2(a). If any Purchasers holding Senior Preferred would be entitled to include more shares than such holder requested to be registered, the excess shall be allocated first among the other Purchasers holding Senior Preferred pro rata in the manner described in the preceding sentence and, if there remains any shares that may be included, next among all other Purchasers and Other Holders requesting registration in proportion, as nearly as practicable, to the respective number of shares of Common Stock (on an as-converted basis) held by them on the date the Company gives the notice specified in Section 2.2(a); provided that, unless such registration is in connection with the Company's Initial Public Offering, the number of Registrable Shares permitted to be included therein shall in any event be at least 20% of the securities included therein. If any Purchaser or Other Holder would be entitled to include more shares than such holder requested to be registered, the excess shall be allocated among other requesting Purchasers and Other Holders pro rata in the manner described in the preceding sentence.

### 2.3 Registration Procedures.

(a) If and whenever the Company is required by the provisions of this Agreement to use its best efforts to effect the registration of any Registrable Shares under the Securities Act, the Company shall:

(i) file with the Commission a Registration Statement with respect to such Registrable Shares and use its best efforts to cause that Registration Statement to become effective as soon as possible;

(ii) as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to comply with the provisions of the Securities Act (including the anti-fraud provisions thereof) and to keep the Registration Statement effective for 12 months from the effective date or such lesser period until all such Registrable Shares are sold;

(iii) as expeditiously as possible furnish to each Selling Stockholder such reasonable numbers of copies of the Prospectus, including any preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Selling Stockholder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by such Selling Stockholder;

(iv) as expeditiously as possible use its best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as the Selling Stockholders shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the Selling Stockholders to consummate the public sale or other disposition in such states of the Registrable Shares owned by the Selling Stockholders; provided, however, that the Company shall not be required in connection with this paragraph (iv) to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction or to amend its Charter or By-laws in a manner that the Board of Directors of the Company determines is inadvisable;

(v) as expeditiously as possible, cause all such Registrable Shares to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed;

(vi) promptly provide a transfer agent and registrar for all such Registrable Shares not later than the effective date of such Registration Statement;

(vii) promptly make available for inspection by the Selling Stockholders, any managing underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the Selling Stockholders, all financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement;

(viii) notify each Selling Stockholder, promptly after it shall receive notice thereof, of the time when such Registration Statement has become effective or a supplement to any Prospectus forming a part of such Registration Statement has been filed; and

(ix) as expeditiously as possible following the effectiveness of such Registration Statement, notify each seller of such Registrable Shares of any request by the Commission for the amending or supplementing of such Registration Statement or Prospectus.



(b) If the Company has delivered a Prospectus to the Selling Stockholders and after having done so the Prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify the Selling Stockholders and, if requested, the Selling Stockholders shall immediately cease making offers of Registrable Shares and return all Prospectuses to the Company. The Company shall promptly provide the Selling Stockholders with revised Prospectuses and, following receipt of the revised Prospectuses, the Selling Stockholders shall be free to resume making offers of the Registrable Shares.

(c) In the event that, in the judgment of the Company, it is advisable to suspend use of a Prospectus included in a Registration Statement due to pending material developments or other events that have not yet been publicly disclosed and as to which the Company believes public disclosure would be detrimental to the Company, the Company shall notify all Selling Stockholders to such effect, and, upon receipt of such notice, each such Selling Stockholder shall immediately discontinue any sales of Registrable Shares pursuant to such Registration Statement until such Selling Stockholder has received copies of a supplemented or amended Prospectus or until such Selling Stockholder is advised in writing by the Company that the then current Prospectus may be used and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. Notwithstanding anything to the contrary herein, the Company shall not exercise its rights under this Section 2.3(c) to suspend sales of Registrable Shares for a period in excess of 30 days consecutively or 60 days in any 365-day period.

**2.4 Allocation of Expenses.** The Company will pay all Registration Expenses for all registrations under this Agreement; provided, however, that if a registration under Section 2.1 is withdrawn at the request of the Initiating Holders (other than as a result of information concerning the business or financial condition of the Company which is made known to the Selling Stockholders after the date on which such registration was requested) and if the Initiating Holders elect not to have such registration counted as a registration requested under Section 2.1, the Selling Stockholders shall pay the Registration Expenses of such registration pro rata in accordance with the number of their Registrable Shares included in such registration.

**2.5 Indemnification and Contribution.**

(a) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless each Selling Stockholder, each underwriter of such Registrable Shares, and each other person, if any, who controls such Selling Stockholder or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such Selling Stockholder, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act,

any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, (ii) the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the Registration Statement or the offering contemplated thereby; and the Company will reimburse such Selling Stockholder, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such Selling Stockholder, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by or on behalf of such Selling Stockholder, underwriter or controlling person specifically for use in the preparation thereof.

(b) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, each Selling Stockholder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or (ii) any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if and to the extent (and only to the extent) that the statement or omission was made in reliance upon and in conformity with information relating to such Selling Stockholder furnished in writing to the Company by such Selling Stockholder specifically for use in connection with the preparation of such Registration Statement, prospectus, amendment or supplement; provided, however, that the obligations of a Selling Stockholder hereunder shall be limited to an amount equal to the net proceeds to such Selling Stockholder of Registrable Shares sold in connection with such registration.

(c) Each Indemnified Party shall give notice to the Indemnifying Party promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be

unreasonably withheld, conditioned or delayed); and, provided, further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 2.5 except to the extent that the Indemnifying Party is adversely affected by such failure. The Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnifying Party shall pay such expense if the Indemnified Party reasonably concludes that representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding; provided further that in no event shall the Indemnifying Party be required to pay the expenses of more than one law firm per jurisdiction as counsel for the Indemnified Party. The Indemnifying Party also shall be responsible for the expenses of such defense if the Indemnifying Party does not elect to assume such defense. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 2.5 is due in accordance with its terms but for any reason is held to be unavailable to an Indemnified Party in respect to any losses, claims, damages and liabilities referred to herein, then the Indemnifying Party shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities to which such party may be subject in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Selling Stockholders on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Selling Stockholders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact related to information supplied by the Company or the Selling Stockholders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Selling Stockholders agree that it would not be just and equitable if contribution pursuant to this Section 2.5(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 2.5(d), (i) in no case shall any one Selling Stockholder be liable or responsible for any amount in excess of the net proceeds received by such Selling Stockholder from the offering of Registrable Shares and (ii) the Company shall be liable and responsible for any amount in excess of such proceeds; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or

proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section 2.5(d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties from whom contribution may be sought shall not relieve such party from any other obligation it or they may have thereunder or otherwise under this Section 2.5(d). No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

(e) The rights and obligations of the Company and the Selling Stockholders under this Section 2.5 shall survive the termination of this Agreement.

**2.6 Other Matters with Respect to Underwritten Offerings.** In the event that Registrable Shares are sold pursuant to a Registration Statement in an underwritten offering pursuant to Section 2.1, the Company agrees to (a) enter into an underwriting agreement containing customary representations and warranties with respect to the business and operations of the Company and customary covenants and agreements to be performed by the Company, including without limitation customary provisions with respect to indemnification by the Company of the underwriters of such offering; (b) use its best efforts to cause its legal counsel to render customary opinions to the underwriters and the Selling Stockholders with respect to the Registration Statement; and (c) use its best efforts to cause its independent public accounting firm to issue customary “cold comfort letters” to the underwriters and the Selling Stockholders with respect to the Registration Statement.

**2.7 Information by Holder.** Each holder of Registrable Shares included in any registration shall furnish to the Company such information regarding such holder and the distribution proposed by such holder as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

**2.8 “Lock-Up” Agreement; Confidentiality of Notices.** Each Purchaser agrees, if requested by the Company and the managing underwriter of the Initial Public Offering (but not for any subsequent offerings), (i) not to (a) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Registrable Shares or other securities of the Company (excluding securities acquired in the Initial Public Offering or in the public market after such offering) or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any Registrable Shares or other securities of the Company (excluding securities acquired in the Initial Public Offering or in the public market after such offering), whether any transaction described in clause (a) or (b) is to be settled by delivery of securities, in cash or otherwise, during the period beginning on the date of the filing of such registration statement with the Securities and Exchange Commission and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days in the case of the Initial Public Offering or such other period not

to exceed 18 days after the expiration of the 180-day period, as may be requested by the Company or an underwriter to accommodate regulatory restrictions on (1) the publication or other distribution of research reports, and (2) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), and (ii) to execute any agreement reflecting clause (i) above as may be requested by the Company or the managing underwriters at the time of such offering; provided, that all stockholders of the Company then holding at least 1% of the outstanding Common Stock (on an as-converted basis) and all officers and directors of the Company enter into similar agreements; provided further, that the foregoing restrictions shall not apply to securities of the Company purchased by a Purchaser on the open market following the Initial Public Offering or in the Initial Public Offering, if and only if (i) such sales are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Exchange Act during such period, and (ii) such Purchaser does not otherwise voluntarily effect any public filing or report regarding such sales (it being understood that reporting daily holdings on a website or other publicly available resource by a Purchaser that is a registered investment company shall not be considered a public filing or report for purposes of this subsection (ii)).

The Company may impose stop-transfer instructions with respect to the Registrable Shares or other securities subject to the foregoing restriction until the end of such “lock-up” period.

As a condition to the obligation of the Purchasers under this Section 2.8, any “lock-up” obligation of the Purchasers under this Section 2.8, and any agreement entered into by the Purchasers as a result of their obligations under this Section 2.8, shall (i) allow for periodic early releases of portions of the securities subject to such “lock-up” obligations, which may be conditioned upon the trading price of the Company’s Common Stock and (ii) provide that all Purchasers will participate on a pro-rata basis in any early release of any stockholder.

Any Purchaser receiving any written notice from the Company regarding the Company’s plans to file a Registration Statement shall treat such notice confidentially and shall not disclose such information to any person other than as necessary to exercise its rights under this Agreement.

**2.9 Limitations on Subsequent Registration Rights.** The Company shall not, without the prior written consent of Purchasers holding in the aggregate at least a majority of the then outstanding Common Stock issued or issuable upon conversion of the Series C Preferred and Series D Preferred, voting together as a single class, and a majority of the then outstanding Common Stock issued or issuable upon conversion of the Series B Preferred, enter into any agreement (other than this Agreement) with any holder or prospective holder of any securities of the Company which grants such holder or prospective holder rights to include securities of the Company in any Registration Statement, unless (a) such rights to include securities in a registration initiated by the Company or by Purchasers are not more favorable than the rights granted to Other Holders under Section 2.2, and (b) no rights are granted to initiate a registration, other than registration pursuant to a registration statement on Form S-3 (or its successor) in

which Purchasers are entitled to include Registrable Shares on a pro rata basis with such holders based on the number of shares of Common Stock (on an as-converted basis) owned by Purchasers and such holders.

**2.10 Rule 144 Requirements.** After the earliest of (i) the closing of the sale of securities of the Company pursuant to a Registration Statement, (ii) the registration by the Company of a class of securities under Section 12 of the Exchange Act, or (iii) the issuance by the Company of an offering circular pursuant to Regulation A under the Securities Act, the Company agrees to:

(a) make and keep current public information about the Company available, as those terms are understood and defined in Rule 144;

(b) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) furnish to any holder of Registrable Shares upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as such holder may reasonably request to avail itself of any similar rule or regulation of the Commission allowing it to sell any such securities without registration.

**2.11 Registration in Other Jurisdictions.** In the event that the Company effects an Initial Public Offering in a jurisdiction other than the United States, the Purchasers shall be entitled to registration rights in such jurisdiction as substantially equivalent as possible to those set forth in this Section 2. In such case, all references in this Section 2 to any regulatory authority, forms and rules and regulations applicable to a registration in the United States shall be deemed to refer instead to the equivalent such regulatory authority, forms and rules and regulations of the jurisdiction in which the Company effected the Initial Public Offering and the Company agrees to comply in all material respects with the laws of the jurisdiction in which the Company effects such an Initial Public Offering as if such Initial Public Offering were effected in the United States.

**2.12 Termination.** All of the Company's obligations to register Registrable Shares under Sections 2.1 and 2.2 shall terminate upon the earliest of (a) five years after the closing of a Qualified IPO, (b) the date on which no Purchaser holds any Registrable Shares or (c) a Company Sale.

### 3. Right of First Refusal.

#### 3.1 Rights of Purchasers to Acquire Offered Securities.

(a) The Company shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, any Offered Securities, unless in each such case the Company shall have first complied with this Section 3.1. The Company shall deliver to each Purchaser holding Senior Preferred an Offer, which shall (i) identify and describe the Offered Securities, (ii) describe the price and other terms upon which they are to be issued, sold or exchanged, and the number or amount of the Offered Securities to be issued, sold or exchanged, (iii) identify the persons or entities (if known) to which or with which the Offered Securities are to be offered, issued, sold or exchanged, and (iv) offer to issue and sell to or exchange with such Purchaser that is a Qualified Purchaser (A) such Qualified Purchaser's Basic Amount and (B) such Qualified Purchaser's Undersubscription Amount.

(b) To accept an Offer, in whole or in part, a Qualified Purchaser must deliver to the Company, on or prior to the date 30 days after the date of delivery of the Offer, a Notice of Acceptance providing a representation letter certifying that such Qualified Purchaser is an accredited investor within the meaning of Rule 501 under the Securities Act and indicating the portion of the Qualified Purchaser's Basic Amount that such Qualified Purchaser elects to purchase and, if such Qualified Purchaser shall elect to purchase all of its Basic Amount, the Undersubscription Amount (if any) that such Qualified Purchaser elects to purchase. If the Basic Amounts subscribed for by all Qualified Purchasers are less than the total of all of the Basic Amounts available for purchase, then each Qualified Purchaser who has set forth an Undersubscription Amount in its Notice of Acceptance shall be entitled to purchase, in addition to the Basic Amounts subscribed for, the Undersubscription Amount it has subscribed for; provided, however, that if the Undersubscription Amounts subscribed for exceed the Available Undersubscription Amount, each Qualified Purchaser who has subscribed for any Undersubscription Amount shall be entitled to purchase only that portion of the Available Undersubscription Amount as the Undersubscription Amount subscribed for by such Qualified Purchaser bears to the total Undersubscription Amounts subscribed for by all Purchasers, subject to rounding by the Board of Directors to the extent it deems reasonably necessary.

(c) The Company shall have 90 days from the expiration of the period set forth in Section 3.1(b) to issue, sell or exchange all or any part of the Refused Securities, but only to the offerees or purchasers described in the Offer (if so described therein) and only upon terms and conditions (including, without limitation, unit prices and interest rates) which are not more favorable, in the aggregate, to the acquiring person or persons or less favorable to the Company than those set forth in the Offer.

(d) In the event the Company shall propose to sell less than all the Refused Securities, then each Qualified Purchaser may, at its sole option and in its sole discretion, reduce the number or amount of the Offered Securities specified in its Notice of Acceptance to an amount that shall be not less than the number or amount of

the Offered Securities that the Qualified Purchaser elected to purchase pursuant to Section 3.1(b) multiplied by a fraction, (i) the numerator of which shall be the number or amount of Offered Securities the Company actually proposes to issue, sell or exchange (including Offered Securities to be issued or sold to Qualified Purchasers pursuant to Section 3.1(b) prior to such reduction) and (ii) the denominator of which shall be the original amount of the Offered Securities. In the event that any Qualified Purchaser so elects to reduce the number or amount of Offered Securities specified in its Notice of Acceptance, the Company may not issue, sell or exchange more than the reduced number or amount of the Offered Securities unless and until such securities have again been offered to the Qualified Purchasers in accordance with Section 3.1(a).

(e) Upon (i) the closing of the issuance, sale or exchange of all or less than all of the Refused Securities or (ii) such other date agreed to by the Company and Qualified Purchasers who have subscribed for a majority of the Offered Securities subscribed for by the Qualified Purchasers, such Qualified Purchaser or Purchasers shall acquire from the Company and the Company shall issue to such Qualified Purchaser or Purchasers, the number or amount of Offered Securities specified in the Notices of Acceptance, as reduced pursuant to Section 3.1(d) if any of the Qualified Purchasers has so elected, upon the terms and conditions specified in the Offer.

(f) The purchase by the Qualified Purchasers of any Offered Securities is subject in all cases to the preparation, execution and delivery by the Company and the Qualified Purchasers of a purchase agreement relating to such Offered Securities reasonably satisfactory in form and substance to the Qualified Purchasers and their respective counsel.

(g) Any Offered Securities not acquired by the Qualified Purchasers or other persons in accordance with Section 3.1(c) may not be issued, sold or exchanged until they are again offered to the Qualified Purchasers under the procedures specified in this Agreement.

(h) The rights of the Qualified Purchasers under this Section 3.1 shall not apply to:

(i) the issuance of any shares of Common Stock as a stock dividend to holders of Common Stock or upon any subdivision or combination of shares of Common Stock;

(ii) the issuance of any shares of Common Stock upon conversion of shares of convertible preferred stock;

(iii) the issuance of shares of Common Stock or convertible securities issued or issuable upon conversion or exchange of any convertible securities or exercise of any options outstanding as of the date of this Agreement, in each case provided such issuance is pursuant to the terms of such option or convertible security;

(iv) the issuance of up to 12,674,545 shares of Common Stock, or options with respect thereto, (subject in either case to appropriate adjustment for stock splits,



stock dividends, recapitalizations and similar events occurring after the date of this Agreement), issued or issuable to employees, directors or officers of, or consultants to, the Company or any Company Subsidiary pursuant to any plan, agreement or arrangement approved by the Board of Directors of the Company, including by a majority of the members of the Board of Directors who are not employees of the Company or a Company Subsidiary (it being understood that that any shares of Common Stock (i) not issued pursuant to rights, agreements, option or warrants ("Unexercised Options") as a result of the termination of such Unexercised Options or (ii) reacquired by the Company from employees, directors or consultants at no more than cost pursuant to agreements that permit the Company to repurchase such shares upon termination of services to the Company shall not be counted toward such maximum number unless and until such shares are regranted as shares of Common Stock and/or options, warrants or other Common Stock purchase rights);

(v) the issuance of shares of Common Stock, options or convertible securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Company that do not exceed an aggregate of 2% of the shares of Common Stock outstanding immediately prior to such issuance (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of options outstanding immediately prior to such issue (whether or not vested) or upon conversion or exchange of convertible securities (including shares of Preferred Stock) outstanding (assuming exercise of any outstanding options therefor) immediately prior to such issue);

(vi) the issuance of shares of Common Stock, options or convertible securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors of the Company that do not exceed an aggregate of 2% of the shares of Common Stock outstanding immediately prior to such issuance (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of options outstanding immediately prior to such issue (whether or not vested) or upon conversion or exchange of convertible securities (including shares of Preferred Stock) outstanding (assuming exercise of any outstanding options therefor) immediately prior to such issue); or

(vii) the issuance of shares of Common Stock by the Company in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act.

3.2 **Waiver.** In the event that the Purchasers waive the rights set forth in Section 3.1 above, and a Purchaser or any other then-current shareholder of the Company acquires Offered Securities, then the Company shall provide written notice of such sale to each Major Investor that did not consent to such waiver (the "**Non-Consenting Major Investors**") within 30 days after the issuance of the Offered Securities. Each Non-Consenting Major Investor shall have 20 days from the date notice is given to elect to purchase such Non-Consenting Major Investor's Basic Amount of the Offered Securities. The closing of such sale shall occur within 60 days of the date notice is given to the Non-Consenting Major Investors.

4. Covenants.

4.1 Negative Covenants. So long as the holders of the Series B Preferred are entitled to elect at least one Series B Director and/or holders of the Series C Preferred are entitled to elect at least one Series C Director, the Company shall not, without approval of the Board of Directors) (such approval to include the prior approval of at least one Series B Director and at least one Series C Director for the purposes of Section 4.1(i)):

- (a) adopt or implement the annual plan prepared by management with respect to the Company's budget or business plan;
- (b) implement any material deviation, individually or in the aggregate, from the amounts set forth in the budgets in excess of thresholds approved by the Board of Directors and part of the budget setting process;
- (c) incur any aggregate indebtedness in excess of \$50,000, that is not already included in a budget approved by the Board of Directors;
- (d) pledge, lease, grant a security interest in, or encumber any of the Company's assets in connection with the incurrence of indebtedness;
- (e) hire an employee at the level of Vice President or above;
- (f) terminate the employment of or change in any material manner the compensation of any executive officer, including approving any option grants or stock awards to executive officers;
- (g) enter into any contract or transaction (or amend any existing contracts or transactions) with any shareholder, director, officer, or other insider or any of their family members or affiliates other than on an arms-length basis and upon full disclosure to stockholders;
- (h) repurchase Common Stock or Shares; or
- (i) materially change the principal business of the Company, enter new lines of business, or exit the current lines of business.

4.2 Affirmative Covenants. So long as any Shares are outstanding, the Company covenants and agrees that it will perform and observe the following covenants and provisions and will cause each Company Subsidiary to perform and observe such of the following covenants and provisions as are applicable to such Company Subsidiary:

(a) Payment of Taxes and Trade Debt. Pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or business, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any properties of the Company or a Company Subsidiary, other than those which are being contested in good faith if the Company shall have set aside on its books and shall have provided, in accordance with generally accepted accounting principles, adequate reserves with respect thereto; and pay in conformity with customary trade terms, all lease obligations, all trade debt, and all other indebtedness incident to its operations, except such as are being contested in good faith if the Company shall have set aside on its books and shall have provided, in accordance with generally accepted accounting principles, appropriate reserves with respect thereto.

(b) Maintenance of Insurance. Maintain with responsible and reputable insurance companies or associations, insurance in such amounts and covering such risks as the Company reasonably deems advisable. The Company shall use commercially reasonable efforts to obtain or maintain directors and officers liability insurance in the amount of \$2,000,000 (or such other amount acceptable to the Board of Directors), provided that such insurance can be obtained or maintained at a reasonable cost to the Company.

(c) Preservation of Corporate Existence. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is required, unless the failure to so qualify does not and will not have a material and adverse effect on the business, operations or financial condition of the Company; and preserve and maintain all material licenses and other rights to use patents, processes, licenses, trademarks, trade names, inventions, intellectual property rights or copyrights owned or possessed by it as are reasonably necessary or advisable for it to conduct its business.

(d) Compliance with Laws. Comply with all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which could materially adversely affect its business or condition, financial or otherwise, except non-compliance being contested in good faith through appropriate proceedings so long as the Company shall have set up and funded sufficient reserves, if any, required under generally accepted accounting principles with respect to such items.

(e) Keeping of Records and Books of Account. Keep adequate records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions of the Company, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection within its business shall be made.

(f) Maintenance of Properties, etc. Maintain and preserve all of its properties that the Company reasonably deems necessary or useful in the proper conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and from time to time make all necessary and proper repairs, renewals,

replacements, additions and improvements thereto; and comply with the provisions of all material leases to which it is a party or under which it occupies property so as to prevent any material loss or forfeiture thereof or thereunder.

4.3 Inspection and Observation. The Company shall permit each Major Investor, or any authorized representative thereof, to visit and inspect the properties of the Company, including its corporate and financial records, and to discuss its business and finances with officers of the Company, during normal business hours following reasonable notice and as often as may be reasonably requested.

4.4 Financial Statements and Other Information.

(a) The Company shall deliver to (i) each Major Investor and (ii) each Fidelity Purchaser:

(i) within 120 days after the end of each fiscal year of the Company, an audited balance sheet of the Company as at the end of such year and audited statements of operations, and of cash flows of the Company for such year, certified by certified public accountants of established national reputation selected by the Company (which public accountants shall be reasonably acceptable to the Board of Directors), and prepared in accordance with generally accepted accounting principles of the United States consistently applied; and

(ii) within 45 days after the end of each fiscal quarter of the Company (other than the fourth quarter), an unaudited balance sheet of the Company as at the end of such quarter, and unaudited statements of operations, and of cash flows of the Company for such fiscal quarter and for the current fiscal year to the end of such fiscal quarter, setting forth in comparative form such results against (a) the prior year comparable period and (b) the Company's projected financial statements for the corresponding periods for the current fiscal year.

(iii) within 60 days after the end of each month, an executive summary of the Company's activities;

(iv) within 60 days after the end of each fiscal year, a notice advising the stockholders as to its status as a "passive foreign investment company" or a "controlled foreign corporation" for United States federal income tax purposes and provide each such stockholder with necessary information to complete its tax filings and elections with respect thereto;

(v) as soon as available, but in any event prior to the commencement of each new fiscal year, a business plan and operating budget for such fiscal year, in reasonable detail and broken down on a quarterly basis;

(vi) such other notices, information and data with respect to the Company as the Company delivers to the holders of its capital stock at the same time it delivers such items to such holders;

(vii) to the extent requested in writing by a Major Investor, such other notices, information and data with respect to the Company as the Company delivers to the Board; provided, however, that the Company shall not be obligated under this subsection to provide information (a) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form reasonably acceptable to the Company); or (b) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

(viii) with respect to any proposed Company Sale, Initial Public Offering, or other significant event that requires stockholder approval, timely notice of such proposed transaction and such stockholders shall be afforded at least five business days to review the final agreements relating thereto; and

(ix) with reasonable promptness, such other information and data as such Purchaser may from time to time reasonably request.

(b) The Company shall deliver to each Significant Investor the items identified in Sections 4(a)(i), (ii) and (iv) above.

(c) The foregoing financial statements shall be prepared on a consolidated basis if the Company then has any subsidiaries. The financial statements delivered pursuant to clause (ii) shall be accompanied by a certificate of the chief financial officer of the Company stating that such statements have been prepared in accordance with generally accepted accounting principles consistently applied (except as noted) and fairly present the financial condition and results of operations of the Company at the date thereof and for the periods covered thereby.

4.5 Material Changes and Litigation. The Company shall promptly notify the Purchasers of any material adverse change in the business, prospects, assets or condition, financial or otherwise, of the Company and of any litigation or governmental proceeding or investigation brought or, to the Company's knowledge, threatened against the Company, or against any officer, director, key employee or principal stockholder of the Company which, if adversely determined, would have a material adverse effect on the business, prospects, assets or condition (financial or otherwise) of the Company.

4.6 Key Man Insurance. The Company shall maintain for a period of five years after the date hereof term life insurance upon the life of Stephen T. Isaacs in the amount of \$2,000,000, with the proceeds payable to the Company.

#### 4.7 Agreements with Employees; Options.

(a) The Company shall require (i) all officers and employees of the Company now or hereafter employed by the Company to enter into a Confidential Information and Invention Assignments and Non-Solicitation Agreement in the form attached as Exhibit G to the Purchase Agreement or such other form as may be approved by the Board of Directors and (ii) all independent contractors utilized by the Company who have access to confidential or proprietary information of the Company to enter into confidential information and inventions assignment agreements.

(b) The Company agrees that it will not, without the prior written consent of the holders of a majority of the Shares then outstanding, terminate, amend or waive any rights under any Confidential Information and Invention Assignments and Non-Solicitation Agreement or restricted stock agreement between the Company and any officer.

(c) Unless otherwise approved by the Board of Directors of the Company and by a majority of the members of the Board of Directors who are not employees of the Company or a Company Subsidiary, all options or restricted stock granted or issued by the Company shall become exercisable at the rate of 25% on the first anniversary of grant or issue and 2.083% per month thereafter over the subsequent three years so long as the holder continues to be an employee or consultant of the Company.

#### 4.8 Board of Directors.

(a) The Company shall promptly reimburse in full each director of the Company who is not an employee of the Company for all of his or her reasonable out-of-pocket expenses incurred in attending each meeting of the Board of Directors of the Company or any committee thereof.

(b) The Board of Directors shall meet at least quarterly (either in person or by conference call) until the Company is profitable (based on generally accepted accounting principles) for two consecutive quarters and thereafter the Board of Directors shall meet at least quarterly, unless otherwise agreed by a majority of the members of the Board of Directors.

(c) The Board of Directors shall maintain compensation and audit committees consisting only of members of the Board of Directors who are not employees of the Company or a Company Subsidiary. The Series B Directors and Series C Directors shall have the right to serve on the compensation committee.

(d) The Company's Charter shall at all times provide for the indemnification of the members of the Board of Directors to the fullest extent provided by the law of the jurisdiction in which the Company is organized. In the event that the Company or any of its successors or assigns (i) consolidates with or merges into any other entity and shall not be the continuing or surviving corporation in such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any entity, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as contained in the Company's Charter.

#### 4.9 Related Party Transactions.

(a) The Company shall not enter into any agreement with any stockholder, officer or director of the Company, or any "affiliate" of such persons (as such term is defined in the rules and regulations promulgated under the Securities Act), including without limitation any agreement or other arrangement providing for the

furnishing of services by, rental of real or personal property from, or otherwise requiring payments to, any such person or entity, without the consent of at least a majority of the members of the Company's Board of Directors having no interest in such agreement or arrangement.

(b) The approval of the Board of Directors of the Company and a majority of the members of the Board of Directors who are not employees of the Company or a Company Subsidiary shall be required to (i) establish or increase the compensation of executive officers of the Company or (ii) grant stock options to any officer of the Company.

4.10 Reservation of Common Stock. The Company shall reserve and maintain a sufficient number of shares of Common Stock for issuance upon conversion of all of the outstanding Shares.

4.11 International Investment and Trade in Services Survey Act. The Company shall use its best efforts to file on a timely basis all reports required to be filed by it under 22 U.S.C. Section 3104, or any similar statute, relating to a foreign person's direct or indirect investment in the Company.

4.12 JJDC Observer Right. As long as JJDC owns not less than 50% of the shares of Series C Preferred purchased by JJDC under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof), the Company shall invite a representative of JJDC to attend all meetings of its Board of Directors in a nonvoting observer capacity (the "**Board Observer**") and, in this respect, shall give such Board Observer copies of all notices and other materials relating to such meetings that it provides to its directors; provided, however, that the Board Observer shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such Board Observer from any meeting or portion thereof if (i) access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or (ii) a majority of the directors present at such meeting reasonably conclude that a real or potential conflict of interest exists or could exist between the Company and/or any of its existing or potential affiliates or business partners, and the Board Observer or JJDC or any of their respective affiliates or business partners with regard to any subject matter to be discussed at such meeting or portion thereof.

4.13 Pay-to-Play Protection. In the event that the Board of Directors determines to issue additional shares of Senior Preferred or other series of Preferred Stock on or prior to December 31, 2014, the Purchasers may not, without the consent of JJDC, elect, or act by written consent, either in connection with such issuance or equity financing or thereafter prior to December 31, 2014, to either (a) cause a mandatory conversion of any outstanding shares of Series C Preferred into Common Stock or Junior Preferred (as such term is defined in the Charter), or (b) amend the Charter to adversely affect the rights of the holders of outstanding Series C Preferred with respect to their liquidation preference, conversion price (including anti-dilution protection), voting rights or redemption rights.

4.14 Publicity. The Company and the Purchasers (other than JJDC) shall not, except as may be required by applicable laws or regulations, make any written or other public disclosure about JJDC without JJDC's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

4.15 No Promotion. The Company agrees that it will not, and shall cause each of its subsidiaries to not, without the prior written consent of Fidelity, use in advertising, publicity, or otherwise the name of Fidelity, or any Fidelity Purchaser, or any partner or employee of Fidelity or any Fidelity Purchaser, nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Fidelity, any Fidelity Purchaser or any of their respective affiliates. The Company further agrees that it shall obtain the written consent of Fidelity prior to the Company's or any of its subsidiaries' issuance of any public statement detailing the purchase of Shares by Purchasers pursuant to this Agreement. The foregoing shall not prevent disclosure (a) as required by law (including, without limitation, any rule or regulation promulgated by the Securities and Exchange Commission or any other competent regulatory authority), (b) to other stockholders or potential stockholders, or potential acquirors, or representatives of the foregoing, that the Fidelity Purchasers hold equity securities in the Company or the amount thereof (such as in a capitalization table provided in diligence), or (c) to any legal, tax or accounting advisors of the Company; provided in the cases of subsections (b) and (c), such persons or entities have signed confidentiality agreements containing, or are otherwise bound by confidentiality obligations at least as restrictive as those contained herein.

4.16 Termination of Covenants. Other than the covenant contained in Section 4.10, all covenants of the Company contained in this Section 4 shall terminate upon the earlier of the closing of a Company Sale or the closing of a Qualified IPO; provided, however, that the covenant contained in Section 4.13 shall expire on December 31, 2014.

5. Confidentiality. Each Purchaser agrees that he, she or it will keep confidential and will not disclose, divulge or use for any purpose, other than to monitor its investment in the Company, any Confidential Information, unless such Confidential Information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 5 by such Purchaser), (b) is or has been independently developed or conceived by the Purchaser without use of the Company's Confidential Information or (c) is or has been made known or disclosed to the Purchaser by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that a Purchaser may disclose Confidential Information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company, (ii) to any prospective purchaser of any Shares from such Purchaser as long as such prospective purchaser agrees to be bound by the provisions of this Section 5, (iii) to any Affiliated Party of such Purchaser or (iv) as may otherwise be required by law, provided that the Purchaser takes reasonable steps to minimize the extent of any such required disclosure.



Notwithstanding anything to the contrary, any Purchaser that is registered as an “investment company” under the Investment Company Act of 1940, as amended, shall be permitted to make disclosures consistent with such Purchaser’s policies, procedures and practices. Notwithstanding the foregoing, such information shall not be deemed confidential for the purpose of enforcing this Agreement.

6. Transfers of Rights; Calculation of Share Numbers.

6.1 Transfer of Rights. This Agreement, and the rights and obligations of each Purchaser hereunder, may be assigned by such Purchaser to (a) any person or entity to which at least 2,000,000 Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, recapitalizations and similar events occurring after the date of this Agreement) are transferred by such Purchaser, or (b) to any Affiliated Party of such Purchaser, and, in each case, such transferee shall be deemed a “Purchaser” for purposes of this Agreement; provided that such assignment of rights shall be contingent upon the transferee providing a written instrument to the Company notifying the Company of such transfer and assignment and agreeing in writing to be bound by the terms of this Agreement. Notwithstanding the foregoing, any person or entity to which any Shares or Registrable Shares are transferred by a Purchaser, whether voluntarily or by operation of law, shall be bound by the obligations under Section 2.8 to the same extent as if such transferee were a Purchaser hereunder and no Purchaser shall transfer any Shares or Registrable Shares unless the transferee provides a written instrument to the Company notifying the Company of such transfer and agreeing in writing to be bound by the terms of Section 2.8.

6.2 Calculation of Share Numbers. In determining the number of Shares owned by a Purchaser for purposes of exercising rights under this Agreement, (a) Shares owned by a Purchaser shall be deemed to include Shares which have been converted into Common Stock so long as such Common Stock is owned by such Purchaser and (b) all Shares held by affiliated entities or persons shall be aggregated together (provided that no shares shall be attributed to more than one entity or person within any such group of affiliated entities or persons).

7. General.

7.1 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

7.2 Specific Performance. In addition to any and all other remedies that may be available at law in the event of any breach of this Agreement, each Purchaser shall be entitled to specific performance of the agreements and obligations of the Company hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction.

7.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to the conflicts of law provisions thereof).

7.4 Notices. All notices, requests, consents and other communications under this Agreement shall be in writing and shall be deemed delivered (i) to a recipient in the United States, by registered or certified mail, return receipt requested, postage prepaid or via a reputable nationwide overnight courier service guaranteeing next business day delivery when received, or (ii) to a recipient outside the United States, via a reputable international courier service guaranteeing specified business day delivery when received, in each case to the intended recipient as set forth below:

If to the Company, at 626 Bancroft Way, #3C Berkeley, CA 94710, Attention: President, or at such other address as may have been furnished in writing by the Company to the other parties hereto, with a copy (which shall not constitute notice) to Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304, Attention: Michael Tenta, Esq.; or

If to a Purchaser, at its address set forth on Exhibit A, or at such other address as may have been furnished in writing by such Purchaser to the other parties hereto.

Any party may give any notice, request, consent or other communication under this Agreement using any other means (including, without limitation, personal delivery, messenger service, telecopy, first class mail or electronic mail), but no such notice, request, consent or other communication shall be deemed to have been duly given unless and until it is actually received by the party for whom it is intended. Any party may change the address to which notices, requests, consents or other communications hereunder are to be delivered by giving the other parties notice in the manner set forth in this Section 7.4.

7.5 Complete Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

7.6 Amendments and Waivers. This Agreement may be amended or terminated and the observance of any term of this Agreement may be waived with respect to all parties to this Agreement (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company, the Purchasers who hold a majority of the then outstanding shares of Common Stock issued or issuable upon conversion of the Series B Preferred and the Purchasers who hold a majority of the then outstanding shares of Common Stock issued or issuable upon conversion of the Series C Preferred and the Series D Preferred, voting together as a single class on an as-converted to Common Stock basis; provided that any amendment, termination or waiver to the terms of Section 2 (or a defined term used therein) that occurs after the closing of the Initial Public Offering shall instead require the written consent of the Company and Purchasers holding Registrable Shares representing a majority of the voting power of all Registrable Shares then held by all Purchasers. Notwithstanding the foregoing, (a) this Agreement may not be amended or terminated and the observance of any term hereunder

may not be waived with respect to any Purchaser without the written consent of such Purchaser unless such amendment, termination or waiver applies to all Purchasers in the same fashion (it being agreed that a waiver of the provisions of Section 3 with respect to a particular transaction shall be deemed to apply to all Qualified Purchasers in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Qualified Purchasers may nonetheless, by agreement with the Company, purchase securities in such transaction), and (b) Exhibit A hereto may be amended by the Company from time to time in accordance with Section 2.2 of the Purchase Agreement to add information regarding Additional Purchasers (as defined therein) without the consent of the other parties hereto, (c) no amendments may be made with respect to Section 4.12 or Section 4.13 without the written consent of JJDC and (d) no amendments may be made with respect to the definition of "Major Investor," Section 2.8, Section 3.2, Section 4.4, Section 4.15, Section 5 and Section 7.11 without the written consent of Fidelity. The Company shall give prompt written notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination or waiver. Any amendment, termination or waiver effected in accordance with this Section 7.6 shall be binding on all parties hereto, even if they do not execute such consent. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

7.7 Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

7.8 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts (including, in the case of the Purchasers, Financing Signature Pages (as defined in the Purchase Agreement)), each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement (including the Financing Signature Pages) may be executed by facsimile or .pdf signatures.

7.9 Section Headings and References. The section headings are for the convenience of the parties and in no way alter, modify, amend, limit or restrict the contractual obligations of the parties. Any reference in this agreement to a particular section or subsection shall refer to a section or subsection of this Agreement, unless specified otherwise.

7.10 Additional Purchasers. Persons or entities that, after the date hereof, purchase Shares pursuant to the Purchase Agreement and become Additional Purchasers thereunder may, with the prior written approval of the Company (but without the need for approval by any other party to this Agreement), become parties to this Agreement by executing and delivering a Financing Signature Page, whereupon they shall be deemed "Purchasers" for all purposes of this Agreement.

7.11 Massachusetts Business Trust.

(a) A copy of the Agreement and Declaration of Trust of each Fidelity Purchaser or any affiliate thereof is on file with the Secretary of State of the Commonwealth of Massachusetts and notice is hereby given that this Agreement is executed on behalf of the trustees of such Fidelity Purchaser or any affiliate thereof as trustees and not individually and that the obligations of this Agreement are not binding on any of the trustees, officers or stockholders of such Fidelity Purchaser or any affiliate thereof individually but are binding only upon such Fidelity Purchaser or any affiliate thereof and its assets and property.

(b) A copy of the Agreement and Declaration of Trust of Janus Global Life Sciences Fund (“**Janus**”), or any affiliate thereof is on file with the Secretary of State of the Commonwealth of Massachusetts and notice is hereby given that this Agreement is executed on behalf of the trustees of Janus or any affiliate thereof as trustees and not individually and that the obligations of this Agreement are not binding on any of the trustees, officers or stockholders of Janus or any affiliate thereof individually but are binding only upon Janus or any affiliate thereof and its assets and property.

7.12 Amendment and Restatement of Prior Agreement. Upon effectiveness of this Agreement, the Prior Investor Rights Agreement shall be amended and restated to read in its entirety as set forth herein.

[Remainder of page intentionally left blank.]

Executed as of the date first written above.

**COMPANY:**

ADURO BIOTECH, INC.

/s/ Stephen T. Isaacs

By: Stephen T. Isaacs

President and Chief Executive Officer

**SIGNATURE PAGE TO  
ADURO BIOTECH, INC. AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT**

**INVESTOR:**

For and on behalf of  
**MORNINGSIDE VENTURE (VI) INVESTMENTS  
LIMITED**

By: /s/ Louise Mary Garbarino/Jill Marie Franklin

Name: Louise Mary Garbarino/Jill Marie Franklin

Title: Authorized Signatures

**INVESTOR:**

For and on behalf of  
Ultimate Keen Limited

By: /s/ Hon Kit Bing/Li Choi Wan, Alice

Name: Hon Kit Bing/Li Choi Wan, Alice

Title: Authorized Signatures

**SIGNATURE PAGE TO  
ADURO BIOTECH, INC. AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT**

**INVESTOR:**

By: /s/ David Kanne

Name: David Kanne



**INVESTOR:**

By: /s/ Harry Kraemer

Name: Harry Kraemer

**INVESTOR:**

By: /s/ John E. Rogers

Name: John E. Rogers

By: /s/ Lois A. Rogers

Name: Lois A. Rogers

**INVESTOR:**

By: /s/ John Foster

Name: John Foster

**INVESTOR:**

By: /s/ Barbara Gibian

Name: Barbara Gibian

**INVESTOR:**

By: /s/ Christopher Ray

Name: Christopher Ray

**INVESTOR:**

By: /s/ Thomas Gibian

Name: Thomas Gibian

**INVESTOR:**

By: /s/ Claes Glassell

Name: Claes Glassell

**SIGNATURE PAGE TO ADURO BIOTECH, INC.  
SIGNATURE PAGE TO ADURO BIOTECH, INC. INVESTOR RIGHTS AGREEMENTS**

**INVESTOR:**

**TRITON HOLDINGS LLC**

By: /s/ Ross Haghighat

Name: Ross Haghighat

Title: Chief Executive Officer

**SIGNATURE PAGE TO  
ADURO BIOTECH, INC. AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT**



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**INVESTOR:**

Fidelity Select Portfolios: Biotechnology Portfolio

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

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**INVESTOR:**

Fidelity Advisor Series VII: Fidelity  
Advisor Biotechnology Fund

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

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**INVESTOR:**

Fidelity Securities Fund: Fidelity OTC Portfolio

By: /s/ Stacie M. Smith

Name: Stacie M. Smith

Title: Authorized Signatory

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**INVESTOR:**

Foresite Capital Fund II, LP

By: Foresight Capital Management II, LLC  
Its: General Partner

By: /s/ Dennis D. Ryan

Name: Dennis D. Ryan

Title: CFO

**SIGNATURE PAGE TO ADURO BIOTECH, INC. INVESTOR RIGHTS AGREEMENT**

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**INVESTOR:**

Janus Global Life Sciences Fund

By: /s/ Andrew Acker

Name: Andrew Acker

Title: Portfolio Manager

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**INVESTOR:**

By: OrbiMed Capital GP V LLC  
Its: General Partner

By: OrbiMed Advisors LLC  
Its: Managing Member

By: /s/ W. Carter Neild  
Name: W. Carter Neild  
Title: Member

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**INVESTOR:**

Jennison Global Healthcare Master Fund, Ltd.

By: Jennison Associates LLC  
Its: Investment Manager of Jennison Global Healthcare Master Fund, Ltd.

By: /s/ David Chan  
Name: David Chan  
Title: Managing Director

---

**INVESTOR:**

Clough Investment Partners I, L.P.

By: Clough Capital Partners L.P.,  
Its: Investment Manager

By: /s/ John A. Ritacco, Jr.

Name: John A. Ritacco, Jr.

Title: Chief Financial Officer

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**INVESTOR:**

Clough Investment Partners II, L.P.

By: Clough Capital Partners L.P.,  
Its: Investment Manager

By: /s/ John A. Ritacco, Jr.

Name: John A. Ritacco, Jr.

Title: Chief Financial Officer

**SIGNATURE PAGE TO ADURO BIOTECH, INC. INVESTOR RIGHTS AGREEMENT**

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**INVESTOR:**

Clough Offshore Fund, Ltd.

By: Clough Capital Partners L.P.,  
Its: Investment Manager

By:     /s/ John A. Ritacco, Jr.

Name: John A. Ritacco, Jr.

Title: Chief Financial Officer

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**INVESTOR:**

Clough Offshore Fund (QP), Ltd.

By: Clough Capital Partners L.P.,  
Its: Investment Manager

By: /s/ John A. Ritacco, Jr.

Name: John A. Ritacco, Jr.

Title: Chief Financial Officer

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**INVESTOR:**

Franklin Strategic Series-Franklin  
Biotechnology Discovery Fund

By: Franklin Advisers, Inc.  
Its: Investment Manager

By: /s/ Evan McCulloch  
Name: Evan McCulloch  
Title: Vice President

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**INVESTOR:**

Franklin Templeton Investment Funds-  
Franklin Biotechnology Discovery Fund

By: Franklin Advisers, Inc.  
Its: Investment Manager

By: /s/ Evan McCulloch  
Name: Evan McCulloch  
Title: Vice President

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**INVESTOR:**

Rock Springs Capital Master Fund LP

By: Rock Springs GP LLC

Its: General Partner

By: /s/ Graham McPhail

Name: Graham McPhail

Title: Managing Director

Rock Springs Capital

650 S. Exeter St., Suite 1070

Baltimore, MD 21202

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**INVESTOR:**

Leerink Holdings LLC

By: /s/ Timothy A. G. Gerhold

Name: Timothy A. G. Gerhold

Title: General Counsel

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**INVESTOR:**

Leerink Swann Co-Investment Fund, LLC

By: /s/ Jeffrey A. Leerink

Name: Jeffrey A. Leerink

Title: Manager

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**INVESTOR:**

**MOSSROCK CAPITAL, LLC**

By: /s/ Thomas Malley  
Name: Thomas Malley  
Title: President

**SIGNATURE PAGE TO  
ADURO BIOTECH, INC. AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT**

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**INVESTOR:**

By: /s/ Alan Auerbach

Name: Alan Auerbach

**SIGNATURE PAGE TO ADURO BIOTECH, INC. INVESTOR RIGHTS AGREEMENT**

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Exhibit A

List of Purchasers

Name and Address

David R. Fischell

Hearst Revocable Trust 3/3/89

Christopher Ray

John Foster

John E. and Lois A. Rogers

Stephen Isaacs

Triton Holdings LLC

David Clayton and Gayle DeKellis Trust

The Crocker Family Trust as amended on 4/1/2002

David Kanne

Thomas R. Gibian

Morningside Venture (VI) Investments Limited

Johnson & Johnson Development Corporation

Harry Kraemer

Barbara Gibian

Ultimate Keen Limited

Mag & Co fbo Fidelity Select Portfolios: Biotechnology Portfolio

Bangle & Co fbo Fidelity Advisor Series VII: Fidelity Advisor Biotechnology Fund

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Booth & Co fbo Fidelity Securities  
Fund: Fidelity OTC Portfolio

Foresite Capital Fund II, LP

BUOYBREEZE + CO

OrbiMed Private Investments V, LP

Jennison Global Healthcare Master  
Fund, Ltd.

Clough Investment Partners I, L.P.

Clough Investment Partners II, L.P.

Clough Offshore Fund, Ltd.

Clough Offshore Fund (QP), Ltd.

Hare & Co FBO/Franklin Strategic  
Series – Franklin Biotechnology  
Discovery Fund

Egger & Co FBO/Franklin Templeton  
Investment Funds – Franklin  
Biotechnology Discovery Fund

Rock Springs Capital Master Fund  
LP

Leerink Holdings, LLC

Leerink Swann Co-Investment Fund,  
LLC

Mossrock Capital, LLC

Alan Auerbach

## ONCOLOGIC, INC.

## 2000 LONG-TERM INCENTIVE PLAN

## ARTICLE 1. ESTABLISHMENT AND PURPOSE

**1.1 Establishment.** Oncologic, Inc., a California corporation, hereby establishes the Oncologic, Inc. 2000 Long-Term Incentive Plan, as set forth in this document.

**1.2 Purpose.** The purposes of the Plan are to attract able persons to enter the employ of the Company, to encourage Employees to remain in the employ of the Company and to provide motivation to Employees to put forth maximum efforts toward the continued growth, profitability and success of the Company, by providing incentives to such persons through the ownership and performance of the Common Stock of Oncologic. A further purpose of the Plan is to provide a means through which the Company may attract able persons to become directors, consultants and independent contractors of the Company and to provide such individuals with incentive and reward opportunities. Toward these objectives, Awards may be granted under the Plan to Employees, Outside Directors and Consultants on the terms and subject to the conditions set forth in the Plan.

**1.3 Effectiveness.** The Plan shall become effective as of December 9, 2000, the date of its adoption by the Board, provided it is duly approved by the holders of at least a majority of the shares of Common Stock present or represented and entitled to vote at a meeting of the stockholders of Oncologic duly held in accordance with applicable law within twelve months after the date of adoption of the Plan by the Board. If the Plan is not so approved, the Plan shall terminate and any Award granted hereunder shall be null and void.

## ARTICLE 2. DEFINITIONS

**2.1 Affiliate.** "Affiliate" means a "parent corporation" or a "subsidiary corporation" of Oncologic, as those terms are defined in Section 424(e) and (f) of the Code.

**2.2 Award.** "Award" means any Option, SAR, Restricted Stock, Dividend Equivalent or Other Incentive Award granted under the Plan, whether singly, in combination or in tandem, to a Participant.

**2.3 Award Agreement.** "Award Agreement" means a written agreement between Oncologic and a Participant that sets forth the terms, conditions, restrictions and/or limitations applicable to an Award.

**2.4 Board.** "Board" means the Board of Directors of Oncologic.

**2.5 Code.** "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

**2.6 Committee.** “Committee” means the Compensation Committee of the Board, or such other Committee of the Board as may be designated by the Board to administer the Plan; provided, however, that from and after such time as Oncologic registers a class of equity securities under Section 12 of the Exchange Act, the Committee shall consist of two or members of the Board, all of whom are both a “Non-Employee Director” within the meaning of Rule 16b-3 under the Exchange Act and an “outside director” within the meaning of the definition of such term as contained in Treasury Regulation Section 1.162-27(e)(3) interpreting Section 162(m) of the Code, or any successor definitions adopted. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

**2.7 Common Stock.** “Common Stock” means the Common Stock, par value \$0.01 per share, of Oncologic or any stock or other securities of Oncologic hereafter issued or issuable in substitution or exchange for the Common Stock.

**2.8 Company.** “Company” means Oncologic and its Affiliates.

**2.9 Consultant.** “Consultant” means any individual who performs services for and is treated by Oncologic or an Affiliate as an independent contractor for employment tax purposes, but does not include an Outside Director.

**2.10 Dividend Equivalents.** “Dividend Equivalents” means an Award granted to a Participant pursuant to Article 10.

**2.11 Effective Date.** “Effective Date” means the date an Award is determined to be effective by the Board upon the grant of such Award.

**2.12 Employee.** “Employee” means any person treated as an employee by Oncologic or an Affiliate. “Employee” shall not include a Consultant or an Outside Director.

**2.13 Exchange Act.** “Exchange Act” means the Securities Exchange Act of 1934, as amended.

**2.14 Fair Market Value.** “Fair Market Value” means the closing sale price per share on the date in question, or if no reported sale on such date, on the last preceding date on which any reported sale occurred of the Common Stock on the Nasdaq National Market or any national stock exchange or, if the Common Stock is not traded publicly, the fair market value per share as determined in good faith by the Board.

**2.15 Incentive Stock Option.** “Incentive Stock Option” means an Option that is intended to meet the requirements of Section 422(b) of the Code.

**2.16 Nonqualified Stock Option.** “Nonqualified Stock Option” means an Option that is not intended to meet the requirements of Section 422(b) of the Code.

**2.17 Oncologic.** “Oncologic” means Oncologic, Inc., a California corporation, and any successor thereto.

**2.18 Option.** “Option” means an option to purchase shares of Common Stock granted to a Participant pursuant to Article 7, and includes both Incentive Stock Options and Nonqualified Stock Options.

**2.19 Other Incentive Award.** “Other Incentive Award” means an Award granted to a Participant pursuant to Article 11.

**2.20 Outside Director.** “Outside Director” means an individual duly elected or chosen as a director or advisory director of Oncologic who is not also an Employee.

**2.21 Participant.** “Participant” means any Employee, Outside Director or Consultant to whom an Award has been granted under the Plan.

**2.22 Plan.** “Plan” means this Oncologic, Inc. 2000 Long-Term Incentive Plan.

**2.23 Restricted Stock.** “Restricted Stock” means an Award of shares of Common Stock granted to a Participant pursuant to, and with such restrictions as are imposed under, Article 9. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes.

**2.24 SARs.** “SARs” means an Award of stock appreciation rights granted to a Participant pursuant to Article 8.

**2.25 1933 Act.** “1933 Act” means the Securities Act of 1933, as amended.

### **ARTICLE 3. PLAN ADMINISTRATION**

**3.1 Plan Administrator.** The Plan shall be administered by the Board. The Board may delegate responsibility for administration of the Plan to a Committee appointed by and serving at the pleasure of the Board, under such terms and conditions as the Board shall determine. If the Board shall delegate responsibility for administration of the Plan to a Committee pursuant to this Section, any reference to the Board in the Plan (other than such references in Article 13) shall be construed as a reference to the Committee.

**3.2 Authority of Administrator.** The Board shall have total and exclusive responsibility to control, operate, manage and administer the Plan in accordance with its terms. The Board shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. Without limiting the generality of the preceding sentence, the Board shall have the exclusive right to: (i) interpret the Plan and the Award Agreements

executed hereunder; (ii) determine eligibility for participation in the Plan; (iii) decide all questions concerning eligibility for, and the amount of, Awards payable under the Plan; (iv) construe any ambiguous provision of the Plan or any Award Agreement; (v) prescribe the form of the Award Agreements embodying Awards granted under the Plan; (vi) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement; (vii) issue administrative guidelines as an aid to administer the Plan and make changes in such guidelines as it from time to time deems proper; (viii) make regulations for carrying out the Plan and make changes in such regulations as it from time to time deems proper; (ix) determine whether Awards should be granted singly, in combination or in tandem; (x) to the extent permitted under the Plan, grant waivers of Plan terms, conditions, restrictions and limitations; (xi) accelerate the exercise, vesting or payment of an Award when such action or actions would be in the best interests of the Company; (xii) grant Awards in replacement of Awards previously granted under the Plan or any other employee benefit plan of the Company; and (xiii) take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

**3.3 Discretionary Authority.** The Board shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan, including, without limitation, its construction of the terms of the Plan and its determination of eligibility for participation and Awards under the Plan. The decisions of the Board and its actions with respect to the Plan shall be final, conclusive and binding on all persons having or claiming to have any right or interest in or under the Plan, including Participants and their respective estates, beneficiaries and legal representatives.

**3.4 Liability; Indemnification.** No member of the Board nor any person to whom authority has been delegated, shall be personally liable for any action, interpretation or determination made in good faith with respect to the Plan or Awards granted hereunder, and each member of the Board (or delegatee of the Board) shall be fully indemnified and protected by Oncologic with respect to any liability he or she may incur with respect to any such action, interpretation or determination, to the extent permitted by applicable law.

**3.5 Public Company.** From and after such time as Oncologic registers a class of equity securities under Section 12 of the Exchange Act, it is intended that this Plan be administered in accordance with the disinterested administration requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission, or any successor rule thereto. With respect to persons subject to Section 16 of the Exchange Act, if any, transactions under the Plan are intended to comply with the applicable conditions of Rule 16b-3, or any successor rule thereto. Notwithstanding the above, it shall be the responsibility of such persons, not the Company, the Board, or the Committee, to comply with the requirements of Section 16 of the Exchange Act.

#### **ARTICLE 4. ELIGIBILITY**



All Employees, Outside Directors and Consultants are eligible to participate in the Plan. The Board shall recommend, from time to time, Participants from those Employees and Consultants, who, in the opinion of the Board, can further the Plan purposes. Once a Participant is recommended for an Award by the Board, the Board shall determine the type and size of Award to be granted to the Participant and shall establish in the related Award Agreement the terms, conditions, restrictions and/or limitations applicable to the Award, in addition to those set forth in the Plan and the administrative rules and regulations, if any, established by the Board.

## **ARTICLE 5. FORM OF AWARDS**

Awards may, at the Board's sole discretion, be granted under the Plan in the form of Options pursuant to Article 7, SARs pursuant to Article 8, Restricted Stock pursuant to Article 9, Dividend Equivalents pursuant to Article 10, Other Incentive Awards pursuant to Article 11 or a combination thereof. All Awards shall be subject to the terms, conditions, restrictions and limitations of the Plan. The Board may, in its sole judgment, subject any Award to such other terms, conditions, restrictions and/or limitations (including, but not limited to, the time and conditions of exercise, vesting or payment of an Award and restrictions on transferability of any shares of Common Stock issued or delivered pursuant to an Award), provided they are not inconsistent with the terms of the Plan. Awards under a particular Article of the Plan need not be uniform, and Awards under two or more Articles of the Plan may be combined into a single Award Agreement. Any combination of Awards may be granted at one time and on more than one occasion to the same Participant.

## **ARTICLE 6. SHARES SUBJECT TO THE PLAN**

**6.1 Available Shares.** The maximum number of shares of Common Stock that shall be available for grant of Awards under the Plan shall not exceed a total of 2,446,200, subject to adjustment as provided in Sections 6.2 and 6.3. Shares of Common Stock issued pursuant to the Plan may be shares of original issuance or treasury shares or a combination of the foregoing, as the Board, in its discretion, shall from time to time determine.

### **6.2 Adjustments for Recapitalizations and Reorganizations.**

(a) The shares with respect to which Awards may be granted under the Plan are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration or satisfaction of an Award theretofore granted, Oncologic shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by Oncologic, the number of shares of Common Stock with respect to which such Award may thereafter be exercised or satisfied, as applicable, (i) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the exercise price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding

shares shall be proportionately reduced, and the exercise price per share shall be proportionately increased.

(b) If Oncologic recapitalizes or otherwise changes its capital structure, thereafter upon any exercise or satisfaction, as applicable, of an Award theretofore granted the Participant shall be entitled to (or entitled to purchase, if applicable) under such Award, in lieu of the number of shares of Common Stock then covered by such Award, the number and class of shares of stock or other securities to which the Participant would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, the Participant had been the holder of record of the number of shares of Common Stock then covered by such Award.

(c) In the event of changes in the outstanding Common Stock by reason of a Corporate Transaction (as hereinafter defined), recapitalization, reorganization, merger, consolidation, combination, separation (including a spin-off or other distribution of stock or property), exchange, or other relevant change in capitalization occurring after the date of grant of any Award and not otherwise provided for by this Section 6.2, any outstanding Awards and any Award Agreements evidencing such Awards shall be subject to adjustment by the Board at its discretion as to the number, price and kind of shares or other consideration subject to, and other terms of, such Awards to reflect such changes in the outstanding Common Stock.

(d) In the event of any changes in the outstanding Common Stock provided for in this Section 6.2, the aggregate number of shares available for grant of Awards under the Plan may be equitably adjusted by the Board, whose determination shall be conclusive. Any adjustment provided for in this Section 6.2 shall be subject to any required stockholder action.

**6.3 Adjustments for Awards.** The Board shall have full discretion to determine the manner in which shares of Common Stock available for grant of Awards under the Plan are counted. Without limiting the discretion of the Board under this Section 6.3, unless otherwise determined by the Board, the following rules shall apply for the purpose of determining the number of shares of Common Stock available for grant of Awards under the Plan:

(a) **Options and Restricted Stock.** The grant of Options and Restricted Stock shall reduce the number of shares available for grant of Awards under the Plan by the number of shares subject to such Award.

(b) **SARs.** The grant of SARs shall not affect the number of shares available for grant of Awards under the Plan.

(c) **Dividend Equivalents.** The grant of Dividend Equivalents shall not affect the number of shares available for grant of Awards under the Plan, but such number of

shares shall be reduced by any shares issued in payment or settlement of Dividend Equivalents.

(d) **Other Incentive Awards.** The grant of an Other Incentive Award in the form of Common Stock or that may be paid or settled only in Common Stock shall reduce the number of shares available for grant of Awards under the Plan by the number of shares subject to such Award. The grant of an Other Incentive Award that may be paid or settled only for cash shall not affect the number of shares available for grant of Awards under the Plan. The grant of an Other Incentive Award that may be paid or settled in either Common Stock or cash shall reduce the number of shares available for grant of Awards under the Plan by the number of shares subject to such Award.

(e) **Termination.** If any Award referred to in paragraphs (a) and (d) above (other than an Other Incentive Award that may be paid or settled only for cash) is canceled or forfeited, or terminates, expires or lapses, for any reason (other than the termination of a Related Option (as defined in Section 8.1) upon exercise of its corresponding SARs), the shares then subject to such Award shall again be available for grant of Awards under the Plan.

(f) **Payment of Exercise Price and Withholding Taxes.** If previously acquired shares of Common Stock are used to pay the exercise price of an Award, or shares of Common Stock that would be acquired upon exercise of an Award are withheld to pay the exercise price of such Award, the number of shares available for grant of Awards under the Plan other than Incentive Stock Options shall be increased by the number of shares delivered or withheld as payment of such exercise price. If previously acquired shares of Common Stock are used to pay withholding taxes payable upon exercise, vesting or payment of an Award, or shares of Common Stock that would be acquired upon exercise, vesting or payment of an Award are withheld to pay withholding taxes payable upon exercise, vesting or payment of such Award, the number of shares available for grant of Awards under the Plan other than Incentive Stock Options shall be increased by the number of shares delivered or withheld as payment of such withholding taxes.

## ARTICLE 7. OPTIONS

**7.1 General.** Awards may be granted to Employees, Outside Directors and Consultants in the form of Options. For Employees, Options granted under the Plan may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. For Outside Directors and Consultants, Options granted under the Plan may only be in the form of Nonqualified Stock Options.

**7.2 Terms and Conditions of Options.** An Option shall be exercisable in whole or in such installments and at such times as may be determined by the Board. The price at which a

share of Common Stock may be purchased upon exercise of a Nonqualified Stock Option shall be determined by the Board, but such exercise price shall not be less than 85% (except that in the case of any person who owns stock possessing more than ten percent of the total combined voting power of all classes of stock of Oncologic or an Affiliate, not less than 110%) of the Fair Market Value per share of Common Stock on the Effective Date of the Option's grant. Except as otherwise provided in Section 7.3, the term of each Option shall be as specified by the Board; provided, however, that no Option shall be exercisable later than 10 years from the Effective Date of the Option's grant. In no event shall the Board impose a vesting schedule upon any Option granted to an Employee (or any shares of Restricted Stock received upon exercise of such Option) that is more restrictive than 20% per year with the initial vesting date to occur no later than the first anniversary of the Option's grant date; however, such limitation shall not be applicable to any Option grants made to individuals who are Outside Directors, Consultants or officers of the Company.

**7.3 Restrictions Relating to Incentive Stock Options.** Options granted in the form of Incentive Stock Options shall, in addition to being subject to the terms and conditions of Section 7.2, comply with Section 422(b) of the Code. Accordingly, no Incentive Stock Options shall be granted later than 10 years from the date of adoption of the Plan by the Board. In addition, no Incentive Stock Option shall be exercisable after the expiration of ten years from the effective date of the Stock Option's grant. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of Oncologic and its Affiliates exceeds \$100,000, such excess Incentive Stock Options shall be treated as options which do not constitute Incentive Stock Options. The price at which a share of Common Stock may be purchased upon exercise of an Incentive Stock Option shall be determined by the Board, but such exercise price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the Effective Date of the Option's grant. No Incentive Stock Option shall be granted to an Employee under the Plan if, at the time such Option is granted, such Employee owns stock possessing more than 10% of the total combined voting power of all classes of stock of Oncologic or an Affiliate, within the meaning of Section 422(b) (6) of the Code, unless (i) on the Effective Date of grant of such Option, the exercise price of such Option is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the Effective Date of the Option's grant.

**7.4 Additional Terms and Conditions.** The Board may subject any Award of an Option to such other terms, conditions, restrictions and/or limitations as it determines are necessary or appropriate, provided they are not inconsistent with the Plan.

**7.5 Exercise of Options.** Subject to the terms and conditions of the Plan, Options shall be exercised by the delivery of a written notice of exercise to Oncologic, setting forth the number of shares of Common Stock with respect to which the Option is to be exercised, accompanied by full payment for such shares.

Upon exercise of an Option, the exercise price of the Option shall be payable to Oncologic in full either: (a) in cash or an equivalent acceptable to the Board or (b) in the discretion of the Board and in accordance with any applicable administrative guidelines established by the Board, by (i) tendering previously acquired nonforfeitable, unrestricted shares of Common Stock that have been held by the Participant for at least six months and that have an aggregate Fair Market Value at the time of exercise equal to the total exercise price or (c) a combination of the forms of payment specified in clauses (a) or (b) (i) above.

In addition, the Board, in its sole and absolute discretion, may approve the extension of a loan to an optionee who is an Employee to assist the optionee in paying the exercise price of an Option; provided, however, that no such loan shall be for an amount greater than the excess of (i) the exercise price of the shares of Common Stock issuable upon exercise of the Option over (ii) the par value of such shares of Common Stock. Any such loan will be made on such terms and conditions as the Board shall deem to be appropriate and in accordance with applicable law.

From and after such time as Oncologic registers the Common Stock under Section 12 of the Exchange Act, payment of the exercise price of an Option may also be made, in the discretion of the Board, by delivery to Oncologic or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the shares with respect to which the Option is exercised and deliver the sale or margin loan proceeds directly to Oncologic to pay for the exercise price and any required withholding taxes.

In addition, any grant of a Nonqualified Stock Option under the Plan may provide that payment of the exercise price of the Nonqualified Stock Option may also be made in whole or in part in the form of shares of Restricted Stock or other shares of Common Stock that are subject to risk of forfeiture or restrictions on transfer, provided that such shares have been held by the Participant for at least six months. Unless otherwise determined by the Board at the time of grant of such Nonqualified Stock Option, whenever the exercise price of such Nonqualified Stock Option is paid in whole or in part by means of the form of consideration specified in the immediately preceding sentence, the shares of Common Stock received by the Participant upon the exercise of such Option shall be subject to the same risk of forfeiture and restrictions on transfer as those that applied to the consideration surrendered by the Participant. However, the risk of forfeiture and restrictions on transfer shall apply only to the same number of shares of Common Stock received by the Participant upon exercise as applied to the forfeitable or restricted Common Stock surrendered by the Participant in payment of the exercise price.

As soon as reasonably practicable after receipt of written notification of exercise of an Option and full payment of the exercise price and any required withholding taxes, Oncologic shall deliver to the Participant, in the Participant's name, a stock certificate or certificates in an appropriate amount based upon the number of shares of Common Stock purchased under the Option.

**7.6 Termination of Service.** Each Award Agreement embodying the Award of an Option shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment or service with the Company. Such provisions shall be determined in the sole discretion of the Board, need not be uniform among all Options granted under the Plan and may reflect distinctions based on the reasons for termination of employment or service. Subject to the last paragraph of this Section 7.6, in the event that a Participant's Award Agreement embodying the Award of an Option does not set forth such termination provisions, the following termination provisions shall apply with respect to such Award.

(a) **Death or Disability.** If the employment or service of a Participant shall terminate by reason of death or permanent and total disability (within the meaning of Section 22(e)(3) of the Code), outstanding Options held by the Participant may be exercised, to the extent then vested, no more than one year from the date of such termination, unless the Options, by their terms, expire earlier.

(b) **Other Termination.** If the employment or service of a Participant shall terminate for any reason other than the reasons set forth in paragraph (a) above or (c) below, whether on a voluntary or involuntary basis, outstanding Options held by the Participant may be exercised, to the extent then vested, no more than three months from the date of such termination, unless the Options, by their terms, expire earlier.

(c) **Termination for Cause.** Notwithstanding paragraphs (a) and (b) above, if the employment or service of a Participant shall be terminated by reason of (i) such Participant's fraud or dishonesty, (ii) any unauthorized use or disclosure by such Participant of any confidential information or trade secrets of the Company, (iii) any unauthorized disclosure by such Participant of the amount of any Award under this Plan, (iv) the performance by such Participant of other acts detrimental to the Company, or (v) without limiting the foregoing, "cause" as defined in any then-applicable employment or service agreement between the Company and such Participant, then in any such case all outstanding Options held by the Participant shall immediately be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options.

Notwithstanding anything in this Section 7.6 to the contrary, in no event shall an Award Agreement provide that a Participant has (i) less than six months to exercise an Option in the event of such Participant's termination of employment or service on account of death or

permanent and total disability (within the meaning of Section 22(e)(3) of the Code), or (ii) less than 30 days to exercise an Option in the event of the involuntary termination of Participant's employment or service without cause.

**7.7 Maximum Option Grants.** Any provision of this Plan to the contrary notwithstanding, from and after such time as Oncologic registers a class of equity securities under Section 12 of the Exchange Act, the maximum number of shares of Common Stock for which Options and SARs may be granted under the Plan to any one Employee during a calendar year is 500,000.

## **ARTICLE 8. SARs**

**8.1 General.** The Board may from time to time grant SARs in conjunction with all or any portion of any Option (the "Related Option") either (i) at the time of the initial Option grant (not including any subsequent modification that may be treated as a new grant of an Incentive Stock Option for purposes of Section 424(h) of the Code) or (ii) with respect to Nonqualified Stock Options, at any time after the initial Option grant while the Nonqualified Stock Option is still outstanding. SARs shall not be granted other than in conjunction with an Option granted hereunder.

**8.2 Terms and Conditions.** SARs granted hereunder shall comply with the following conditions and also with the terms of the Award Agreement governing the Related Option:

(a) The SAR shall expire no later than the expiration of the Related Option.

(b) Upon the exercise of an SAR, the Participant shall be entitled to receive from Oncologic or the appropriate Affiliate in cash an amount equal to the excess of the aggregate Fair Market Value of the shares of Common Stock with respect to which the SAR is then being exercised (determined as of the date of such exercise) over the aggregate purchase price of such shares as provided in the Related Option.

(c) SARs shall be exercisable (i) only at such time or times and only to the extent that the Related Option shall be exercisable, (ii) only when the Fair Market Value of the shares subject to the Related Option exceeds the purchase price of the shares as provided in the Related Option, and (iii) only upon surrender of the Related Option or any portion thereof with respect to the shares for which the SARs are then being exercised.

(d) Upon the exercise of an SAR, the Related Option shall be deemed to have been terminated to the extent of the number of shares of Common Stock with respect to which such SARs are exercised. Upon the exercise or termination of the Related Option, the SARs with respect to such Related Option shall be deemed to have been terminated to

the extent of the number of shares of Common Stock with respect to which the Related Option was so exercised or terminated.

**8.3 Exercise of SARs.** Each exercise of SARs, or a portion thereof, shall be evidenced by a notice in writing to Oncologic.

## **ARTICLE 9. RESTRICTED STOCK**

**9.1 General.** Awards may be granted to Employees and Consultants in the form of Restricted Stock. Restricted Stock shall be awarded in such numbers and at such times as the Board shall determine.

**9.2 Restriction Period.** At the time an Award of Restricted Stock is granted, the Board shall establish a period of time (the "Restriction Period") applicable to such Restricted Stock. Each Award of Restricted Stock may have a different Restriction Period, in the discretion of the Board. The Restriction Period applicable to a particular Award of Restricted Stock shall not be changed except as permitted by Section 6.2, Section 9.3 or Article 12.

**9.3 Other Terms and Conditions.** Restricted Stock awarded to a Participant under the Plan shall be represented by a stock certificate registered in the name of the Participant or, at the option of Oncologic, in the name of a nominee of Oncologic. Subject to the terms and conditions of the Award Agreement, a Participant to whom Restricted Stock has been awarded shall have the right to receive dividends thereon during the Restriction Period, to vote the Restricted Stock and to enjoy all other stockholder rights with respect thereto, except that (i) the Participant shall not be entitled to possession of the stock certificate representing the Restricted Stock until the Restriction Period shall have expired, (ii) Oncologic shall retain custody of the Restricted Stock during the Restriction Period, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Restricted Stock during the Restriction Period and (iv) a breach of the terms and conditions established by the Board pursuant to the Award of the Restricted Stock shall cause a forfeiture of the Restricted Stock. At the time of an Award of Restricted Stock, the Board may, in its sole discretion, prescribe additional terms, conditions, restrictions and/or limitations applicable to the Restricted Stock, including, but not limited to, rules pertaining to the termination of employment or service (by reason of death, permanent and total disability, or otherwise) of a Participant prior to expiration of the Restriction Period.

**9.4 Payment for Restricted Stock.** A Participant shall not be required to make any payment for Restricted Stock awarded to the Participant, except to the extent otherwise required by the Board or by applicable law. In the event payment is required in order to receive Restricted Stock, then the purchase price per share shall not be less than:

(a) in the case of any Participant who owns stock possessing 10% or less of the total combined voting power or value of all classes of stock of Oncologic or an



Affiliate, 85% of the Fair Market Value per share of Common Stock at the time of the Award or at the time the purchase is consummated; and

(b) in the case of any Participant who owns stock possessing more than 10% of the total combined voting power or value of all classes of stock of Oncologic or an Affiliate, 100% of the Fair Market Value per share of Common Stock either at the time of the Award or at the time the purchase is consummated.

**9.5 Miscellaneous.** Nothing in this Article 9 shall prohibit the exchange of shares of Restricted Stock issued under the Plan pursuant to a plan of reorganization for stock or securities of Oncologic or another corporation that is a party to the reorganization, but the stock or securities so received for shares of Restricted Stock shall, except as provided in Section 6.2 or Article 12, become subject to the restrictions applicable to the Award of such Restricted Stock. Any shares of stock received as a result of a stock split or stock dividend with respect to shares of Restricted Stock shall also become subject to the restrictions applicable to the Award of such Restricted Stock.

#### **ARTICLE 10. DIVIDEND EQUIVALENTS**

Dividend Equivalents may be granted under the Plan to Employees and Consultants, either as a component of another Award or as a separate Award, subject to such terms, conditions, restrictions and/or limitations as the Board may establish. In general, and subject to such terms, conditions, restrictions and/or limitations as the Board may establish, an Award of Dividend Equivalents shall confer upon the Participant a right to receive, in the event of a cash or stock dividend or other distribution paid or made on the outstanding shares of Common Stock, an amount equal to the dividend or other distribution that would have been received by the Participant had the shares of Common Stock covered by the Award been issued and outstanding on the record date established for such dividend or other distribution. Dividend Equivalents may be paid currently or may be deemed to be reinvested in additional shares of Common Stock (which may thereafter accrue additional Dividend Equivalents). Any such reinvestment shall be at the Fair Market Value of the Common Stock at the time thereof. Dividend Equivalents may be paid in cash, shares of Common Stock, other Awards or other property, or a combination thereof, in a single payment or in installments, and at such time or times as the Board shall determine. Dividend Equivalents granted as a component of another Award may provide that such Dividend Equivalents shall be paid upon exercise, payment or settlement of or lapse of restrictions on such other Award, and that such Dividend Equivalents shall expire or be forfeited under the same conditions as such other Award. Dividend Equivalents granted as a component of another Award may also contain terms and conditions different from such other Award.

#### **ARTICLE 11. OTHER INCENTIVE AWARDS**

Other Incentive Awards may be granted under the Plan to Employees based upon, payable in or otherwise related to, in whole or in part, whole or fractional shares of Common Stock if the

Board, in its sole discretion, determines that such Other Incentive Awards are consistent with the purposes of the Plan. Subject to the terms and provisions of the Plan, Other Incentive Awards may be granted to Employees in such amount, upon such terms and at any time and from time to time as shall be determined by the Board. Each grant of an Other Incentive Award shall be evidenced by an Award Agreement that shall specify the amount of the Other Incentive Award and the terms, conditions, restrictions and/or limitations applicable to such Award. Payment of Other Incentive Awards shall be made at such times and in such form, which may be cash, whole or fractional shares of Common Stock or other property (or a combination thereof), as established by the Board, subject to the terms of the Plan. In the event payment is required in order to receive Common Stock pursuant to an Other Incentive Award, then the purchase price per share shall not be less than:

(a) in the case of any Participant who owns stock possessing 10% or less of the total combined voting power or value of all classes of stock of Oncologic or an Affiliate, 85% of the Fair Market Value per share of Common Stock at the time of the Award or at the time the purchase is consummated; and

(b) in the case of any Participant who owns stock possessing more than 10% of the total combined voting power or value of all classes of stock of Oncologic or an Affiliate, 100% of the Fair Market Value per share of Common Stock either at the time of the Award or at the time the purchase is consummated.

## ARTICLE 12. CORPORATE TRANSACTIONS

**12.1 Definition of Corporate Transaction.** A “Corporate Transaction” shall mean any of the following:

(a) Oncologic shall consummate a reorganization, merger, consolidation or any other transaction, in any case, with respect to which persons who were the shareholders of Oncologic immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own equity interests representing at least fifty-one percent (51 %) of the total combined voting power of Oncologic or the resulting reorganized, merged or consolidated entity, as applicable; or

(b) the sale, lease, transfer or other disposition of all or substantially all of the assets of Oncologic (other than to one or more direct or indirect a wholly-owned subsidiaries of Oncologic).

**12.2 Effect on Outstanding Awards.** In the event of a Corporate Transaction, the Board, acting in its sole discretion without the consent or approval of any Participant, may act to effect one or more of the following alternatives, which may vary among individual Participants and which may vary among Awards held by any individual Participant:

(a) accelerate the vesting of and the time at which Awards then outstanding may be exercised so that such Awards may be exercised in full (irrespective of whether such Awards are fully exercisable prior to the date of such Corporate Transaction) for a limited period of time on or before a specified date fixed by the Board (which date may be before or after the date of such Corporate Transaction), after which specified date all unexercised Awards and all rights of Participants thereunder shall terminate;

(b) require the mandatory surrender to Oncologic by selected Participants of some or all of the outstanding Awards held by such Participants (irrespective of whether such Awards are fully exercisable prior to the date of such Corporate Transaction) as of a date specified by the Board (which date may be before or after the date of such Corporate Transaction), in which event the Board shall thereupon cancel such Awards and Oncologic shall pay to each Participant an amount of cash per share equal to whichever of the following amounts is applicable:

(i) the per share price offered to stockholders of Oncologic in the reorganization, merger, consolidation or other transaction described in Section 12.1(a), less the applicable exercise price, if any, payable by the Participant pursuant to such Award; or

(ii) if such Corporate Transaction occurs pursuant to a type of transaction described in Section 12.1(c), the Fair Market Value per share of Common Stock subject to such Award, as determined by the Board as of the date determined by the Board to be the date of such transaction, less the applicable exercise price, if any, payable by the Participant pursuant to such Award.

In the event that the consideration offered to stockholders of Oncologic in any Corporate Transaction consists of anything other than cash, the Board shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(c) make such adjustments to Awards then outstanding so that such Awards thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Participant would have been entitled pursuant to the terms of the Corporate Transaction had the Participant been the holder of record of the number of shares of Common Stock covered by such Award; or

(d) in the event of a Corporate Transaction in which the holders of Oncologic's Common Stock receive shares of stock in the acquiring entity ("Acquiror Stock"), convert Awards into Awards to acquire (or with respect to) shares of Acquiror Stock ("Substitute Awards"). Each Substitute Award shall be exercisable on substantially the same terms and conditions contained in the applicable Award, and shall cover such number of shares of Acquiror Stock and have such exercise price

and other terms as the Board shall, in its discretion, deem appropriate in order to approximate with the Substitute Award an economic equivalent to the applicable Award.

In the event of Corporate Transaction, the Board may, but shall not be required to, take any such action set forth in Sections 12.2(a) through (d) above or shall be permitted to allow any or all outstanding Awards to remain so outstanding in accordance with the terms and conditions of the related Award Agreement.

### ARTICLE 13. AMENDMENT AND TERMINATION

The Board may at any time suspend, terminate, amend or modify the Plan, in whole or in part; provided, however, that no amendment or modification of the Plan shall become effective without the approval of such amendment or modification by the stockholders of Oncologic if such amendment or modification (i) increases the maximum number of shares subject to the Plan (except as provided in Section 6.2), (ii) changes the designation or class of persons eligible to receive Awards under the Plan, or (iii) counsel for Oncologic determines that such approval is otherwise required by or necessary to comply with applicable law. The Plan shall terminate upon the earliest to occur of (i) the termination of the Plan by the Board; (ii) the expiration of the ten-year period commencing on the date the Plan is adopted by the Board, or (iii) the expiration of the ten-year period commencing on the date the Plan is approved by the shareholders of Oncologic. Upon termination of the Plan, the terms and provisions of the Plan shall, notwithstanding such termination, continue to apply to Awards granted prior to such termination. No suspension, termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the consent of the Participant holding such Award.

The Board may amend the terms of any outstanding Award granted pursuant to this Plan, but any amendment that would adversely affect the Participant's rights under an outstanding Award shall not be made without the written consent of the Participant. The Board may, with a Participant's written consent, cancel any outstanding Award or accept any outstanding Award in exchange for a new Award.

### ARTICLE 14. MISCELLANEOUS

**14.1 Award Agreements.** After the Board grants an Award under the Plan to a Participant, Oncologic and the Participant shall enter into an Award Agreement setting forth the terms, conditions, restrictions and/or limitations applicable to the Award and such other matters as the Board may determine to be appropriate. The terms and provisions of the respective Award Agreements need not be identical. All Award Agreements shall be subject to the provisions of the Plan. In the event of any conflict between an Award Agreement and the Plan, the terms of the Plan shall govern.

**14.2 Additional Conditions.** Notwithstanding anything in the Plan to the contrary: (i) Oncologic may, if it shall determine it necessary or desirable for any reason, at the time of grant of any Award or the issuance of any shares of Common Stock pursuant to any Award, require the recipient of the Award or such shares of Common Stock, as a condition to the receipt thereof, to deliver to Oncologic a written representation of present intention to acquire the Award or such shares of Common Stock for his or her own account for investment and not for distribution; and (ii) if at any time Oncologic further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Award or shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or market or under any federal or state securities or blue sky laws, or that the consent or approval of any governmental or regulatory body is necessary or desirable as a condition of, or in connection with, the grant of any Award, the issuance of shares of Common Stock pursuant thereto or the removal of any restrictions imposed on such shares, such Award shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to Oncologic.

**14.3 Legends on Stock Certificates.** Unless the shares of Common Stock issued pursuant to an Award shall have been registered under the 1933 Act, each certificate representing such shares shall have conspicuously stamped, printed or typed on the face or back thereof the following legend:

THE ISSUANCE OF THE COMMON STOCK EVIDENCED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS AND SUCH COMMON STOCK MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS FIRST REGISTERED THEREUNDER OR UNLESS ONCOLOGIC, INC. RECEIVES A WRITTEN OPINION OF COUNSEL, WHICH OPINION AND COUNSEL ARE ACCEPTABLE TO ONCOLOGIC, INC., TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.

**14.4 Nonassignability.** No Award granted under the Plan may be sold, transferred, pledged, exchanged, hypothecated or otherwise disposed of, other than by will or pursuant to the applicable laws of descent and distribution. Further, no such Award shall be subject to execution, attachment or similar process. Any attempted sale, transfer, pledge, exchange, hypothecation or other disposition of an Award not specifically permitted by the Plan or the Award Agreement shall be null and void and without effect. All Awards granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant or, in the event of the Participant's legal incapacity, by his or her guardian or legal representative.

**14.5 Withholding Taxes.** The Company shall be entitled to deduct from any payment made under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment, may require the Participant to pay to the Company such withholding taxes prior to and as a condition of the making of any payment or the issuance or delivery of any shares of Common Stock under the Plan and shall be entitled to deduct from any other compensation payable to the Participant any withholding obligations with respect to Awards under the Plan. In accordance with any applicable administrative guidelines it establishes, the Board may allow a Participant to pay the amount of taxes required by law to be withheld from or with respect to an Award by (i) withholding shares of Common Stock from any payment of Common Stock due as a result of such Award or (ii) permitting the Participant to deliver to the Company previously acquired shares of Common Stock, in each case having a Fair Market Value equal to the amount of such required withholding taxes. No payment shall be made and no shares of Common Stock shall be issued pursuant to any Award unless and until the applicable tax withholding obligations have been satisfied.

**14.6 No Fractional Shares.** No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award granted hereunder, and no payment or other adjustment shall be made in respect of any such fractional share.

**14.7 Notices.** All notices required or permitted to be given or made under the Plan or any Award Agreement shall be in writing and shall be deemed to have been duly given or made if (i) delivered personally, (ii) transmitted by first class registered or certified United States mail, postage prepaid, return receipt requested, (iii) sent by prepaid overnight courier service or (iv) sent by telecopy or facsimile transmission, answer back requested, to the person who is to receive it at the address that such person has theretofore specified by written notice delivered in accordance herewith. Such notices shall be effective (i) if delivered personally or sent by courier service, upon actual receipt by the intended recipient, (ii) if mailed, upon the earlier of five days after deposit in the mail or the date of delivery as shown by the return receipt therefor or (iii) if sent by telecopy or facsimile transmission, when the answer back is received. Oncologic or a Participant may change, at any time and from time to time, by written notice to the other, the address that it or such Participant had theretofore specified for receiving notices. Until such address is changed in accordance herewith, notices hereunder or under an Award Agreement shall be delivered or sent (i) to a Participant at his or her address as set forth in the records of the Company or (ii) to Oncologic at the principal executive offices of Oncologic clearly marked "Attention: LTIP Administration."

**14.8 Binding Effect.** The obligations of Oncologic under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of Oncologic. The terms and conditions of the Plan shall be binding upon each Participant and his or her heirs, legatees, distributees and legal representatives.

**14.9 Severability.** If any provision of the Plan or any Award Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of the Plan or such agreement, as the case may be, but such provision shall be fully severable and the Plan or such agreement, as the case may be, shall be construed and enforced as if the illegal or invalid provision had never been included herein or therein.

**14.10 No Restriction of Corporate Action.** Nothing contained in the Plan shall be construed to prevent Oncologic or any Affiliate from taking any corporate action (including any corporate action to suspend, terminate, amend or modify the Plan) that is deemed by Oncologic or such Affiliate to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Awards made or to be made under the Plan. No Participant or other person shall have any claim against Oncologic or any Affiliate as a result of such action.

**14.11 Governing Law.** The Plan shall be governed by and construed in accordance with the internal laws (and not the principles relating to conflicts of laws) of the State of California, except as superseded by applicable federal law.

**14.12 No Right, Title or Interest in Company Assets.** No Participant shall have any rights as a stockholder of Oncologic as a result of participation in the Plan until the date of issuance of a stock certificate in his or her name and, in the case of Restricted Stock, unless and until such rights are granted to the Participant under the Plan. To the extent any person acquires a right to receive payments from the Company under the Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company, and such person shall not have any rights in or against any specific assets of the Company. All of the Awards granted under the Plan shall be unfunded.

**14.13 Risk of Participation.** Nothing contained in the Plan shall be construed either as a guarantee by Oncologic or its Affiliates, or their respective stockholders, directors, officers or employees, of the value of any assets of the Plan or as an agreement by Oncologic or its Affiliates, or their respective stockholders, directors, officers or employees, to indemnify anyone for any losses, damages, costs or expenses resulting from participation in the Plan.

**14.14 No Guarantee of Tax Consequences.** No person connected with the Plan in any capacity, including, but not limited to, Oncologic and the Affiliates and their respective directors, officers, agents and employees, makes any representation, commitment or guarantee that any tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to any Awards or payments thereunder made to or for the benefit of a Participant under the Plan or that such tax treatment will apply to or be available to a Participant on account of participation in the Plan.

**14.15 Continued Employment or Service.** Nothing contained in the Plan or in any Award Agreement shall confer upon any Participant the right to continue in the employ or service of the Company, or interfere in any way with the rights of the Company to terminate a Participant's employment or service at any time, with or without cause.

**14.16 Financial Reports.** Oncologic shall deliver, at least annually, its financial statements to each Participant, unless such Participant is a key employee whose duties in connection with the Company assure such Participant access to equivalent information.

**14.17 Miscellaneous.** Headings are given to the articles and sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction of the Plan or any provisions hereof. The use of the masculine gender shall also include within its meaning the feminine. Wherever the context of the Plan dictates, the use of the singular shall also include within its meaning the plural, and vice versa.

IN WITNESS WHEREOF, this Plan has been executed as of this 9th day of December, 2000.

Oncologic, Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ONCOLOGIC, INC. 2000 LONG-TERM INCENTIVE PLAN

SUMMARY OF STOCK OPTION GRANT

You have been granted the option to purchase shares of Common Stock of Oncologic, Inc., a California corporation (“Oncologic”), on the terms and conditions set forth below and in accordance with the Stock Option Award Agreement (the “Agreement”) to which this Summary of Stock Option Grant is attached and the Oncologic, Inc. 2000 Long-Term Incentive Plan (the “Plan”):

Optionee Name:

Number of Option Shares Granted:

Type of Option (check one):

☐ Incentive Stock Option

☐ Nonqualified Stock Option

Effective Date:

Exercise Price per Share:

Vesting Commencement Date:

Vesting Schedule:

This Option may be exercised with respect to 1/48<sup>th</sup> of the total number of option shares granted (if a fractional number, then the next lower whole number) on the first day of each month after the Vesting Commencement Date if the Optionee is in the continuous service of Oncologic or an Affiliate until each such monthly date.

By your signature and the signature of Oncologic’s representative below, you and Oncologic agree that the Option is granted under and governed by the terms of the Agreement and the Plan.

OPTIONEE:

Oncologic, Inc.

By:

(Signature of Optionee)

Name

Title:



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**ONCOLOGIC, INC. 2000 LONG-TERM INCENTIVE PLAN**

**CONSENT OF OPTIONEE’S SPOUSE**

I have reviewed the Stock Option Award Agreement, the Summary of Stock Option Grant, and the Oncologic, Inc. 2000 Long-Term Incentive Plan and agree to and accept all of the terms set forth therein to the extent of any interest I may now have or may have in the future pursuant to the grant of the Option described therein to my spouse.

OPTIONEE’S SPOUSE:

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Signature of Optionee’s Spouse, if any

STOCK OPTION AWARD AGREEMENT

THIS AGREEMENT is made as of the Effective Date (as set forth on the Summary of Stock Option Grant) between Oncologic, Inc., a California corporation (“Oncologic”), and Optionee pursuant to the Oncologic, Inc. 2000 Long-Term Incentive Plan (the “Plan”).

WHEREAS, the Board of Directors of Oncologic (the “Board”) or a Committee designated by the Board has authority to grant Options under the Plan to employees, outside directors and consultants of Oncologic and its Affiliates; and

WHEREAS, the Board or the Committee, as appropriate, has determined to award Optionee the Option described in this Agreement;

NOW, THEREFORE, Oncologic and Optionee agree as follows:

1. Effect of Plan and Authority of Board or Committee. This Agreement and the Option granted hereunder are subject to the Plan, which is incorporated herein by reference. The Board or the Committee is authorized to make all determinations and interpretations with respect to matters arising under the Plan, this Agreement and the Option granted hereunder. Capitalized terms used and not otherwise defined herein have the respective meanings given them in the Plan or in the Summary of Stock Option Grant, which is attached hereto and incorporated herein by this reference for all purposes.

2. Grant of Option. On the terms and conditions set forth in this Agreement, the Summary of Stock Option Grant and the Plan, as of the Effective Date, Oncologic hereby grants to Optionee the option to purchase the number of shares of Common Stock set forth on the Summary of Stock Option Grant at the Exercise Price per share set forth on the Summary of Stock Option Grant (the “Option”). The Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option, as provided in the Summary of Stock Option Grant. If the Option is intended to be an Incentive Stock Option, it is agreed that the exercise price is at least 100% of the Fair Market Value of a share of Common Stock on the Effective Date (110% of Fair Market Value if Optionee owns stock possessing more than 10% of the total combined voting power of all classes of stock of Oncologic or an Affiliate, within the meaning of Section 422(b) (6) of the Code).

3. Exercisability and Restrictions.

(a) Vesting. Subject to the provisions of Section 3(b), this Option may be exercised in accordance with the Vesting Schedule set forth on the Summary of Stock Option Grant. Each installment shall be exercisable, as to all or part of the shares covered by the installment, at any time or times after the respective vesting date for such installment and until the expiration or termination of the Option.

(b) Stock Purchase Agreement. Upon the exercise of all or any portion of the Option, Optionee shall be required, as a condition to such exercise, to execute Oncologic’s Stock Purchase Agreement in substantially the same form delivered to Optionee as of the date hereof (the “Stock Purchase Agreement”).

(c) Right of First Refusal/Repurchase. All shares of Common Stock acquired by Optionee pursuant to the exercise of this Option shall be subject to the following restrictions:

(i) Right of First Refusal. In the event that Optionee desires to accept a bona fide offer made in good faith by a third party with respect to the sale, assignment, transfer or other disposition of all or a part of the shares of Common Stock purchased pursuant to the exercise of this Option such sale, assignment, transfer or other disposition shall be made pursuant to the terms and or the conditions set forth in the Stock Purchase Agreement.

(ii) Right to Repurchase. In the event of Optionee's termination of employment or service, the relative rights of Oncologic and Optionee shall be governed by the Stock Purchase Agreement.

#### 4. Term.

(a) Term of Option. This Option may not be exercised after the expiration of 10 years from the Effective Date (five years from the Effective Date if Optionee owns stock possessing more than 10% of the total combined voting power of all classes of stock of Oncologic or an Affiliate, within the meaning of Section 422(b)(6) of the Code).

(b) Early Termination. Except as provided below, this Option may not be exercised unless Optionee shall have been in the continuous employ or service of Oncologic or an Affiliate from the Effective Date to the date of exercise of the Option. This Option may be exercised after the date of Optionee's termination of employment or service with Oncologic or an Affiliate only in accordance with the following:

(i) In the event of Optionee's termination of employment or service on account of death or permanent or total disability (within the meaning of Section 22(e)(3) of the Code), this Option may be exercised, to the extent then vested, for up to one year from the date of such termination of employment or service, unless the Option, by its terms, expires earlier.

(ii) In the event of Optionee's termination of employment or service for any reason other than the reasons set forth in subparagraphs (i) and (iii) of this Section 4(b), this Option may be exercised, to the extent then vested, for up to three months from the date of such termination of employment or service, unless the Option, by its terms, expires earlier.

(iii) Notwithstanding subparagraphs (i) and (ii) above, if Optionee's termination of employment or service by reason of (i) Optionee's fraud or dishonesty, (ii) any unauthorized use or disclosure by Optionee of any confidential information or trade secrets of the Company, (iii) any unauthorized disclosure by Optionee of the amount of Options provided hereunder, (iv) the performance by Optionee of other acts detrimental to the Company, or (v) without limiting the foregoing, "cause" as defined in any then-applicable employment or service agreement between the Company and Optionee, then in any such case this Option shall be immediately forfeited to Oncologic and no additional exercise period shall be allowed, regardless of the vested status of the Option, unless otherwise determined by the Board in its sole discretion.

5. Manner of Exercise and Payment. This Option shall be exercised by the delivery of a written notice of exercise in a form prescribed by the Board or the Committee to Oncologic, setting forth the number of shares of Common Stock with respect to which the Option is to be exercised, accompanied

by full payment for such shares. The purchase price for such shares shall be payable to Oncologic in the manner specified in Section 7.5 of the Plan.

6. Withholding Tax. Promptly after demand by Oncologic, and at its direction, Optionee shall pay to Oncologic or the appropriate Affiliate an amount equal to the applicable withholding taxes due in connection with the exercise of the Option. Pursuant to Section 14.5 of the Plan, such withholding taxes may be paid in cash or, subject to the further provisions of this Section 6 of this Agreement, in whole or in part, by having Oncologic withhold from the shares of Common Stock otherwise issuable upon exercise of the Option a number of shares of Common Stock having a value equal to the amount of such withholding taxes or by delivering to Oncologic or the appropriate Affiliate a number of issued and outstanding shares of Common Stock (excluding restricted shares still subject to a risk of forfeiture) having a value equal to the amount of such withholding taxes. The value of any shares of Common Stock so withheld by or delivered to Oncologic or the appropriate Affiliate shall be based on the Fair Market Value (as defined in the Plan) of such shares on the date on which the tax withholding is to be made. Optionee shall pay to Oncologic or the appropriate Affiliate in cash the amount, if any, by which the amount of such withholding taxes exceeds the value of the shares of Common Stock so withheld or delivered. An election by Optionee to have shares withheld or to deliver shares to pay withholding taxes (an "Election") must be made at or prior to the time of exercise of the Option. All Elections shall be made in the same manner as is required for the exercise of the Option and shall be made on a form approved by Oncologic.

7. Delivery of Shares. Delivery of the certificates representing the shares of Common Stock purchased upon exercise of this Option shall be made promptly after receipt of notice of exercise and full payment of the exercise price and any required withholding taxes. If Oncologic so elects, its obligation to deliver shares of Common Stock upon the exercise of this Option shall be conditioned upon its receipt from the person exercising this Option of an executed investment letter, in form and content satisfactory to Oncologic and its legal counsel, evidencing the investment intent of such person and such other matters as Oncologic • may reasonably require. If Oncologic so elects, the certificate or certificates representing the shares of Common Stock issued upon exercise of this Option shall bear a legend in substantially the following form:

THE ISSUANCE OF THE COMMON STOCK EVIDENCED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS AND SUCH COMMON STOCK MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS FIRST REGISTERED THEREUNDER OR UNLESS ONCOLOGIC, INC. RECEIVES A WRITTEN OPINION OF COUNSEL, WHICH OPINION AND COUNSEL ARE ACCEPTABLE TO ONCOLOGIC, INC., TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition, each certificate representing shares of Common Stock issued pursuant to the Option shall bear a legend in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED PURSUANT TO THE TERMS OF THE LONG-TERM INCENTIVE PLAN OF ONCOLOGIC, INC. AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE ENCUMBERED OR DISPOSED OF EXCEPT AS SET FORTH IN THE TERMS OF AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER HEREOF AND ONCOLOGIC, INC. A COPY OF SUCH PLAN AND AGREEMENT ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ONCOLOGIC, INC.

8. Nonassignability. The Option granted hereunder may not be sold, transferred, pledged, exchanged, hypothecated or otherwise disposed of, other than by will or pursuant to the applicable laws of descent and distribution. In the case of the death of Optionee or other person entitled to exercise the Option, Oncologic may require, as a condition to the transfer of the Option by will or pursuant to the laws of descent and distribution or the exercise thereof, that the person entitled to exercise the Option execute and deliver to Oncologic such instruments and documents as may be reasonably requested by Oncologic to evidence and confirm such person's right and title to the Option.

9. Notices. All notices between the parties hereto shall be in writing. Notices to Optionee shall be given to Optionee's address as contained in Oncologic's records. Notices to Oncologic shall be addressed to LTIP Administrator at the principal executive offices of Oncologic as set forth in Section 14.7 of the Plan.

10. Relationship With Contract of Employment or Other Contract Services.

(a) The grant of an Option does not form part of Optionee's entitlement to remuneration or benefit pursuant to his contract of employment, if any, nor does the existence of a contract of employment between any person and Oncologic or an Affiliate give such person any right or entitlement to have an Option granted to him or any expectation that an Option might be granted to him whether subject to any conditions or at all.

(b) The rights and obligations of Optionee under the terms of his contract of employment or other contract or agreement for services with Oncologic or an Affiliate, if any, shall not be affected by the grant of an Option.

(c) The rights granted to Optionee upon the grant of an Option shall not afford Optionee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office, employment or service with Oncologic or an Affiliate for any reason whatsoever.

(d) Optionee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being or becoming unable to exercise an Option in consequence of the loss or termination of his office, employment or service with Oncologic or an Affiliate for any reason (including, without limitation, any breach of contract by Oncologic or an Affiliate) or in any other circumstances whatsoever.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (and not the principles relating to conflicts of laws) of the State of California, except as superseded by applicable federal law.

**ONCOLOGIC, INC.**

**STOCK PURCHASE AGREEMENT**

This **AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, 200\_\_ by and between Oncologic, Inc., a California corporation (the "Corporation"), and \_\_\_\_\_, Optionee under the Oncologic 2000 Long-Term Incentive Plan (the "Plan").

All capitalized terms not otherwise defined in this Agreement shall have the meaning assigned to them in the Plan.

**A. EXERCISE OF OPTION**

1. **Exercise.** Optionee hereby purchases \_\_\_\_\_ shares of Common Stock (the "Purchased Shares") pursuant to that certain option (the "Option") granted Optionee on \_\_\_\_\_ (the "Effective Date") to purchase up to \_\_\_\_\_ shares of Common Stock (the "Option Shares") under the Plan at the exercise price of \_\_\_\_\_ per share (the "Exercise Price").

2. **Payment.** Concurrently with the delivery of this Agreement to the Corporation, Optionee shall pay the Exercise Price for the Purchased Shares in accordance with the provisions of Optionee's Award Agreement covering the Option and the Plan and shall deliver whatever additional documents may be required by the Award Agreement covering the Option and the Plan as a condition for exercise, together with a duly-executed blank Assignment Separate from Certificate (in the form attached hereto as Exhibit I) with respect to the Purchased Shares.

3. **Stockholder Rights.** Until such time as the Corporation exercises the First Refusal Right, Optionee (or any successor in interest) shall have all the rights of a stockholder (including voting, dividend and liquidation rights) with respect to the Purchased Shares, subject, however, to the transfer restrictions of Articles B and C.

**B. SECURITIES LAW COMPLIANCE**

1. **Restricted Securities.** The Purchased Shares have not been registered under the 1933 Act and are being issued to Optionee in reliance upon the exemption from such registration provided by SEC Rule 701 for stock issuances under compensatory benefit plans such as the Plan. Optionee hereby confirms that Optionee has been informed that the Purchased Shares are restricted securities under the 1933 Act and may not be resold or transferred unless the Purchased Shares are first registered under the Federal securities laws or unless an exemption from such registration is available. Accordingly, Optionee hereby acknowledges that Optionee is prepared to hold the Purchased Shares for an indefinite period and that Optionee is aware that SEC Rule 144 issued under the 1933 Act which exempts certain resales of unrestricted securities is not presently available to exempt the resale of the Purchased Shares from the registration requirements of the 1933 Act.

2. **Representations and Warranties of Optionee.** Optionee hereby represents and warrants that:

(i) The Purchased Shares are being acquired for investment purposes only for the Optionee's own account, and not as a nominee or agent, and not with a view to the resale or distribution of all or any part of the Purchased Shares. Optionee is prepared to hold the Purchased Shares for an indefinite period and has no present intention of selling, granting any participation in, or otherwise distributing any of the Purchased Shares. Optionee does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant a participating interest in, any of the Purchased Shares.

(ii) Optionee has been furnished with, and has had access to, such information as he considers necessary or appropriate for deciding whether to invest in the Purchased Shares, and Optionee has had an opportunity to ask questions and receive answers from the Corporation regarding the terms and conditions of the issuance of the Purchased Shares.

(iii) Optionee is able to fend for him or herself in the transactions contemplated by this Agreement, can bear the economic risk of investment in the Purchased Shares and has such knowledge and experience in financial or business matters to be capable of evaluating the merits and risks of the investment in the Purchased Shares.

**3. Restrictions on Disposition of Purchased Shares.** Optionee shall make no disposition of the Purchased Shares — other than: (i) a gratuitous transfer of the Purchased Shares, provided, and only if, Optionee obtains the Corporation's prior written consent to such transfer, (ii) a transfer of title to the Purchased Shares effected pursuant to Optionee's will or the laws of intestate succession following Optionee's death or (iii) a transfer to the Corporation in pledge as security for any purchase-money indebtedness incurred by Optionee in connection with the acquisition of the Purchased Shares (as applicable, a "Permitted Transfer") — unless and until there is compliance with all of the following requirements:

(i) Optionee shall have provided the Corporation with a written summary of the terms and conditions of the proposed disposition.

(ii) Optionee shall have complied with all requirements of this Agreement applicable to the disposition of the Purchased Shares.

(iii) Optionee shall have provided the Corporation with written assurances (which may include an opinion of legal counsel), in form and substance satisfactory to the Corporation, that (a) the proposed disposition does not require registration of the Purchased Shares under the 1933 Act or (b) all appropriate action necessary for compliance with the registration requirements of the 1933 Act or any exemption from registration available under the 1933 Act (including Rule 144) has been taken.

The Corporation shall not be required (i) to transfer on its books any Purchased Shares which have been sold or transferred in violation of the provisions of this Agreement or (ii) to treat as the owner of the Purchased Shares, or otherwise to accord voting, dividend or liquidation rights

to, any transferee to whom the Purchased Shares have been transferred in contravention of this Agreement.

4. **Restrictive Legends.** The stock certificates for the Purchased Shares shall be endorsed with one or more of the following restrictive legends:

“The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or offered for sale in the absence of (a) an effective registration statement for the shares under such Act, (b) a “no action” letter of the Securities and Exchange Commission with respect to such sale or offer or (c) satisfactory assurances to the Corporation that registration under such Act is not required with respect to such sale or offer.”

“The shares represented by this certificate are subject to certain rights of first refusal granted to the Corporation and accordingly may not be sold, assigned, transferred, encumbered, or in any manner disposed of except in conformity with the terms of a written agreement dated \_\_\_\_\_, 200\_\_ between the Corporation and the registered holder of the shares (or the predecessor in interest to the shares). A copy of such agreement is maintained at the Corporation’s principal corporate offices.”

C. **TRANSFER RESTRICTIONS**

1. **Restriction on Transfer.** Purchased Shares shall not be transferred, assigned, encumbered or otherwise disposed of in contravention of the First Refusal Right or the Market Stand-Off.

2. **Transferee Obligations.** Each person (other than the Corporation) to whom the Purchased Shares are transferred by means of a Permitted Transfer must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Corporation that such person is bound by the provisions of this Agreement and that the transferred shares are subject to (1) the First Refusal Right and (ii) the Market Stand-Off, to the same extent such shares would be so subject if retained by Optionee.

3. **Market Stand-Off.**

(a) In connection with any underwritten public offering by the Corporation of its equity securities pursuant to an effective registration statement filed under the 1933 Act, including the Corporation’s initial public offering, owner shall not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to, any Purchased Shares without the prior written consent of the Corporation or its underwriters. Such restriction (the “Market Stand-Off”) shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by the Corporation or such underwriters. In no event, however, shall such period exceed one hundred eighty (180) days and the Market Stand-Off shall in all events terminate two (2) years after the effective date of the Corporation’s initial public offering.



(b) Owner shall be subject to the Market Stand-Off provided and only if the officers and directors of the Corporation are also subject to similar restrictions.

(c) Any new, substituted or additional securities that are distributed with respect to the Purchased Shares shall be immediately subject to the Market Stand-Off, to the same extent the Purchased Shares are at such time covered by such provisions.

(d) In order to enforce the Market Stand-Off, the Corporation may impose stop-transfer instructions with respect to the Purchased Shares until the end of the applicable stand-off period.

**D. RIGHT OF FIRST REFUSAL**

1. **Grant.** The Corporation is hereby granted the right of first refusal (the “First Refusal Right”), exercisable in connection with any proposed transfer of the Purchased Shares. For purposes of this Article D, the term “transfer” shall include any sale, assignment, pledge, encumbrance or other disposition of the Purchased Shares intended to be made, but shall not include any Permitted Transfer.

2. **Notice of Intended Disposition.** In the event any owner of vested Purchased Shares desires to accept a bona fide third-party offer for the transfer of any or all of such shares (the Purchased Shares subject to such offer to be hereinafter referred to as the “Target Shares”), such owner shall promptly (i) deliver to the Corporation written notice (the “Disposition Notice”) of the terms of the offer, including the purchase price and the identity of the third-party offeror, and (ii) provide satisfactory proof that the disposition of the Target Shares to such third-party offeror would not be in contravention of the provisions set forth in Articles B and C.

3. **Exercise of the First Refusal Right.** The Corporation shall, for a period of twenty five (25) days following receipt of the Disposition Notice, have the right to repurchase any or all of the Target Shares subject to the Disposition Notice upon the same terms as those specified therein. Such right shall be exercisable by delivery of written notice (the “Exercise Notice”) to the owner prior to the expiration of the twenty-five (25)-day exercise period. If such right is exercised with respect to all the Target Shares, then the Corporation shall effect the repurchase of such shares, including payment of the purchase price, not more than five (5) business days after delivery of the Exercise Notice; and at such time the certificates representing the Target Shares shall be delivered to the Corporation.

Should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Corporation shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If owner and the Corporation cannot agree on such cash value within ten (10) days after the Corporation’s receipt of the Disposition Notice, the valuation shall be made by an appraiser of recognized standing selected by owner and the Corporation or, if they cannot agree on an appraiser within twenty (20) days after the Corporation’s receipt of the Disposition Notice, each shall select an appraiser of recognized standing and the two (2) appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by owner and the Corporation. The closing shall then be held on the later of (i) the fifth (5th)

business day following delivery of the Exercise Notice or (ii) the fifth (5th) business day after such valuation shall have been made.

4. **Non-Exercise of the First Refusal Right**. In the event the Exercise Notice is not given to owner prior to the expiration of the twenty-five (25)-day exercise period, owner shall have a period of thirty (30) days thereafter in which to sell or otherwise dispose of the Target Shares to the third-party offeror identified in the Disposition Notice upon terms (including the purchase price) no more favorable to such third-party offeror than those specified in the Disposition Notice; provided, however, that any such sale or disposition must not be effected in contravention of the provisions of Articles B and C. The third-party offeror shall acquire the Target Shares free and clear of the First Refusal Right, but the acquired shares shall remain subject to the provisions of Article B and Paragraph C.3. In the event owner does not effect such sale or disposition of the Target Shares within the specified thirty (30)-day period, the First Refusal Right shall continue to be applicable to any subsequent disposition of the Target Shares by owner until such right lapses.

5. **Partial Exercise of the First Refusal Right**. In the event the Corporation makes a timely exercise of the First Refusal Right with respect to a portion, but not all, of the Target Shares specified in the Disposition Notice, the owner shall have the option, exercisable by written notice to the Corporation delivered within five (5) business days after the owner's receipt of the Exercise Notice, to effect the sale of the Target Shares pursuant to either of the following alternatives:

(i) sale or other disposition of all the Target Shares to the third-party offeror identified in the Disposition Notice, but in full compliance with the requirements of Paragraph D.4, as if the Corporation did not exercise the First Refusal Right; or

(ii) sale to the Corporation of the portion of the Target Shares which the Corporation has elected to purchase, such sale to be effected in conformity with the provisions of Paragraph D.3. The First Refusal Right shall continue to be applicable to any subsequent disposition of the remaining Target Shares until such right lapses.

The owner's failure to deliver timely notification to the Corporation shall be deemed to be an election by owner to sell the Target Shares pursuant to alternative (i) above.

6. **Scope**. Any new, substituted or additional securities or other property distributed for any reason with respect to the Purchased Shares shall be immediately subject to the First Refusal Right, but only to the extent the Purchased Shares are at the time covered by such right.

7. **Lapse**. The First Refusal Right shall lapse upon the earliest to occur of (i) the first date on which shares of the Common Stock are held of record by more than five hundred (500) persons, (ii) a determination is made by the Board that a public market exists for the outstanding shares of Common Stock or (iii) a firm commitment underwritten public offering, pursuant to an effective registration statement under the 1933 Act, covering the offer and sale of the Common Stock in the aggregate amount of at least twenty-five million dollars (\$25,000,000). However, the Market Stand-Off shall continue to remain in full force and effect following the lapse of the First Refusal Right.

E. **GENERAL PROVISIONS**

1. **Assignment**. The Corporation may assign the First Refusal Right to any person or entity, including (without limitation) one or more stockholders of the Corporation.

2. **No Employment or Service Contract**. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in service for any period of specific duration or interfere with or otherwise restrict rights, if any, of the Corporation (or any Affiliate) or of Optionee otherwise to terminate Optionee's service at any time for any reason, with or without cause.

3. **Notices**. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days advance written notice under this paragraph to all other parties to this Agreement.

4. **No Waiver**. The failure of the Corporation in any instance to exercise the First Refusal Right shall not constitute a waiver of any other rights of first refusal that may subsequently arise under the provisions of this Agreement or any other agreement between the Corporation and Optionee. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

5. **Cancellation of Shares**. If the Corporation shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Purchased Shares to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the person from whom such shares are to be repurchased shall no longer have any rights as a holder of such shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such shares shall be deemed purchased in accordance with the applicable provisions hereof, and the Corporation shall be deemed the owner and holder of such shares, whether or not the certificates therefor have been delivered as required by this Agreement.

F. **MISCELLANEOUS PROVISIONS**

1. **Optionee Undertaking**. Optionee hereby agrees to take whatever additional action and execute whatever additional documents the Corporation may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either Optionee or the Purchased Shares pursuant to the provisions of this Agreement.

2. **Agreement is Entire Contract**. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan.

3. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without resort to that State's conflict-of-laws rules requiring application of the law of another jurisdiction.

4. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

5. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon Optionee, Optionee's permitted assigns and the legal representatives, heirs and legatees of Optionee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first indicated above.

**ONCOLOGIC, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**OPTIONEE**

Address: \_\_\_\_\_  
\_\_\_\_\_

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**SPOUSAL ACKNOWLEDGEMENT**

The undersigned spouse of Optionee has read and hereby approves the foregoing Stock Purchase Agreement. In consideration of the Corporation's granting Optionee the right to acquire the Purchased Shares in accordance with the terms of such Agreement, the undersigned hereby agrees to be irrevocably bound by all the terms of such Agreement.

\_\_\_\_\_  
OPTIONEE'S SPOUSE

Address: \_\_\_\_\_  
\_\_\_\_\_

[Signature page for Oncologic, Inc. Spousal Acknowledgement for Stock Purchase Agreement – 1 of 1]

**TRITON BIOSYSTEMS, INC.**  
**2001 EQUITY INCENTIVE PLAN**

**SECTION 1. Purpose; Definitions.** The purposes of the Triton BioSystems, Inc. 2001 Equity Incentive Plan (the “Plan”) are to: (a) assist Triton BioSystems, Inc., a Delaware corporation (the “Company”), and its affiliated companies in recruiting and retaining highly qualified employees, directors and consultants; (b) provide those employees, directors and consultants with an incentive for productivity; and (c) provide those employees, directors and consultants with an opportunity to share in the growth and value of the Company.

For purposes of the Plan, the following initially capitalized words and phrases will be defined as set forth below, unless the context clearly requires a different meaning:

a. “Affiliate” means, with respect to a person or entity, a person that directly or indirectly controls, or is controlled by, or is under common control with such person or entity; *provided, however*, that a Newco, as defined herein, shall not be considered an Affiliate of the Company for purposes of this Plan.

b. “Award” means a grant of Options or Restricted Shares pursuant to the provisions of this Plan.

c. “Award Agreement” means, with respect to any particular Award, the written document that sets forth the terms of that particular Award.

d. “Board” means the Board of Directors of the Company, as constituted from time to time; *provided, however*, that if the Board appoints a Committee to perform some or all of the Board’s administrative functions hereunder pursuant to Section 2, references in this Plan to the “Board” will be deemed to also refer to that Committee in connection with administrative matters to be performed by that Committee.

e. “Cause” exists when the Participant (as determined by the Board of the Company, Newco or Affiliate for which the Participant then provides services, in its sole discretion):

(i) engages in any type of disloyalty to the Company, Newco or Affiliate for which the Participant then provides services, including without limitation, fraud, embezzlement, theft, or dishonesty in the course of his employment or engagement, or otherwise breaches any fiduciary duty owed to that company;

(ii) is convicted of a felony or a misdemeanor involving moral turpitude;

(iii) enters a plea of guilty or *nolo contendere* to a felony or a misdemeanor involving moral turpitude;

(iv) discloses any confidential, proprietary, business or technical information or trade secret of the Company, a Newco or an Affiliate; or

(v) breaches any agreement with or duty to the Company, Newco or Affiliate for which the Participant then provides services, including an agreement which prohibits competition with the Company, a Newco or an Affiliate, or the solicitation of any employees of the Company, a Newco or an Affiliate.

f. “Change in Control” means (i) the sale, transfer, assignment or other disposition (including by merger or consolidation, but excluding an underwritten public offering of the common stock of the Company) by stockholders of the Company, in one transaction or a series of related transactions, of more than fifty percent (50%) of the voting power represented by the then outstanding common stock of the Company to one or more Persons (other than to Persons who are shareholders of the Company on the date that this Plan is adopted by the Board, or to Affiliates of any such shareholders), (ii) the sale of substantially all the assets of the Company, or (iii) the liquidation or dissolution of the Company. Notwithstanding the foregoing, a transaction will not constitute a Change in Control if its

sole purpose is to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company's securities immediately before such transaction.

g. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

h. "Committee" will mean a committee appointed by the Board in accordance with Section 2 of this Plan.

i. "Director" means a member of the Board.

j. "Disability." means a disability which renders a Participant unable to perform the full extent of his duties and responsibilities to the Company, Newco or Affiliate for which he then provides services, by reason of his illness or incapacity which would entitle him to receive Social Security Income under the Social Security Act, as amended, and the regulations promulgated thereunder. "Disabled" will mean having a Disability. The determination of whether a Participant is Disabled will be made by the Board of the Company, Newco or Affiliate for which the Participant then provides services, and such determination will be conclusive; provided, however, that if a Participant is bound by the terms of an employment or consulting agreement between the Participant and that Company, whether the Participant is "Disabled" for purposes of the Plan will be determined in accordance with the procedures set forth in said employment agreement, if such procedures are therein provided.

k. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

l. "Fair Market Value" means, as of any date: (i) if the Shares are not listed or admitted to unlisted trading privileges on a nationally recognized stock exchange, the value of such Shares on that date, as determined by the Board in its sole and absolute discretion; or (ii) if the Shares are listed or admitted to unlisted trading privileges on a nationally recognized stock exchange, the closing price of the Shares as reported on the principal nationally recognized stock exchange on which the Shares are traded on such date, or if no Share prices are reported on such date, the closing price of the Shares on the next preceding date on which there were reported Share prices.

m. "Incentive Stock Option" means any Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

n. "Newco" means Elecon, Inc., Sensera, Inc. or Triton Systems, Inc.

o. "Non-Employee Director" will have the meaning set forth in Rule 16b-3(b)(3)(i) promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission; *provided, however*, that the Board or the Committee may, to the extent that it deems necessary to comply with Section 162(m) of the Code or regulations thereunder, require that each "Non-Employee Director" also be an "outside director" as that term is defined in regulations under Section 162(m).

p. "Non-Qualified Stock Option" means any Option that is not an Incentive Stock Option.

q. "Option" means any option to purchase Shares (including Restricted Shares, if the Committee so determines) granted pursuant to Section 5 hereof.

r. "Participant" means an individual to whom an Award is granted pursuant to the eligibility requirements of Section 4.

s. "Person" means an individual, partnership, corporation, limited liability company, trust, joint venture, unincorporated association, or other entity or association.



t. “Restricted Shares” means Shares that are subject to restrictions pursuant to Section 7 hereof.

u. “Share” means a share of the common stock of the Company, subject to substitution or adjustment as provided in Section 3(c) hereof.

v. “Subsidiary” means, in respect of the Company, a subsidiary company, whether now or hereafter existing, as defined in Sections 424(f) and (g) of the Code.

## **SECTION 2. Administration.**

The Plan will be administered by the Board; *provided, however*, that the Board may at any time appoint a Committee to perform some or all of the Board’s administrative functions hereunder; *and provided further*, that the authority of any Committee appointed pursuant to this Section 2 will be subject to such terms and conditions as the Board may prescribe and will be coextensive with, and not in lieu of, the authority of the Board hereunder.

Any Committee established under this Section 2 will be composed of not fewer than two members, each of whom will serve for such period of time as the Board determines; *provided, however*, that if the Company has a class of securities required to be registered under Section 12 of the Securities Exchange Act of 1934, all members of any Committee established pursuant to this Section 2 will be Non-Employee Directors. From time to time the Board may increase the size of the Committee and appoint additional members thereto, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

Members of the Board who are eligible for Awards or have received Awards may vote on any matters affecting the administration of the Plan or the grant of Awards, except that no such member will act upon the grant of an Award to himself or herself, but any such member may be counted in determining the existence of a quorum at any meeting of the Board during which action is taken with respect to the grant of Awards to himself or herself.

The Board will have full authority to grant Awards under this Plan. In particular, the Board will have the authority:

a. to select the persons to whom Awards may from time to time be granted hereunder (consistent with the eligibility conditions set forth in Section 4);

b. to determine the type of Award to be granted to any person hereunder;

c. to determine the number of Shares, if any, to be covered by each such Award;

d. to establish the terms and conditions of each Award Agreement;

e. to determine whether and under what circumstances an Option may be exercised without a payment of cash under Section 5(d); and

f. to determine whether, to what extent and under what circumstances Shares and other amounts payable with respect to an Award may be deferred either automatically or at the election of the Participant.

The Board will have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it, from time to time, deems advisable; to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement); to amend the terms of any Award Agreement, provided that the Participant consents to such amendment; and to otherwise supervise the administration of the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it deems necessary to carry out the intent of the Plan.

All decisions made by the Board pursuant to the provisions of the Plan will be final and binding on all persons, including the Company and Participants. No member of the Board will be liable for any good faith determination, act or omission in connection with the Plan or any Award.

### **SECTION 3. Shares Subject to the Plan.**

a. Shares Subject to the Plan. The Shares to be subject to Options or Restricted Shares under the Plan will be authorized and unissued Shares of the Company, whether or not previously issued and subsequently acquired by the Company. The maximum number of Shares that may be subject to Options or Restricted Shares under the Plan is 7,000,000 and the Company will reserve for the purposes of the Plan, out of its authorized and unissued Shares, such number of Shares. Notwithstanding the foregoing, no individual will receive, in any calendar year, Awards for more than an aggregate of 7,000,000 Shares.

b. Effect of the Expiration or Termination of Awards. If and to the extent that an Option expires, terminates or is canceled or forfeited for any reason without having been exercised in full, the Shares associated with that Option will again become available for grant under the Plan. Similarly, if and to the extent that any Restricted Share is canceled, repurchased or forfeited for any reason, that Share will again become available for grant under the Plan.

c. Other Adjustment. In the event of any merger, reorganization, consolidation, recapitalization, stock distribution or dividend, stock split or combination, or other change in entity structure affecting the Shares, substitutions or adjustments may be made to the aggregate number, type and issuer of the securities reserved for issuance under the Plan, in the number and exercise price of outstanding Options, as may be determined to be appropriate by the Board, in its sole and absolute discretion.

d. Change in Control. Notwithstanding anything to the contrary set forth in the Plan, upon or in anticipation of a Change in Control, the Board will, in its sole and absolute discretion, and contingent upon the occurrence of that Change in Control, take any one or more of the following actions with respect to each outstanding Award (whether or not vested or forfeitable, in the case of an Option or Restricted Shares): (i) cause an Option to become fully vested and immediately exercisable; (ii) cause Restricted Shares to become non-forfeitable; (iii) cancel an Option in exchange for an option to purchase common stock of any successor company; (iv) substitute Restricted Shares in exchange for restricted stock of any successor company; (v) cancel an Option in exchange for cash and/or other substitute consideration with a value equal to the difference between the Option exercise price and the Fair Market Value per Share on the date of such Change in Control; or (vi) redeem Restricted Shares in exchange for cash and/or other substitute consideration.

**SECTION 4. Eligibility.** Employees, directors, consultants, and other individuals who provide services to the Company, a Newco or any Affiliate are eligible to be granted awards under the Plan. Persons who are not employees of the Company or a Subsidiary are eligible to be granted Awards, but are not eligible to be granted Incentive Stock Options.

**SECTION 5. Options.** Options granted under the Plan may be of two types: (i) Incentive Stock Options or (ii) Non-Qualified Stock Options. Options may be granted alone or in addition to other Awards. Any Option granted under the Plan will be in such form as the Board may from time to time approve.

The Award Agreement evidencing any Option will incorporate the following terms and conditions and will contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Board deems appropriate in its sole and absolute discretion:

a. Option Price. The exercise price per Share purchasable under a Non-Qualified Stock Option will be determined by the Board. The exercise price per Share purchasable under an Incentive Stock Option will be not less than 100% of the Fair Market Value of the Share on the date of the grant. However, any Incentive Stock Option granted to any Participant who, at the time the Option is granted, owns more than 10% of the voting

power of all classes of shares of the Company or of a Subsidiary will have an exercise price per Share of not less than 110% of Fair Market Value per Share on the date of the grant.

b. Option Term. The term of each Option will be fixed by the Board, but no Option will be exercisable more than ten (10) years after the date the Option is granted. However, any Incentive Stock Option granted to any Participant who, at the time such Option is granted, owns more than 10% of the voting power of all classes of shares of the Company or of a Subsidiary may not have a term of more than five (5) years. No Option may be exercised by any person after expiration of the term of the Option.

c. Exercisability. Options will vest and be exercisable at such time or times and subject to such terms and conditions as determined by the Board at the time of grant. If the Board provides, in its discretion, that any Option is exercisable only in installments, the Board may waive such installment exercise provisions at any time at or after grant, in whole or in part, based on such factors as the Board determines, in its sole and absolute discretion.

d. Method of Exercise. Subject to the exercise provisions under Section 5(c) and the termination provisions set forth in Section 6, Options may be exercised in whole or in part at any time and from time to time during the term of the Option, by giving written notice of exercise to the Company specifying the number of Shares to be purchased.

(i) Such notice will be accompanied by payment in full of the purchase price, either by certified or bank check, or such other means as the Board may accept.

(ii) As determined by the Board, in its sole discretion, at or after grant, payment in full or in part of the exercise price of an Option may be made in the form of previously acquired Shares; *provided, however*, that, in the case of an Incentive Stock Option, the right to make a payment in the form of previously acquired Shares may be authorized only at the time the Option is granted.

(iii) If the Board determines that payment may be made in the form of previously acquired Shares, then, at the election of the Participant, the purchase price for any or all of the Shares to be acquired may be paid by: (A) surrender of Shares held by or for the account of the Participant with a Fair Market Value per Share, as of the exercise date, equal to the purchase price multiplied by the number of Shares to be purchased, or (B) the surrender of any exercisable but unexercised portion of the Option having an Option Spread (as defined below) equal to the purchase price multiplied by the number of Shares to be purchased. The "Option Spread" of a surrendered portion of the Option means, as of the exercise date, an amount equal to the excess of the total Fair Market Value of the Shares underlying the surrendered portion of the Option over the total exercise price of the Shares underlying the surrendered portion of the Option.

(iv) No Shares will be issued upon exercise of an Option until full payment therefor has been made. A Participant will not have the right to distributions or dividends or any other rights of a shareholder with respect to Shares subject to the Option until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate(s) evidencing the Shares that are being issued upon exercise of the Option.

e. Incentive Stock Option Limitations. In the case of an Incentive Stock Option, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year under the Plan and/or any other plan of the Company or any Subsidiary will not exceed \$100,000. For purposes of applying the foregoing limitation, Incentive Stock Options will be taken into account in the order granted. Any Option not meeting such limitation will be treated for all purposes as a Non-Qualified Stock Option.

f. Termination of Employment. Unless otherwise specified in the Award Agreement, Options will be subject to the terms of Section 6 with respect to exercise upon termination of employment.

**SECTION 6. Termination of Service.** Unless otherwise specified with respect to a particular Award, Options granted hereunder will remain exercisable after termination of service only to the extent specified in this Section 6; *provided, however*, that if the Participant's termination of service with the Company or a Newco is followed by his contiguous engagement by a Newco or the Company, such termination shall not be treated as a termination of service for purposes of this Section 6.

a. Termination by Reason of Death. If a Participant's service with the Company, a Newco or any Affiliate terminates by reason of death, any Option held by such Participant may thereafter be exercised, to the extent then exercisable or on such accelerated basis as the Board may determine, at or after grant, by the legal representative of the estate or by the legatee of the Participant under the will of the Participant, for a period expiring (i) at such time as may be specified by the Board at or after the time of grant, or (ii) if not specified by the Board, then one (1) year from the date of death, or (iii) if sooner than the applicable period specified under (i) or (ii) above, then upon the expiration of the stated term of such Option.

b. Termination by Reason of Disability. If a Participant's service with the Company, a Newco or any Affiliate terminates by reason of Disability, any Option held by such Participant may thereafter be exercised by the Participant or his personal representative, to the extent it was exercisable at the time of termination, or on such accelerated basis as the Board may determine at or after grant, for a period expiring (i) at such time as may be specified by the Board at or after the time of grant, or (ii) if not specified by the Board, then twelve (12) months from the date of termination of service, or (iii) if sooner than the applicable period specified under (i) or (ii) above, then upon the expiration of the stated term of such Option.

c. Cause. If a Participant's service with the Company, a Newco or any Affiliate is terminated for Cause: (i) any Option not already exercised will be immediately and automatically forfeited as of the date of such termination, and (ii) any Shares for which the Company has not yet delivered share certificates will be immediately and automatically forfeited and the Company will refund to the Participant the Option exercise price paid for such Shares, if any.

d. Other Termination. If a Participant's service with the Company, a Newco or any Affiliate terminates for any reason other than death, Disability or Cause, any Option held by such Participant may thereafter be exercised by the Participant, to the extent it was exercisable at the time of such termination, or on such accelerated basis as the Board may determine at or after grant, for a period expiring (i) at such time as may be specified by the Board at or after the time of grant, or (ii) if not specified by the Board, then 90 days from the date of termination of service, or (iii) if sooner than the applicable period specified under (i) or (ii) above, then upon the expiration of the stated term of such Option.

## **SECTION 7. Restricted Shares.**

a. Issuance. Restricted Shares may be issued either alone or in conjunction with other Awards. The Board will determine the time or times within which Restricted Shares may be subject to forfeiture, and all other conditions of such Awards.

b. Awards. The Award Agreement evidencing the grant of any Restricted Shares will contain such terms and conditions, not inconsistent with the terms of the Plan, as the Board deems appropriate in its sole and absolute discretion. The prospective recipient of an Award of Restricted Shares will not have any rights with respect to such Award, unless and until such recipient has executed an Award Agreement and has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such Award. The purchase price for Restricted Shares may, but need not, be zero.

c. Certificates. A share certificate will be issued in connection with each Award of Restricted Shares. Such certificate will be registered on the Company's books in the name of the Participant receiving the Award, and will bear the following legend as well as any other legend required by this Plan, the Award Agreement, the Company's shareholders' agreement, or by applicable law:

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE TRITON BIOSYSTEMS, INC. 2001 EQUITY INCENTIVE PLAN AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND TRITON BIOSYSTEMS, INC. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE IN THE PRINCIPAL OFFICES OF TRITON BIOSYSTEMS, INC. AND WILL BE MADE AVAILABLE TO ANY SHAREHOLDER WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE COMPANY.

Share certificates evidencing Restricted Shares be held in custody by the Company or in escrow by an Escrow Agent until the restrictions thereon have lapsed, and that, as a condition of any Restricted Share Award, the Participant deliver to the Company a share power, endorsed in blank, relating to the Shares covered by such Award.

d. Restrictions and Conditions. The Restricted Shares awarded pursuant to this Section 7 will be subject to the following restrictions and conditions:

(i) During a period commencing with the date of grant of an Award of Restricted Shares and ending at such time or times as specified by the Board (the "Restriction Period"), the Participant will not be permitted to sell, transfer, pledge, assign or otherwise encumber Restricted Shares awarded under the Plan. The Board may condition the lapse restrictions on Restricted Shares upon the continued employment or service of the recipient with the Company, a Newco or an Affiliate, the attainment of specified individual or corporate performance goals, or such other factors as the Board may determine, in its sole and absolute discretion.

(ii) Prior to the expiration of the Restriction Period, the Participant will not be entitled to receive any cash distributions or dividends paid with respect to Restricted Shares and will not be entitled to vote such Restricted Shares. A Participant will be entitled to receive any distributions or dividends paid in the form of securities with respect to Restricted Shares, but such securities will be subject to the same terms and conditions as the Restricted Shares with respect to which they were paid, including, without limitation, the same Restriction Period.

(iii) Subject to the applicable provisions of the Award Agreement, if a Participant's service with the Company, Newco or Affiliate terminates prior to the expiration of the Restriction Period for reasons other than death or Disability, all of that Participant's Restricted Shares which then remain subject to forfeiture will be forfeited.

(iv) Upon the death or Disability of a Participant during the Restriction Period:

(A) restrictions based on continued employment or service with the Company, a Newco or an Affiliate will lapse with respect to a percentage of the Restricted Shares granted to the Participant that is equal to the percentage of the Restriction Period that has elapsed as of the date of death or the date on which such Disability commenced (as determined by the Board of the Company, Newco or Affiliate for which the Participant then provided services, in its sole discretion), and

(B) restrictions based on individual or corporate performance will lapse to the extent determined by the Board in its sole discretion.

(v) In the event of hardship or other special circumstances of a Participant whose service with the Company, Newco or Affiliate is involuntarily terminated (other than for Cause), the Board may, in its sole discretion, waive in whole or in part any or all remaining restrictions with respect to such Participant's Restricted Shares, based on such factors as the Board may deem appropriate.

(vi) If and when the Restriction Period expires without a prior forfeiture of the Restricted Shares subject to such Restriction Period (or if and when the restrictions applicable to Restricted Shares

lapse pursuant to Sections 3(d), 7(d)(iv) or 7(d)(v)), the certificates for such Shares will be replaced with new certificates, without the restrictive legend described in Section 7(c), and such new certificates will be promptly delivered to the Participant, the Participant's representative (if the Participant has suffered a Disability), or the Participant's estate or heir (if the Participant has died).

(vii) Notwithstanding the foregoing, if the Participant's termination of service with the Company or a Newco is followed by his contiguous engagement by a Newco or the Company, such termination shall not be treated as a termination of service for purposes of this Section 7.

**SECTION 8. Amendments and Termination.** The Board may amend, alter or discontinue the Plan at any time, but, except as otherwise provided in Section 3(d) of the Plan, no amendment, alteration or discontinuation will be made which would impair the rights of a Participant with respect to an Award that is outstanding under the Plan, without the Participant's consent, or which, without the approval of such amendment by the Company's shareholders (pursuant to its by-laws and the Delaware General Corporation Law) within one year (365 days) of its adoption by the Board, would: (i) increase the total number of Shares reserved for the purposes of the Plan (except as otherwise provided in Section 3(c)), or (ii) change the persons or class of persons eligible to receive Awards.

**SECTION 9. Unfunded Status of Plan.** The Plan is intended to be "unfunded." With respect to any payments not yet made to a Participant by the Company, nothing contained herein will give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Board may authorize the creation of grantor trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or payments in lieu of Shares or with respect to other Awards hereunder.

**SECTION 10. General Provisions.**

a. The Board may require each Participant to represent to and agree with the Company in writing that the Participant is acquiring securities of the Company for investment purposes and without a view to distribution thereof and as to such other matters as the Board believes are appropriate. The certificate evidencing any Award and any securities issued pursuant thereto may include any legend which the Board deems appropriate to reflect any restrictions on transfer and compliance with securities laws.

All certificates for Shares or other securities delivered under the Plan will be subject to such share-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Securities Act of 1933, as amended, the Exchange Act, any stock exchange upon which the Shares are then listed, and any other applicable Federal or state securities laws, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

b. Nothing contained in the Plan will prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

c. Neither the Company's adoption of the Plan nor the granting of an Award hereunder will confer upon any employee of the Company, a Newco or an Affiliate the right to continued employment or engagement, nor will it interfere in any way with the right of that company to terminate the employment of any of its employees at any time.

d. No later than the date as of which an amount first becomes includible in the gross income of the Participant for Federal income tax purposes with respect to any Award under the Plan, the Participant will pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Board, the minimum required withholding obligations may be settled with Shares, including Shares that are part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan will be

conditioned on such payment or arrangements and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

e. The Board will establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of the Participant's death are to be paid.

f. Except as may otherwise be specifically determined by the Board with respect to a particular Award, no Award will be transferable by the Participant otherwise than by will or by the laws of descent and distribution, and all Awards will be exercisable, during the Participant's lifetime, only by the Participant or, in the event of his Disability, by his personal representative.

**SECTION 11. Effective Date of Plan.** This Plan will become effective on the date that it is approved by a majority of the votes cast at a duly held shareholder meeting at which a quorum representing a majority of Company's outstanding voting shares is present, either in person or by proxy.

**SECTION 12. Term of Plan.** This Plan will continue in effect until terminated in accordance with Section 8; *provided, however*, that no Incentive Stock Option will be granted hereunder on or after the tenth (10th) anniversary of the date of shareholder approval of the Plan; *but provided further*, that Incentive Stock Options granted prior to such tenth anniversary may extend beyond that date.

**SECTION 13. Invalid Provisions.** In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability will not be construed as rendering any other provisions contained herein as invalid or unenforceable, and all such other provisions will be given full force and effect to the same extent as though the invalid or unenforceable provision was not contained herein.

**SECTION 14. Governing Law.** This Plan and all Awards granted hereunder will be governed by and construed in accordance with the laws and judicial decisions of the State of Delaware, without regard to the application of the principles of conflicts of laws.

**SECTION 15. Board Action.** Notwithstanding anything to the contrary set forth in this Plan, any and all actions of the Board or Committee, as the case may be, taken under or in connection with this Plan and any agreements, instruments, documents, certificates or other writings entered into, executed, granted, issued and/or delivered pursuant to the terms hereof, will be subject to and limited by any and all votes, consents, approvals, waivers or other actions of all or certain stockholders of the Company or other persons required by:

a. the Company's governing documents (as the same may be amended and/or restated from time to time); and

b. any other agreement, instrument, document or writing now or hereafter existing, between or among the Company and its stockholders or other persons (as the same may be amended from time to time).

**SECTION 16. Notices.** Any notice to be given to the Company pursuant to the provisions of the Plan shall be addressed to the Company in care of its Secretary (or such other person as the Company may designate from time to time) at its principal executive office, and any notice to be given to a Participant shall be delivered personally or addressed to him or her at the address given beneath his or her signature on his or her Award Agreement, or at such other address as such Participant may hereafter designate in writing to the Company. Any such notice shall be deemed duly given on the date and at the time delivered via personal, courier or recognized overnight delivery service or, if sent via telecopier, on the date and at the time telecopied with confirmation of delivery or, if mailed, on the date five (5) days after the date of the mailing (which shall be by regular, registered or certified mail). Delivery of a notice by telecopy (with confirmation) shall be permitted and shall be considered delivery of a notice notwithstanding that it is not an original that is received.

ADOPTION AND APPROVAL OF PLAN

Date Plan adopted by Board: March 23, 2001

Date Plan approved by Shareholders: March 23, 2001

Effective Date of Plan: March 23, 2001



**NON-QUALIFIED STOCK OPTION AGREEMENT  
UNDER THE  
TRITON BIOSYSTEMS, INC. 2001 EQUITY INCENTIVE PLAN**

Triton BioSystems, Inc. (the "Company"), hereby grants to \_\_\_\_\_ (the "Optionee") an option to purchase \_\_\_\_\_ shares of the Company's common stock (the "Option"). The Option is subject to the terms set forth herein, and in all respects is subject to the terms and provisions of the Triton BioSystems, Inc. 2001 Equity Incentive Plan (the "Plan") applicable to non-qualified stock options, which terms and provisions are incorporated herein by this reference. Except as otherwise specified herein or unless the context requires otherwise, the terms defined in the Plan shall have the same meanings when used herein.

**1. Nature of the Option.** The Option is intended to be a non-qualified stock option, and is not intended to be an incentive stock option described by Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or otherwise to qualify for any special tax benefits to the Optionee.

**2. Date of Grant; Term of Option.** The grant of this Option is effective as of \_\_\_\_\_, 20\_\_ (the "Effective Date"). This Option may not be exercised later than the date that is ten (10) years after the Effective Date, subject to earlier termination or cancellation, as provided in the Plan or Section 6 hereof.

**3. Option Exercise Price.** The total cost to the Optionee to purchase, pursuant to this Option Agreement, one Share is\_\_\_\_\_.

**4. Exercise of Option.** The Option shall be exercisable during its term only in accordance with the terms and provisions of the Plan and this Option Agreement, as follows:

**(a) Right to Exercise.** This Option shall vest and become exercisable as follows:

**(i)** [The Option shall vest and become exercisable with respect to \_\_\_\_\_ of the Shares subject hereto ("Option Shares") on the first anniversary of the Effective Date.

**(ii)** The Option shall vest and become exercisable with respect to an additional \_\_\_\_\_ of the Option Shares on the second anniversary of the Effective Date.

**(iii)** The Option shall vest and become exercisable with respect to an additional \_\_\_\_\_ of the Option Shares on the third anniversary of the Effective Date.

**(iv)** The Option shall vest and become exercisable with respect to an additional \_\_\_\_\_ of the Option Shares on the fourth anniversary of the Effective Date.]

Notwithstanding the foregoing, upon or in anticipation of a Change in Control, the Board will take such actions as are authorized under Section 3(d) of the Plan.

**(b) Method of Exercise.** The Optionee may exercise the Option by providing written notice stating the election to exercise this Option, and the Company may require making such representations and agreements as to the Optionee's investment intent with respect to the Option Shares as hereunder or pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company or such other person as may be designated by the Company. The written notice shall be accompanied by payment of the purchase price in the manner described in Section 4(c), by any other agreements required by the terms of the Plan, and a Stock Purchase and Restriction Agreement that will restrict the sale or other transfer of the Option Shares, that may include rights of the Company to repurchase the Option Shares upon the occurrence of certain events and that will include such other terms as reasonably determined by the Board in its sole discretion (the "Stock Purchase and Restriction Agreement"). The Optionee will have no right to receive dividends and will have no other rights as a shareholder with respect to such Option Shares notwithstanding the exercise of the Option, until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate(s) evidencing the Option Shares that are being issued upon exercise of the Option. The Company will issue (or cause to be issued) such share certificates promptly following the exercise of the Option. The certificate(s) for the Shares as to which the Option shall be exercised shall be registered in the name of the Optionee and shall contain such legends as may be required by the Board, the Committee, the terms of the Plan or the Stock Purchase and Restriction Agreement, and/or by applicable law.

**(c) Method of Payment.** The method of payment of the purchase price shall be determined by the Board or the Committee as follows:

**(i) Cash Payment.** The Optionee shall make cash payments by wire transfer, certified check or bank check, in each case payable to the order of the Company.

**(ii) Cashless Payment.** At the election of the Optionee, the purchase price for any or all of the Shares to be acquired may be paid by: (1) surrender of Shares held by or for the account of the Optionee with a Fair Market Value per Share, as of the exercise date, equal to the purchase price multiplied by the number of Shares to be purchased, or (2) the surrender of any exercisable but unexercised portion of the Option having an Option Spread (as defined below) equal to the purchase price multiplied by the number of Shares to be purchased. The "Option Spread" of a surrendered portion of the Option means, as of the exercise date, an amount equal to the excess of the total Fair Market Value of the Shares underlying the surrendered portion of the Option over the total exercise price of the Shares underlying the surrendered portion of the Option.

**(d) Partial Exercise.** The Option may be exercised in whole or in part; *provided, however*, that any exercise may apply only with respect to a whole number of Option Shares.

**(e) Restrictions on Exercise.** This Option may not be exercised if the issuance of the Shares upon such exercise would constitute a violation of any applicable federal or state securities laws or other laws or regulations. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation or warranty to the Company as may be required by or advisable under any applicable law or regulation.

**5. Restrictions on Transfer of Option Shares.** Any Option Shares acquired hereunder shall be subject to the terms and conditions of the Stock Purchase and Restriction Agreement.

**6. Termination of Service.**

**(a) General.** Except as otherwise set forth in this Section 6 or in Section 7 hereof, Options granted hereunder will remain exercisable after termination of service for the term set forth in Section 2 hereof.

**(b) Upon Death.** If the Optionee dies, this Option will remain exercisable for (1) year after the date of death by the Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but, in any case, only to the extent the Optionee was entitled to exercise this Option at the date of such death. To the extent that the Option was not exercisable at the date of death, or to the extent the Option is not exercised within the time specified herein, the Option will terminate.

**7. Forfeiture of Option and Option Stock.** Notwithstanding any other provision of this Option, the Option shall become nonexercisable and shall be forfeited if the Optionee's service with the Company, a Newco or Affiliate is terminated for Cause, or if the Board of Directors of the applicable Company, Newco or Affiliate in its sole discretion determines that the Optionee has, at any time that the Option is otherwise exercisable in whole or in part, (i) disclosed any confidential, proprietary, business or technical information or trade secret of such Company, Newco or Affiliate, or (ii) has breached any agreement then in force between the Optionee and such Company, Newco or Affiliate, including an agreement which prohibits competition with or the solicitation of any employees of such entity. In the event of such a determination or termination for Cause, in addition to the immediate forfeiture of all unexercised Options, the Optionee shall forfeit all Option Shares for which the Company has not yet delivered Share certificates to the Optionee and the Company shall refund to the Optionee the Option price paid to it, if any, in the same form as it was paid (or in cash at the Company's discretion).

**8. Non-Transferability of Option.** This Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent or distribution. During the Optionee's lifetime, this Option is exercisable only by the Optionee. Subject to the foregoing

and the terms of the Plan, the terms of this Option shall be binding upon the executors, administrators and heirs of the Optionee.

**9. No Continuation of Service.** Neither the Plan nor this Option shall confer upon any Optionee the right to continue in the service of the Company, a Newco or an Affiliate, or limit, in any respect, the right of that company to discharge the Optionee at any time, with or without Cause, and with or without notice.

**10. Withholding.** The Company reserves the right to withhold, in accordance with any applicable laws, from any consideration payable or property transferable to Optionee any taxes required to be withheld by federal, state or local law as a result of the grant or exercise of this Option or the sale or other disposition of the Shares issued upon exercise of this Option. If the amount of any consideration payable to the Optionee is insufficient to pay such taxes or if no consideration is payable to the Optionee, upon the request of the Company, the Optionee (or such other person entitled to exercise the Option pursuant to Section 6 hereof) shall pay to the Company an amount sufficient for the Company to satisfy any federal, state or local tax withholding requirements it may incur, as a result of the grant or exercise of this Option or the sale or other disposition of the Shares issued upon the exercise of this Option.

**11. The Plan.** This Option is subject to, and the Company and the Optionee agree to be bound by, all of the terms and conditions of the Plan, as amended from time to time. Pursuant to the Plan, the Board or the Committee is authorized to adopt rules and regulations not inconsistent with the Plan as it shall deem appropriate. The Optionee acknowledges receipt of a copy of the Plan, a copy of which is attached hereto, and represents that Optionee has read and is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan.

**12. Entire Agreement.** This Option Agreement, together with the Plan, the Stock Purchase and Restriction Agreement and any exhibits attached thereto or hereto, represent the entire agreement between the parties.

**13. Governing Law.** This Option Agreement shall be construed in accordance with the laws of the State of Delaware, without regard to the application of the principles of conflicts of laws.

**14. Amendment.** Subject to the provisions of the Plan, this Option Agreement may only be amended by a writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the Company has caused its duly authorized officers to execute and attest this instrument as of the       day of \_\_\_\_\_ 20\_\_.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**THIS OPTION AND THE SECURITIES WHICH MAY BE PURCHASED UPON EXERCISE OF THIS OPTION HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES HAVE NOT BEEN ACQUIRED WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, ASSIGNED, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR DISPOSED OF, BY GIFT OR OTHERWISE, OR IN ANY WAY ENCUMBERED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS, OR A SATISFACTORY OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT AND UNDER APPLICABLE STATE SECURITIES LAWS.**

**THE SHARES WHICH MAY BE PURCHASED UPON EXERCISE OF THIS OPTION ARE SUBJECT TO REPURCHASE AND RESTRICTIONS ON TRANSFER AND MAY NOT BE SOLD, EXCHANGED, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH AND SUBJECT TO ALL THE TERMS AND CONDITIONS OF A STOCK PURCHASE AND RESTRICTION AGREEMENT WHICH THE OPTIONEE IS REQUIRED TO EXECUTE AS A CONDITION TO THE EXERCISE OF THIS OPTION.**

**ACKNOWLEDGMENT**

The Optionee acknowledges receipt of the Option Agreement and the Plan, a copy of which is attached hereto, and represents that he or she has read and is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors or the Committee upon any questions arising under the Plan.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Optionee

\_\_\_\_\_  
Name of Optionee

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip Code

**ADURO BIOTECH**  
**STOCK INCENTIVE PLAN**

**1. Purpose of the Plan.** The purpose of this Aduro BioTech Stock Incentive Plan is to offer certain Employees, Officers, Non-Employee Directors, and Consultants the opportunity to acquire a proprietary interest in the Company. Through the Plan, the Company and its Affiliates seek to attract, motivate, and retain highly competent persons. The success of the Company and its Affiliates is dependent upon the efforts of these persons. The Plan provides for the grant of options and awards to purchase Common Stock. An option granted under the Plan may be a Non-Statutory Stock Option or an Incentive Stock Option, as determined by the Administrator.

**2. Definitions.** As used herein, the following definitions shall apply.

“Administrator” shall mean the Board or any one of the Committees.

“Affiliate” shall mean any entity that would be considered an “eligible issuer of service recipient stock” for purposes of Section 409A of the Code, as determined pursuant to the Treasury Regulations promulgated thereunder (or any successor guidance) by applying, to the extent necessary to qualify such entity as an eligible issuer of service recipient stock, the 50 percent ownership threshold described in Section 1.409A-1(b)(5)(iii)(E) of the Treasury Regulations.

“Award” shall mean an Option or a Stock Purchase Award.

“Board” shall mean the Board of Directors of the Company.

“California Securities Law” shall mean the California Corporate Securities Law of 1968, as amended, and the regulations promulgated thereunder.

“Cause” shall have the meaning provided for in the Participant’s written employment or service agreement with the Company. If the Participant’s employment or service agreement does not define this term or if the Participant does not have an employment or service agreement, then “Cause” shall mean: (i) Participant’s conviction of, or plea of nolo contendere to, any felony or to any crime or offense causing substantial harm to the Company or its Affiliates or involving acts of theft, fraud, embezzlement, moral turpitude or similar conduct; (ii) Participant’s repeated intoxication by alcohol or drugs during the performance of Participant’s duties in a manner that materially and adversely affects Participant’s performance of such duties; (iii) malfeasance in the conduct of Participant’s duties, including, but not limited to (A) willful and intentional misuse or diversion of funds of the Company or its Affiliates, (B) embezzlement, (C) fraudulent or willful and material misrepresentations or concealments on any written reports submitted to the Company or its Affiliates, or (D) any unauthorized use or disclosure of any confidential information or trade secrets of the Company or any Affiliate; (iv) Participant’s material violation of any provision of an agreement between Participant and the Company; or (v) Participant’s material failure to perform the duties of Participant’s employment or engagement or

material failure to follow or comply with the reasonable and lawful written directives of the Board or CEO of the Company or with the written employment policies of the Company. Cause shall be determined by the Administrator in its sole discretion.

“Change in Control” shall mean: (i) the consummation of the acquisition by any entity, person, or group (other than the Company, an Affiliate, or an employee benefit plan maintained by the Company or any Affiliate) of beneficial ownership of the capital stock of the Company representing more than 50% of the outstanding voting stock of the Company; or (ii) the consummation of a transaction requiring stockholder approval for the acquisition of the Company by the purchase of stock or assets, or by merger, or otherwise.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committee” shall mean a committee appointed by the Board.

“Common Stock” shall mean the voting common stock of the Company.

“Company” shall mean Aduro BioTech, a California corporation.

“Consultant” shall mean any natural person who performs bona fide services for the Company or an Affiliate as a consultant or advisor, excluding Employees and Non-Employee Directors; provided, however, that such services must not be in connection with the offer or sale of securities in a capital raising transaction, and such person does not directly or indirectly promote or maintain a market for the Company’s securities.

“Date of Grant” shall mean the effective date as of which the Administrator grants an Option to an Optionee or a Stock Purchase Award to a Purchaser.

“Disability” shall mean permanent and total disability as defined in Section 22(e)(3) of the Code, or, if required by applicable law, the inability in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant’s position with the Company or an Affiliate because of the physical or mental impairment of the Participant.

“Employee” shall mean a common-law employee of the Company or an Affiliate.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Exercise Price” shall mean the price to purchase a share of Optioned Stock upon exercise of an Option.

“Fair Market Value” shall mean, as of any date, the fair market value of Common Stock, as determined by the Administrator. Such determination shall be conclusive and binding on all persons.

“Immediate Family” shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law and shall include adoptive relationships.



“Incentive Stock Option” shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

“Non-Employee Director” shall mean a non-employee member of the Board.

“Non-Statutory Stock Option” shall mean an Option not intended to qualify as an Incentive Stock Option.

“Note” shall mean a full recourse note, with a market rate of interest which in any event shall not be less than the Applicable Federal Rate.

“Notice of Stock Option Grant” shall mean the notice delivered by the Company to the Optionee evidencing the grant of an Option.

“Officer” shall mean a non-Employee officer of the Company or an Affiliate.

“Option” shall mean a stock option granted pursuant to the Plan.

“Option Agreement” shall mean a written agreement that evidences an Option in such form as the Administrator shall approve from time to time.

“Optioned Stock” shall mean the Common Stock subject to an Option.

“Optionee” shall mean any person who receives an Option.

“Parent” shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, each of which (other than the Company) owns at least 50% of the total combined voting power of all classes of stock in one of the other corporations in such chain, as provided in Section 424(e) of the Code and the regulations promulgated thereunder.

“Participant” shall mean an Optionee or a Purchaser.

“Person” shall be construed broadly and shall include, without limitation, an individual, a partnership, an investment fund, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, and a governmental entity or any department, agency or political subdivision thereof.

“Plan” shall mean the Aduro BioTech Stock Incentive Plan, as amended from time to time.

“Purchase Price” shall mean the purchase price of a share of Purchased Stock.

“Purchased Stock” shall mean the Shares subject to a Stock Purchase Agreement.

“Purchaser” shall mean any person who receives a Stock Purchase Award.

“Related Corporation” shall mean any Parent or Subsidiary.

“Restricted Stock” shall mean Common Stock that is subject to a Right of Repurchase.

“Right of Repurchase” shall mean the Company’s right (not obligation) to repurchase Common Stock in accordance with Section 8.

“Section 280G Approval” shall mean the separate approval by stockholders owning more than 75% of the voting power of all outstanding stock of the Company immediately before a Change in Control (not including Optionees), which approval shall be obtained in compliance with the requirements of Code Section 280G(b)(5)(B), as amended, including any successor thereof, and the regulations promulgated thereunder, as determined by the Administrator in its sole discretion.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Service” shall mean the performance of services for the Company (or any Affiliate) by an Employee, Officer, Non-Employee Director, or Consultant, as determined by the Administrator in its sole discretion. Service shall not be considered interrupted in the case of: (i) a change of status (e.g., from Employee to Consultant); (ii) transfers between locations of the Company or between the Company and any Affiliate; or (iii) a leave of absence approved by the Company or an Affiliate. A leave of absence approved by the Company or an Affiliate shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company or an Affiliate.

“Service Provider” shall mean an Employee, Officer, Non-Employee Director, or Consultant.

“Share” shall mean a share of Common Stock.

“Stock Purchase Agreement” shall mean a written agreement that evidences a Stock Purchase Award in such form as the Administrator shall approve from time to time.

“Stock Purchase Award” shall mean an award granted pursuant to the Plan that entitles the Purchaser to purchase Restricted Stock at the applicable Purchase Price.

“Stock Restriction Agreement” shall mean a written agreement evidencing such restrictions on the transfer of Shares acquired by exercise of an Award, and the rights of the Company with respect to such Shares, as the Administrator may determine in its sole discretion, in such form as the Administrator may approve from time to time.

“Subsidiary” shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, each of which (other than the last one in the chain) owns at least 50% of the total combined voting power of all classes of stock in one of the other corporations in such chain, as provided in Section 424(f) of the Code and the regulations promulgated thereunder.

“Taxes” shall mean the federal, state, and local income and employment tax liabilities and any other tax liabilities incurred by the Participant in connection with his or her Awards.

“Ten-Percent Stockholder” shall mean the owner of stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Related Corporation.

“Termination Date” shall mean the date on which a Participant’s Service terminates, as determined by the Administrator in its sole discretion.

### **3. Administration of the Plan.**

3.1 Initial Plan Administration. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

3.2 Plan Procedure after the Date, if any, upon which the Company becomes subject to the Exchange Act. The Plan shall be administered by (a) the Board, or (b) a Committee, which Committee shall be constituted to satisfy applicable laws, including such regulatory requirements as may be established from time to time under any applicable law. In addition, different Committees may administer the Plan with respect to different groups of Service Providers.

3.3 Powers of the Administrator. Subject to the provisions of the Plan and in the case of specific duties delegated by the Administrator, and subject to the approval of relevant authorities, including the approval, if required, of any stock exchange or national market system upon which the Common Stock is then listed, the Administrator shall have the authority, in its sole discretion:

- (a) To determine the Fair Market Value of the Common Stock;
- (b) To select the Service Providers to whom Awards may, from time to time, be granted under the Plan;
- (c) To determine whether and to what extent Awards are granted under the Plan;
- (d) To determine the number of Shares that are covered by an Award;
- (e) To approve the terms of the Option Agreement and Stock Purchase Agreement;

(f) To determine the terms and conditions, consistent with the terms of the Plan, of any Award. Such terms and conditions may include, but are not limited to, the Exercise Price, Purchase Price, the status of an Option (Non-Statutory Stock Option or Incentive Stock Option), the time or times when Awards may be exercised, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding the Award or the Shares relating

thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(g) To determine the method of payment of the Exercise Price and Purchase Price;

(h) To delegate to others responsibilities to assist in administering the Plan;

(i) To construe and interpret the terms of the Plan, Option Agreements, Stock Purchase Agreements, and any other documents related to the Awards;

(j) To amend any outstanding award or agreement related to any Optioned Stock or Restricted Stock, provided that no amendment shall be made that would materially and adversely affect the rights of any Participant without his or her consent; and

(k) To adopt rules and procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and practice, including rules and procedures regarding the conversion of local currency, withholding procedures and handling of stock certificates which vary with local requirements, and adoption of sub-plans and Plan addenda as the Administrator deems desirable, to accommodate foreign laws, regulations and practice.

3.4 Effect of Administrator's Decision. All decisions, determinations, and interpretations of the Administrator shall be final and binding on all Participants and any other holders of any Awards. The Administrator's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants whether or not such Participants are similarly situated.

3.5 Liability. No member of the Board or Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Board or Committee for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Board or Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power the Company may have to indemnify them or hold them harmless.

#### **4. Stock Subject To the Plan.**

4.1 Limitations. Subject to the adjustments provided for in Section 9 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan through Awards is 1,640,955 Shares. Notwithstanding the foregoing, the maximum aggregate number of Shares that may be issued under the Plan through Incentive Stock Options is 1,640,955 Shares, subject to the adjustments provided for in Section 9 of the Plan.

4.2 Shares. Upon payment in Shares pursuant to the exercise of an Award, the number of Shares available for issuance under the Plan shall be reduced only by the number of Shares actually issued in such payment. If any outstanding Award expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Award shall again be available for the purposes of the Plan. If Shares issued under the Plan are reacquired by the Company at their original purchase price, such Shares shall again be available for the purposes of the Plan. Notwithstanding the foregoing, Shares issued under the Plan that are reacquired by the Company at their original purchase price shall not be available for the purposes of the Incentive Stock Option limitation provided for in Section 4.1.

5. Eligibility. The persons eligible to participate in the Plan shall be limited to Employees, Officers, Non-Employee Directors, and Consultants who have the potential to advance the long-term success of the Company or its Affiliates and who have been selected by the Administrator to participate in the Plan.

6. Option Terms. Each Option shall be evidenced by a Notice of Stock Option Grant and an Option Agreement, in the form approved by the Administrator and may contain such provisions as the Administrator deems appropriate; provided, however, that each Option Agreement shall comply with the terms specified below. In addition, each Option Agreement evidencing an Incentive Stock Option shall be subject to Section 7.

6.1 Exercise Price.

(a) The Exercise Price of an Option shall be determined by the Administrator but shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant of such Option.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator and, subject to any conditions or limitations established by the Administrator, may consist entirely of (1) cash, (2) check, (3) tender (either by surrender or attestation) of previously acquired Shares, (4) Note, (5) consideration received by the Company under a broker assisted sale and remittance program acceptable to the Administrator, (6) cashless exercise, (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by applicable laws, or (8) any combination of the foregoing methods of payment.

6.2 Vesting. Any Option granted hereunder shall be exercisable and shall vest at such times and under such conditions as determined by the Administrator and set forth in the Notice of Stock Option Grant and Option Agreement. An Option may not be exercised for a fraction of a Share.

6.3 Term of Options. No Option shall have a term in excess of 10 years measured from the Date of Grant of such Option.

6.4 Procedure for Exercise. An Option shall be deemed exercised when the person entitled to exercise the Option has given written notice of such exercise to the Administrator in accordance with the terms of the Option Agreement, the Administrator has received full payment of the applicable Exercise Price for the Share being exercised, and the Optionee has satisfied any

applicable tax withholding requirements pursuant to Section 11. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 6.1(b).

#### 6.5 Effect of Termination of Service.

(a) Termination of Service. Upon termination of an Optionee's Service, other than due to death, Disability, or Cause, the Optionee may exercise his or her Option, but only on or before the date that is three months (or such other period provided for in the Option Agreement, provided that to the extent the grant of such Option requires qualification under or exemption from California Securities Law, such period is not less than 30 days) following the Optionee's Termination Date, and only to the extent that the Optionee was entitled to exercise such Option on the Termination Date (but in no event later than the expiration of the term of such Option, as set forth in the Notice of Stock Option Grant or the Option Agreement). If, on the Termination Date, the Optionee is not entitled to exercise the Optionee's entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination of Service, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Optioned Stock shall revert to the Plan.

(b) Disability of Optionee. Upon termination of an Optionee's Service due to his or her Disability, the Optionee may exercise his or her Option, but only on or before the date that is 12 months (or such other period provided for in the Option Agreement, provided that to the extent the grant of such Option requires qualification under or exemption from California Securities Law, such period is not less than six months) following the Termination Date, and only to the extent that the Optionee was entitled to exercise such Option on the Termination Date (but in no event later than the expiration date of the term of his or her Option, as set forth in the Notice of Stock Option Grant or the Option Agreement). To the extent the Optionee is not entitled to exercise the Option on the Termination Date, or if the Optionee does not exercise the Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Optioned Stock shall revert to the Plan.

(c) Death of Optionee. If an Optionee should die while in Service, the Optionee's Option may be exercised by the Optionee's estate or by a person who has acquired the right to exercise the Option by bequest or inheritance, but only on or before the date that is 12 months (or such other period provided for in the Option Agreement, provided that to the extent the grant of such Option requires qualification under or exemption from California Securities Law, such period is not less than six months) following the date of death, and only to the extent that the Optionee was entitled to exercise the Option at the date of death (but in no event later than the expiration date of the term of his or her Option, as set forth in the Notice of Stock Option Grant or the Option Agreement). If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Optioned Stock shall revert to the Plan.

(d) Cause. Upon termination of an Optionee's Service due to Cause, all of the Optionee's Options, whether vested or unvested, shall terminate on the Termination Date.

6.6 Stockholder Rights. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date precedes the date of issuance of the stock certificate, except as provided in Section 9.

6.7 Repurchase Rights. Shares purchased upon exercise of an Option shall be subject to such Company repurchase rights as the Administrator shall deem appropriate. These repurchase rights shall be set forth in the Option Agreement and the Stock Restriction Agreement attached to the Option Agreement.

6.8 Non-transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will, by the laws of descent and distribution, to a revocable trust, or as permitted under Rule 701 of the Securities Act, and may be exercised during the lifetime of the Optionee only by the Optionee. Notwithstanding the foregoing, the Administrator, in its sole discretion, may allow an Optionee to (a) transfer his or her Option to a trust where under Section 671 of the Code and other applicable laws, the Optionee is considered the sole beneficial owner of the Option while it is held in the trust; or (b) gift his or her Non-Statutory Stock Option to a member of the Optionee's Immediate Family, or to an inter vivos or testamentary trust in which members of the Optionee's Immediate Family have a beneficial interest of more than 50% and that provides that such Non-Statutory Stock Option is to be transferred to the beneficiaries upon the Optionee's death.

#### 6.9 Change in Control.

(a) Except as otherwise provided for in the Optionee's Option Agreement, and subject to Subsection (b), in the event of a Change in Control the Company and the buyer or successor corporation, if any, may agree to provide for (without the Optionee's consent):

(1) The full exercisability of all Options that are outstanding on the date immediately preceding the Change in Control date and full vesting of the Shares subject to such Options, followed by the termination of the Plan and cancellation of such Options effective as of the Change in Control date, provided that the Administrator shall notify the Optionees of their Options' exercisability at least three days before the Change in Control date so that the Optionees can decide whether to exercise their Options on or before or, if appropriate, contingent upon, the Change in Control;

(2) The termination of the Plan and cancellation of all outstanding Options effective as of the Change in Control without the payment of any consideration; provided, however, that the Administrator shall notify the Optionees of their Options' cancellation at least three days before the date of the Change in Control so that the Optionees can exercise those Options that are otherwise exercisable before they are cancelled;

(3) The assumption of the Plan and all outstanding Options the successor corporation or its parent;

(4) The substitution by the surviving corporation or its parent of options in the successor corporation or its parent with substantially the same terms (as determined by the Administrator in its sole discretion, which determination shall be binding and conclusive) for the outstanding Options;

(5) The settlement of the full value of all outstanding Options (whether or not then exercisable), determined as the number of Shares to which the Option relates multiplied by the difference between the Fair Market Value of a Share on the Change in Control date and the Option's Exercise Price, followed by the cancellation of such Options and termination of the Plan; or

(6) The settlement of the full value of all outstanding Options exercisable as of the Change in Control date, determined as the number of vested Shares that the Optionee would have received had he or she exercised the Option multiplied by the difference between the Fair Market Value of a Share on the Change in Control date and the Option's Exercise Price, followed by the cancellation of such Options and termination of the Plan. For purposes of the foregoing, an Optionee shall be deemed vested in a Share if such Share is not subject to the Company's right to repurchase at its Exercise Price.

(b) Notwithstanding the foregoing, unless Section 280G Approval has been obtained, no acceleration of exercisability shall occur under Subsection (a) to the extent that such acceleration would, after taking into account any other payments in the nature of compensation to which the Optionee would have a right to receive from the Company and any other Person contingent upon the occurrence of such Change in Control, result in a "parachute payment" as defined in Section 280G(b)(2) of the Code.

(c) The outstanding Options shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

**7. Incentive Stock Options.** The terms specified below shall be applicable to all Incentive Stock Options, and these terms shall supersede any conflicting terms in Section 6 as to such Incentive Stock Options. This Section shall not apply to Options that are specifically designated as Non-Statutory Stock Options when issued under the Plan.

7.1 Eligibility. Incentive Stock Options may be granted only to Employees of the Company or a Related Corporation.

7.2 Exercise Price. The Exercise Price of an Incentive Stock Option shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant of such Option, except as otherwise provided in Section 7.4.

7.3 Dollar Limitation. In the case of an Incentive Stock Option, the aggregate Fair Market Value of the Optioned Stock (determined as of the Date of Grant of each Option) with respect to Options granted to any Employee under the Plan (or any other option plan of the



Company or any Related Corporation) that may for the first time become exercisable as Incentive Stock Options during any one calendar year shall not exceed the sum of \$100,000. An Incentive Stock Option is considered to be first exercisable during a calendar year if the Incentive Stock Option will become exercisable at any time during the year, assuming that any condition on the Optionee's ability to exercise the Incentive Stock Option related to the performance of services is satisfied. If the Optionee's ability to exercise the Incentive Stock Option in the year is subject to an acceleration provision, then the Incentive Stock Option is considered first exercisable in the calendar year in which the acceleration provision is triggered. To the extent the Employee holds two or more Options that become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such Options as Incentive Stock Options shall be applied based on the order in which such Options are granted. However, because an acceleration provision is not taken into account before its triggering, an Incentive Stock Option that becomes exercisable for the first time during a calendar year by operation of such provision does not affect the application of the \$100,000 limitation with respect to any Incentive Stock Option exercised before such acceleration. Any Options in excess of this limitation shall automatically be treated as Non-Statutory Stock Options.

7.4 Ten-Percent Stockholder. If any Employee to whom an Incentive Stock Option is granted is a Ten-Percent Stockholder, then the Exercise Price shall not be less than 110% of the Fair Market Value of a Share on the Date of Grant of such Option, and the Option term shall not exceed five years measured from the Date of Grant of such Option.

7.5 Change in Status. If an Optionee changes status from Employee to Consultant, to Officer or to Non-Employee Director, an Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Non-Statutory Stock Option three months and one day following such change of status.

7.6 Approved Leave of Absence. For purposes of Incentive Stock Options, no leave of absence may exceed three months, unless reemployment upon expiration of such leave is provided by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company or a Related Corporation is not so provided by statute or contract, an Optionee's employment with the Company shall be deemed terminated on the first day immediately following such three month period of leave for Incentive Stock Option purposes.

**8. Stock Purchase Awards**. Each Stock Purchase Award shall be evidenced by a Stock Purchase Agreement, in the form approved by the Administrator and may contain such provisions as the Administrator deems appropriate; provided, however, that each Stock Purchase Agreement shall comply with the terms specified below.

8.1 Purchase Price.

(a) The Purchase Price of a Stock Purchase Award shall be determined by the Administrator.

(b) The consideration to be paid for the Shares to be issued upon exercise of a Stock Purchase Award, including the method of payment, shall be determined by the Administrator and may consist entirely of (1) cash, (2) check, (3) tender (either by surrender or

attestation) of previously acquired Shares, (4) Note (provided the Purchaser is not a Consultant), or (5) any combination of the foregoing methods of payment.

8.2 Purchase Period. A Stock Purchase Award shall automatically expire on the earlier of (a) the 30th day following the Date of Grant of such Stock Purchase Award, or (b) the date on which the Company terminates the Purchaser's Service for Cause.

8.3 Procedure for Exercise. A Stock Purchase Award shall be deemed exercised when the person entitled to exercise the Stock Purchase Award has given written notice of such exercise to the Administrator in accordance with the terms of the Stock Purchase Agreement, has delivered to the Administrator full payment of the applicable Purchase Price (if any) for the Shares being purchased, and has satisfied any applicable tax withholding obligation pursuant to Section 11. Full payment may consist of any consideration and method of payment allowable under Section 8.1(b), as the Administrator may authorize in its discretion.

8.4 Rights as a Stockholder. Upon exercise of a Stock Purchase Award, the Purchaser shall have the rights of a stockholder with respect to the voting of the Purchased Stock, subject to the conditions contained in the Stock Purchase Agreement.

8.5 Dividends. The Stock Purchase Agreement may require or permit the immediate payment of dividends paid on Restricted Stock.

8.6 Non-transferability of Stock Purchase Award. Stock Purchase Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will, by the laws of descent and distribution, to a revocable trust, or as permitted under Rule 701 of the Securities Act, and may be exercised, during the lifetime of the Purchaser, only by the Purchaser.

8.7 Right of Repurchase.

(a) General Rule. Shares issued upon exercise of a Stock Purchase Award shall initially be subject to the Company's right (not obligation) of repurchase such Shares at their Purchase Price. The Right of Repurchase shall be set forth in the Stock Purchase Agreement, and shall comply with the terms specified below.

(b) Lapse of Right of Repurchase. The Right of Repurchase shall lapse as the Purchaser vests in the Purchased Stock. The Purchaser shall vest in the Purchased Stock at such times and under such conditions as determined by the Administrator and set forth in the Stock Purchase Agreement.

(c) Non-transferability of Restricted Stock. The Purchaser may not sell, pledge, assign, hypothecate, transfer, or dispose of the Shares while they are subject to the Right of Repurchase.

(d) Change in Control. Except as otherwise provided for in the Purchaser's Stock Purchase Agreement, and subject to Subsection (6), in the event of a Change in Control the Company and the successor corporation, if any, may agree (without the Purchaser's consent):

(1) To repurchase the Restricted Stock at its Purchase Price;

(2) That the Restricted Stock shall remain outstanding and the successor corporation or its parent will assume the Right of Repurchase;

(3) To exchange the Restricted Stock for comparable restricted stock in the successor corporation or its parent (the determination of comparability shall be made by the Administrator in its sole discretion, and its determination shall be binding and conclusive);

(4) To vest the Purchaser in the Restricted Stock; or

(5) To repurchase the Restricted Stock at the Fair Market Value of the Shares on the date of the Change in Control.

(6) Notwithstanding the foregoing, unless Section 280G Approval has been obtained, no acceleration in vesting or repurchase shall occur under this Subsection to the extent that such acceleration or repurchase would, after taking into account any other payments in the nature of compensation to which the Purchaser would have a right to receive from the Company and any other Person contingent upon the occurrence of such Change in Control, result in a “parachute payment” as defined in Section 280G(b)(2) of the Code.

## **9. Adjustments upon Changes in Capitalization.**

### **9.1 Changes in Capitalization.**

(a) If any change in the outstanding Common Stock subject to the Plan, or underlying any Award, results from any stock dividend, stock split, reverse stock split, combination, consolidation, spin-off, rights offering, reorganization, recapitalization, merger, exchange of Shares, distribution to stockholders of Common Stock (other than regular cash dividends), or any other capital adjustment or transaction similar to the foregoing effected without receipt of consideration by the Company, then (A) the limitations set forth in Section 4, (B) the number, kind and class of Shares covered by the Plan and/or each outstanding Award, (C) the exercise price, purchase price, or other price per Share subject to each outstanding Award, and (D) any other affected terms of the Plan and/or outstanding Awards, shall be proportionally and equitably adjusted to prevent dilution or enlargement of benefits or potential benefits under the Plan and/or outstanding Awards.

(b) The Administrator shall make such adjustment or substitution in such manner as it may deem equitable and appropriate, subject to compliance with applicable laws. Any determination, substitution or adjustment made by the Administrator under this Section shall be conclusive and binding on all persons. Except as expressly provided herein, neither the Company’s issuance of shares of stock of any class or securities convertible into shares of stock of any class, nor the conversion of any convertible securities of the Company, shall be treated as a transaction requiring any substitution or adjustment under this Section.

**10. Escrow/Legends.** Unvested Shares issued under the Plan, in the Administrator’s discretion, may be held in escrow by the Company until the Participant’s interest in such Shares

vests, or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested Shares.

#### **11. Tax Withholding.**

11.1 The Company's obligation to deliver Shares upon the exercise of an Option or deliver Shares or remove any restrictive legends upon vesting of such Shares under the Plan shall be subject to and conditioned upon the satisfaction of all applicable federal, state, and local income and employment tax withholding requirements and any other tax withholding requirements. The Participant shall satisfy the tax withholding requirements pursuant to the method or methods selected by the Administrator.

11.2 In addition to any other method selected by the Administrator, the Administrator may, in its discretion, provide any or all holders of Non-Statutory Stock Options or unvested Shares under the Plan with the right to use previously vested Shares in satisfaction of all or part of the Taxes incurred by such holders in connection with the exercise of their Options or the vesting of their Shares; provided, however, that this form of payment shall be limited to the withholding amount calculated using the minimum statutory rates. Such right may be provided to any such holder in either or both of the following formats:

(a) Stock Withholding: The election to have the Company withhold, from the Shares otherwise issuable upon the exercise of such Non-Statutory Stock Option or the vesting of such Shares, a portion of those Shares with an aggregate Fair Market Value equal to the Taxes calculated using the minimum statutory withholding rates interpreted in accordance with applicable accounting requirements.

(b) Stock Delivery: The election to deliver to the Company, at the time the Non-Statutory Stock Option is exercised or the Shares vest, one or more Shares previously acquired by such holder (other than in connection with the Option exercise or Share vesting triggering the Taxes) with an aggregate Fair Market Value equal to the Taxes calculated using the minimum statutory withholding rates interpreted in accordance with applicable accounting requirements.

**12. Effective Date and Term of the Plan.** Subject to Section 17, the Plan shall become effective as of October 22, 2009, the date of its adoption by the Board. Awards may be granted immediately thereafter, provided that no Shares may be issued under the Plan until it is approved by the stockholders of the Company as provided under Section 17. Unless the Administrator terminates the Plan sooner, the Plan shall continue until the day before the tenth anniversary of the earlier of (a) the Board's adoption of the Plan, or (b) the date on which the stockholders of the Company approved the Plan. Notwithstanding any provision in the Plan to the contrary, no Awards may be granted under the Plan after the earliest to occur of (i) its termination by the Board prior to the expiration of the Plan's term as set forth in this Section 12, or (ii) the tenth anniversary of the earlier of (A) the Board's adoption of the Plan, or (B) the date on which the stockholders of the Company approved the Plan.

**13. Time of Granting Awards.** The Date of Grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination to grant such Award, or such other

date as determined by the Administrator; provided, however, that any Award granted before the date on which the Plan is approved by the Company's stockholders shall be subject to the stockholders' approval of the Plan. Notice of the grant shall be given to each Service Provider to whom an Award is so granted within a reasonable period after the date of such grant.

**14. Amendment and Termination of the Plan.** The Board may at any time amend, alter, suspend, or discontinue the Plan or any Award, but no amendment, alteration, suspension, or discontinuation shall be made that would materially impair the rights that the Participant had earned by the time of the amendment, alteration, suspension, or discontinuation without his or her consent. In addition, to the extent necessary and desirable to comply with all applicable laws or the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

**15. Regulatory Approvals.**

15.1 The implementation of the Plan, the granting of any Awards, and the issuance of any Shares upon the exercise of any granted Award are subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards granted under it, and the Shares issued pursuant to it.

15.2 No Shares or other assets may be issued or delivered under the Plan until there has been compliance with all applicable laws.

**16. No Employment/Service Rights.** Nothing in the Plan shall confer upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Affiliate employing or retaining such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

**17. Stockholder Approval.** The Plan is subject to approval by the stockholders of the Company within 12 months before or after the date the Board adopts the Plan. Such stockholder approval shall be obtained in the degree and manner required under all applicable laws. In the event the Company's stockholders do not approve the Plan in accordance with this Section 17, all the Awards granted under the Plan shall be forfeited without consideration.

**18. Market Standoff.** In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Participant shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Plan without the prior written consent of the Company or its underwriters. Such restriction (the "Market Standoff") shall be in effect for such period following the date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed 180 days. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without

receipt of consideration, any new, substituted or additional securities that are by reason of such transaction distributed with respect to any Shares subject to the Market Standoff, or into which such Shares thereby become convertible, shall immediately be subject to the Market Standoff. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Plan until the end of the applicable standoff period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Section. This Section shall not apply to Shares registered in the public offering under the Securities Act.

**19. Stock Restriction Agreement.** Notwithstanding any other provision of this Plan, the Administrator may condition the initial exercise of an Award on the Participant and his or her spouse, if applicable, entering into a Stock Restriction Agreement. The certificates evidencing the Shares issued to the Participant pursuant to this Plan shall bear the legend required by the Stock Restriction Agreement. This provision may be waived by the Company in writing and shall terminate if and when the Common Stock becomes publicly traded.

**20. Section 409A.** Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted hereunder are intended to comply with the requirements of Section 409A of the Code, and shall be interpreted in a manner consistent with that intention.

**21. Governing Law.** This Plan shall be governed by California law, applied without regard to conflict of law principles.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has executed this Plan.

Approved by Shareholders  
October 15, 2009

ADURO BIOTECH, INC.

Adopted by the Board  
October 22, 2009

By: /s/ S. David Model  
S. David Model  
Its: Treasurer

**ADURO BIOTECH  
STOCK INCENTIVE PLAN**

**STOCK OPTION AGREEMENT**

1. Definitions. Unless otherwise defined herein, the terms defined in the Aduro BioTech Stock Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement.

2. Grant of Option. Pursuant to the terms and conditions set forth in the Notice of Stock Option Grant attached hereto, this Agreement, and the Plan, Aduro BioTech (the “Company”) grants to the optionee named in the Notice of Stock Option Grant (“Optionee”) on the date of grant set forth in the Notice of Stock Option Grant (“Date of Grant”) the option to purchase, at the exercise price set forth in the Notice of Stock Option Grant (“Exercise Price”), the number of Shares set forth in the Notice of Stock Option Grant. This option is intended to be an Incentive Stock Option or a Non-Statutory Stock Option, as provided in the Notice of Stock Option Grant.

3. Exercise of Option. Subject to the other conditions set forth in this Agreement, all or part of this option may be exercised before its expiration or termination at the time or times set forth in the Notice of Stock Option Grant; provided, however, the Optionee shall cease vesting in this option on the Optionee’s Termination Date. In addition, in the event of a Change in Control before the Optionee’s Termination Date, this option shall be subject to Section 6.9 of the Plan. Notwithstanding anything herein to the contrary, this option may not be exercised until the stockholders of the Company have approved the Plan in accordance with Section 17 of the Plan. If the stockholders of the Company do not approve the Plan within the 12 months provided for in Section 17 of the Plan, then this option shall terminate as of the end of such 12-month period without consideration.

4. Term of Option. This option shall terminate, and all rights to purchase Shares hereunder shall cease, on the expiration date stated in the Notice of Stock Option Grant, or pursuant to the termination period set forth in the Notice of Stock Option Grant if sooner.

5. Non-Transferability of Option. This option shall be non-transferable by the Optionee other than by will or by the laws of descent and distribution, or to a revocable trust, and shall be exercisable during the lifetime of the Optionee only by the Optionee, or if this is a Non-Statutory Stock Option, also by the Optionee’s guardian or legal representative. After the death of the Optionee, this option may be exercised before its termination by the Optionee’s legal representative, heir, or legatee, to the extent permitted in the Plan. Upon any attempt to sell, transfer, assign, pledge, hypothecate, or otherwise dispose of this option (a “Transfer”), or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment, or similar process upon the rights and privileges conferred hereby, this option and the rights and privileges conferred hereby shall immediately be nullified. Until written notice of any permitted passage of rights under this option has been received by the Secretary of the Company, the Company, for all purposes, may regard the Optionee as the holder of this option.

6. Method of Exercise. The rights granted under this Agreement may be exercised by the Optionee, or by the person or persons to whom the Optionee's rights under this Agreement shall have passed under the provisions of Section 5 hereof, by delivering to the Company in care of its Secretary at the Company's principal office, written notice of the number of Shares with respect to which the rights are being exercised, accompanied by this Agreement for appropriate endorsement by the Company, such investment letter as may be required by Section 13, executed Stock Restriction Agreement described in Section 7, payment of the Exercise Price, satisfaction of all tax withholding obligations, and such other representations and agreements as may be required by the Administrator. The Exercise Price may be paid in (i) cash; (ii) check; (iii) if approved by the Administrator, other Shares having a Fair Market Value on the date of surrender or attestation equal to the aggregate Exercise Price; (iv) consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator; (v) if approved by the Administrator, the Company's retention of so many of the Shares that would otherwise have been delivered upon exercise of the Option as have a Fair Market Value on the exercise date equal to the aggregate Exercise Price of all Shares as to which the Option is being exercised, in which case the Option shall be surrendered and cancelled as to such Shares; or (vi) any combination of the foregoing methods of payment.

7. Stock Restriction Agreement. Notwithstanding any other provision of this Agreement to the contrary, the initial exercise of this option shall be conditioned upon the execution and delivery by the Optionee and, if applicable, his or her spouse, of a Stock Restriction Agreement (in the form attached hereto as Exhibit A). The certificates evidencing the Shares issued to the Optionee hereunder shall bear the legend required by the Stock Restriction Agreement. This provision may be waived by the Company in writing and shall terminate when the Common Stock becomes publicly traded.

8. Regulatory Compliance. The issue and sale of Common Stock pursuant to this Agreement shall be subject to full compliance with all then applicable requirements of law and the requirements of any stock exchange or interdealer quotation system upon which the Common Stock may be listed or traded.

9. Legends. The certificates evidencing the Common Stock issued upon exercise of this option, if any, shall bear the following legend, if applicable, at the time of exercise:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT OR SUCH LAWS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

10. Modification and Termination. The rights of the Optionee are subject to modification and termination in certain events, as provided in the Plan.

11. Withholding Tax. As a condition to the exercise of this option, the Optionee shall make such arrangements as the Administrator may require for the satisfaction of any federal,



state, and local income and employment tax withholding requirements and any other tax withholding requirements that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Administrator may require for the satisfaction of any federal, state, and local income and employment tax withholding requirements and any other tax withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this option. The Optionee shall pay to the Company an amount equal to the withholding amount (or the Company may withhold such amount from the Optionee's salary) in cash or check. At the Administrator's election, the Optionee may pay the withholding amount with Shares (including previously vested Optioned Stock) or by the Company's withholding Shares that otherwise would be issued to the Optionee pursuant to exercise of the Option, provided that payment in Shares shall be limited to the withholding amount calculated using the minimum statutory withholding rates interpreted in accordance with applicable accounting requirements; or by consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator.

12. Holder of Shares. Neither the Optionee nor the Optionee's legal representative, legatee, or distributee shall be or be deemed a holder of any Shares subject to this option unless and until such Shares have been issued (as evidenced by the appropriate entry on the books of the books of the Company or of the Company's duly authorized transfer agent) and such person has been issued a certificate or certificates therefor. No adjustment will be made for dividends or other rights for which the record date precedes the date such stock certificate or certificates are so issued.

13. Investment Covenant. The Optionee represents and agrees that if the Optionee exercises this option in whole or in part at a time when there is not in effect under the Securities Act, a registration statement relating to the Shares issuable upon exercise hereof and there is not available for delivery a prospectus meeting the requirements of Section 10(a)(3) of such Act, (i) the Optionee will acquire the Shares upon such exercise for the purpose of investment and not with a view to the distribution thereof; (ii) if requested by the Company, upon such exercise of this option, the Optionee will furnish to the Company an investment letter in form acceptable to it; (iii) if requested by the Company, before selling or offering for sale any such Shares, the Optionee will furnish the Company with an opinion of counsel satisfactory to it to the effect that such sale may lawfully be made and will furnish it with such certificates as to factual matters as it may reasonably request; and (iv) certificates representing such shares may be marked with an appropriate legend describing such conditions precedent to sale or transfer. Any person or persons entitled to exercise this option under the provision of Section 5 hereof shall furnish to the Company letters, opinions, and certificates to the same effect as would otherwise be required of the Optionee.

14. Nondisclosure. The grant and terms of this option are confidential and may not be disclosed by Optionee to any other person, including other employees of the Company and other participants in the Plan, without the express written consent of the Company's President. Notwithstanding the foregoing, the Optionee may disclose the grant and terms of this option to the Optionee's family member, financial advisor, and attorney. Any breach of this provision will be deemed a material breach of this Agreement.

15. Governing Law. This Agreement shall be governed by and interpreted in accordance with the internal laws of the State of California.

16. Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their legal representatives, heirs, and permitted successors and assigns.

17. Plan. This Agreement is subject to all of the terms and provisions of the Plan, receipt of a copy of which is hereby acknowledged by the Optionee. The Optionee further acknowledges receipt of a copy of the Stock Restriction Agreement. The Optionee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Administrator upon any questions arising under the Plan, this Agreement, and Notice of Stock Option Grant.

18. Rights to Future Employment. This option does not confer upon the Optionee any right to continue in the Service of the Company or any Affiliate, nor does it limit the right of the Company to terminate the Service of the Optionee at any time.

19. Market Standoff. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters. Such restriction (the "Market Standoff") shall be in effect for such period following the date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed 180 days. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization, or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted, or additional securities that are by reason of such transaction distributed with respect to any Shares subject to the Market Standoff, or into which such Shares thereby become convertible, shall immediately be subject to the Market Standoff. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Section. This Section shall not apply to Shares registered in the public offering under the Securities Act.

20. Entire Agreement. The Notice of Stock Option Grant, this Agreement, the Plan, and the Stock Restriction Agreement constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations, or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

**ADURO BIOTECH, INC.  
STOCK INCENTIVE PLAN**

**NOTICE OF STOCK OPTION GRANT**

(Time Based Vesting)

You have been granted the following option to purchase common stock of Aduro BioTech, Inc. (the “**Company**”). **The terms and conditions of the option are set forth in this Notice of Stock Option Grant, in the attached Stock Option Agreement and in the Aduro BioTech Stock Incentive Plan. This Notice of Stock Option Grant is incorporated into and a part of the attached Stock Option Agreement (together, the “Agreement”).**

Name of Optionee:

Total Number of Shares: (“Optioned Stock”)

Type of Option:

- ☐ Non-Statutory Stock Option
- ☐ Incentive Stock Option

Date of Grant:

\_\_\_\_\_

Vesting Commencement Date:

\_\_\_\_\_

Date Exercisable:

\_\_\_\_\_

Exercise Price per Share:

\_\_\_\_\_

Termination Period:

If the optionee ceases to be a Service Provider for a reason other than Cause (as determined by the Administrator), this option will terminate on the earliest of the following: (i) the Expiration Date set forth below, (ii) three months after the optionee’s Termination Date for any reason other than death or Disability, (iii) 12 months after the optionee’s Termination Date for Disability, (iv) 12 months after the optionee’s death, or (v) if the optionee’s Service is terminated for Cause, the optionee’s Termination Date. In no event may this option be exercised after the Expiration Date.

Expiration Date:

By your signature and the signature of the Company’s representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of this Notice of Stock Option Grant, the Stock Option Agreement, and the Aduro BioTech Stock Incentive Plan, all of which are attached to and made a part of this document.

Dated:

OPTIONEE

ADURO BIOTECH, INC.

Signature

By:

Print Name

Its:

Social Security Number

**ADURO BIOTECH, INC. - NOTICE OF EXERCISE OF STOCK OPTION BY OPTIONEE**

Aduro BioTech, Inc.  
626 Bancroft Way, #3C  
Berkeley, CA 94710-2224  
Attention: Secretary

Re: Exercise of Stock Option to Purchase Shares of Company Stock (the "Option")

\_\_\_\_\_  
[PRINT NAME OF OPTIONEE]

Pursuant to the Notice of Stock Option Grant with a Date of Grant of \_\_\_\_\_, \_\_ and its Stock Option Agreement (collectively, the "Agreement") between Aduro BioTech, Inc., a Delaware corporation, (the "Company") and me, made pursuant to the Aduro BioTech, Inc. Stock Incentive Plan (the "Plan"), I hereby request to purchase \_\_\_\_\_ Shares (whole number only and must be not less than one-hundred Shares or the remaining number of vested Shares subject to this Option) of common stock of the Company (the "Shares"), at the exercise price per Share specified in the Agreement. The exercise of the Option will be treated as the exercise of a Non-Statutory Stock Option except to the extent that the Option is specified as an Incentive Stock Option ("ISO") in the Agreement and it still qualifies as an ISO at the time of exercise (and in such case will accordingly be treated as an ISO to such extent). I am hereby making full payment of the aggregate exercise price in accordance with the below form(s) of payment. I understand that the Shares certificate for this Option exercise will be issued and registered in my name. As a condition of this Option exercise, I further understand and agree that I shall timely satisfy any and all applicable tax withholding obligations and shall also timely execute and deliver to the Company any documentation required by the Company in accordance with the Plan or Agreement.

<u>Percentage of Payment</u>	<u>Form of Payment As Provided In the Agreement</u>
%	Cash/My Personal Check/Cashier's Check/Money Order (payable to Aduro BioTech, Inc.). If none of the below have been approved by the Plan Administrator then 100% of the exercise price must be paid by this alternative.
%	If approved by Plan Administrator, Company retention of Shares subject to this Option exercise (with retained Shares valued at Fair Market Value on date of Option exercise).
%	If approved by Plan Administrator, surrender of vested Shares (with surrendered Shares valued at Fair Market Value on date of Option exercise).
100%	

I acknowledge that I have received, understand and continue to be bound by all of the terms and conditions set forth in the Plan and in the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Optionee's Signature)

\_\_\_\_\_  
(Full Address)

**\*THIS NOTICE OF EXERCISE FORM MAY BE REVISED BY THE COMPANY AT ANY TIME WITHOUT NOTICE.**

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the “**Agreement**”) is made and entered into as of \_\_\_\_\_ between Aduro BioTech, Inc., a Delaware corporation (the “**Company**”), and \_\_\_\_\_ (“**Indemnitee**”).

WITNESSETH THAT:

**WHEREAS**, highly competent persons have become more reluctant to serve corporations as directors and officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

**WHEREAS**, the Board of Directors of the Company (the “**Board**”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The By-laws and Certificate of Incorporation of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (“**DGCL**”). The By-laws and Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

**WHEREAS**, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

**WHEREAS**, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

**WHEREAS**, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

**WHEREAS**, this Agreement is a supplement to and in furtherance of the By-laws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnatee thereunder;

**WHEREAS**, Indemnatee does not regard the protection available under the Company's By-laws and Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer and/or director without adequate protection, and the Company desires Indemnatee to serve in such capacity. Indemnatee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified; and

**WHEREAS**, Indemnatee may be a representative of or affiliated with a venture capital fund (together with any affiliated venture capital funds and the general partners, managing members or other control persons and/or any affiliated management companies, the "**VC Funds**," and each, individually, a "**VC Fund**"), and, if so, has certain rights to indemnification and/or insurance provided by the VC Funds, which Indemnatee and the VC Fund intend to be secondary to the primary obligation of the Company to indemnify Indemnatee as provided herein, with the Company's acknowledgement and agreement to the foregoing being a material condition to Indemnatee's willingness to serve on the Board.

**NOW, THEREFORE**, in consideration of Indemnatee's agreement to serve as an officer and/or director from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnatee. The Company hereby agrees to hold harmless and indemnify Indemnatee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnatee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of such person's Corporate Status (as hereinafter defined), the Indemnatee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnatee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person, or on such person's behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnatee acted in good faith and in a manner the Indemnatee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnatee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. Indemnatee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of such person's Corporate Status, the Indemnatee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnatee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnatee, or on the Indemnatee's behalf, in connection with such Proceeding if the Indemnatee

acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; *provided, however*, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

## 2. Additional Indemnity.

(a) Indemnification of Indemnitee. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

(b) Indemnification of Venture Capital Funds. If (i) Indemnitee is or was a representative of or affiliated with one or more VC Funds that has invested in the Company, (ii) the VC Fund is, or is threatened to be made, a party to or a participant in any Fund Proceeding (as hereinafter defined), and (iii) the VC Fund's involvement in the Fund Proceeding arises out of facts or circumstances that are the same or substantially similar to the facts and circumstances that form the basis of claims that have been or could be brought against the Indemnitee in a Proceeding, regardless of whether the legal basis of the claims against the Indemnitee and the VC Fund are the same or similar, then the VC Fund shall be entitled to all of the indemnification rights and remedies under this Agreement pursuant to this Agreement as if the VC Fund were the Indemnitee.



### 3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law and without diminishing or impairing the obligations of the Company set forth in the preceding subparagraphs of this Section 3, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in

connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnatee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnatee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee is, by reason of his Corporate Status, a witness, or is made (or asked to) respond to discovery requests, in any Proceeding to which Indemnatee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnatee in connection with any Proceeding by reason of Indemnatee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnatee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnatee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnatee to repay any Expenses advanced if it shall ultimately be determined that Indemnatee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free and not conditioned on Indemnatee's ability to repay such advances.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnatee rights of indemnity that are as favorable as may be permitted under the DGCL and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnatee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnatee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnatee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnatee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnatee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnatee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnatee's entitlement thereto shall be made in the specific case by one of the following four methods, which shall be at the election of the Board: (1) by a majority vote of the Disinterested Directors (as hereinafter

defined), even though less than a quorum, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel (as hereinafter defined) in a written opinion to the Board, a copy of which shall be delivered to the Indemnatee, or (4) if so directed by the Board, by the stockholders of the Company.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnatee may, within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “**Independent Counsel**” as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnatee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnatee to the Company’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnatee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnatee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnatee has not met the applicable standard of conduct.

(e) Indemnatee shall be deemed to have acted in good faith if Indemnatee’s action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnatee by the officers of the

Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(g) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

#### 7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to

make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on Indemnitee's behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery. The Company irrevocably authorizes the Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company to the extent provided hereunder or under applicable law, to advise and represent Indemnitee in connection with any such judicial adjudication or recovery, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and Indemnitee agree that a confidential relationship shall exist between Indemnitee and such counsel.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the By-laws, any agreement, a vote of stockholders, a resolution of directors or otherwise, of the Company. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in

the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation, By-laws and this Agreement, it is the intent of the parties hereto that Indemnatee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnatee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnatee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) The Company hereby acknowledges that Indemnatee may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more VC Funds and certain of its or their affiliates (collectively, the “**Fund Indemnitors**”). If the indemnity has such rights, the Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnatee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnatee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnatee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the Certificate of Incorporation or Bylaws of the Company (or any other agreement between the Company and Indemnatee), without regard to any rights Indemnatee may have against the Fund Indemnitors, and, (iii) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnatee with respect to any claim for which Indemnatee has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnatee against the Company. The Company and Indemnatee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 8(c).

(d) Except as provided in paragraph (c) above, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee (other than against the Fund Indemnitors), who shall execute

all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(e) Except as provided in paragraph (c) above, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(f) Except as provided in paragraph (c) above, the Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(b) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Proceeding is initiated by Indemnitee pursuant to Indemnitee's rights under Section 7 of this Agreement, or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

10. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and for a period of five (5) years thereafter and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

11. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for



the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

13. Definitions. For purposes of this Agreement:

(a) "**Corporate Status**" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the express written request of the Company.

(b) "**Disinterested Director**" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(c) "**Enterprise**" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(d) "**Expenses**" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(e) "**Fund Proceeding**" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative

hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which a VC Fund was, is or will be involved as a party or otherwise.

(f) **“Independent Counsel”** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) **“Proceeding”** includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other Enterprise; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

14. **Severability.** The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. **Modification and Waiver.** No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice By Indemnatee. Indemnatee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnatee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnatee at the address set forth below Indemnatee signature hereto.

(b) To the Company at:

Aduro BioTech, Inc.  
626 Bancroft Way, #3C  
Berkeley, CA 94710  
Attention: President

or to such other address as may have been furnished to Indemnatee by the Company or to the Company by Indemnatee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnatee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the “**Delaware Court**”), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out

of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

***SIGNATURE PAGE TO FOLLOW***

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

**Aduro BioTech, Inc.**

\_\_\_\_\_  
Stephen Isaacs, President and CEO

**INDEMNITEE**

\_\_\_\_\_  
Name:

Address: \_\_\_\_\_  
\_\_\_\_\_

## EXECUTIVE EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “**Agreement**”) is made as of this 26th day of February, 2010, by and between Aduro BioTech, a California corporation (the “**Company**”), and Stephen T. Isaacs (“**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Parties have each signed a letter for an offer of employment dated February 12, 2007 (“**Former Offer**”);

WHEREAS, the Parties wish that this Agreement supersede and completely replace the Former Offer;

WHEREAS, the Company wishes to employ Executive and to assure itself of the continued services of Executive on the terms set forth herein; and

WHEREAS, Executive wishes to be so employed under the terms set forth herein.

NOW, THEREFORE, in consideration of the promises, mutual covenants, the above recitals, and the agreements herein set forth, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree to the following terms and conditions of the Executive’s employment:

1. **EMPLOYMENT.** The Company hereby agrees to employ Executive as President and Chief Executive Officer and Executive hereby accepts such employment upon the terms and conditions set forth herein. Executive’s employment, as provided herein, shall commence on February 26, 2010 (“**Effective Date**”) and shall continue until terminated pursuant to the provisions of paragraph 9 (“**Term**”).

2. **AT-WILL EMPLOYMENT.** It is understood and agreed by the Company and Executive that this Agreement does not contain any promise or representation concerning the duration of Executive’s employment with the Company. Executive specifically acknowledges that his employment with the Company is at-will and may be altered or terminated by either Executive or the Company at any time for any lawful reason, with or without cause and/or with or without advance notice, subject to paragraph 9.

3. **POLICIES AND PROCEDURES.** Executive agrees that he is subject to and will comply with the policies and procedures of the Company, as such policies and procedures may be modified, added to or eliminated from time to time at the sole discretion of the Company, except to the extent any such policy or procedure specifically conflicts with the express terms of this Agreement.

4. **COMPENSATION.** For all services rendered and to be rendered hereunder, the Company agrees to pay to the Executive, and the Executive agrees to accept a salary of \$27,083.33 per month (\$325,000.00 annualized). Any such salary shall be payable in monthly installments, or more frequently, and shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with the Executive. The Executive acknowledges that he has received all compensation due him from the Company for periods prior to the Effective Date.

5. **BONUS PROGRAM PARTICIPATION.** Executive shall be eligible to participate in any annual or quarterly bonus plan(s) that may be established by the

Company for the Executive or the Company's executive team or employees generally. The prerequisites for Executive's earning of any such bonus, and the amount of any bonus that may be awarded, shall be determined by the terms and conditions of the applicable bonus plan(s).

6. **STOCK OPTIONS.** As soon as reasonably practicable after the date of this Agreement, Executive shall be granted options to purchase up to 440,829 shares of the common stock of the Company. One-half of these options will be vested on the date of grant, and the remaining one-half of the options will vest in equal monthly installments over forty-eight (48) months commencing with the first month after the date of grant. The exercise price of the options that are vested on the date of grant will be the fair market value of the common stock of the Company on the date of grant (the "Grant Date FMV") as determined by the Board of Directors of the Company. The exercise prices of the options that vest after the date of grant are as follows: options that vest in the first year after the date of grant shall be the Grant Date FMV; options that vest in the second year after the date of grant shall be twice the Grant Date FMV; options that vest in the third year after the date of grant shall be three times the Grant Date FMV; and, options that vest in the fourth year after the date of grant shall be four times the Grant Date FMV. To the maximum extent possible, the options will be incentive stock options as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended ("Code"). To the extent that any portion of the options do not qualify as incentive stock options under Section 422 of the Code, that portion of the options will be treated as non-statutory stock options. The options will be granted under the Company's Stock Incentive Plan (the "Plan") and will be subject to the terms of a stock option agreement providing for the options which will control in the event of a conflict between its terms and the provisions of this Agreement.

7. **OTHER BENEFITS.** While employed by the Company as provided herein:

a. **Executive Benefits.** Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, on terms comparable thereto, including, without limitation, participation in pension and profit sharing plans, 401(k) plan, group insurance policies and plans, medical, health, vision, and disability insurance policies and plans, and the like, which may be maintained by the Company for the benefit of its executives.

b. **Expense Reimbursement.** The Executive shall receive, against presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred by him in connection with the performance of his duties hereunder, according to the policies of the Company. The Company shall reimburse the Executive for the cost of professionals retained by him with respect to the review of this Agreement and other terms of his employment, upon the presentation of documentation for such expenses, subject to a maximum aggregate reimbursement of \$15,000.

c. **Vacation.** The Executive shall be entitled to four (4) weeks of vacation per year, provided however, that whenever Executive has accrued six (6) weeks of unused vacation, Executive will accrue no more vacation until Executive's accrued vacation has been reduced below six (6) weeks as a result of the Executive's having taken a vacation.

## 8. PROPRIETARY INFORMATION AND OTHER OBLIGATIONS.

a. Executive acknowledges that signing and complying with the Proprietary Information, and Inventions Agreement (“**Confidentiality Agreement**”) is a condition of his employment by the Company.

b. During the period of Executive’s employment with the Company and for two years after the date of termination of such employment, Executive will not induce, solicit, recruit or encourage any employee of the Company to leave the employ of the Company, which means that Executive will not: (i) disclose to any person, entity or employer the names, backgrounds or qualifications of any Company employees or otherwise identify them as potential candidates for employment; or (ii) personally or through any other person approach, recruit, interview or otherwise solicit Company employees to work for Executive or any other person, entity, or employer during their employment or for two months after a Company employee terminates employment with the Company.

c. During the period of Executive’s employment with the Company and thereafter, Executive will not solicit, either on behalf of Executive or any other person or entity, the business of any client or customer of the Company, whether past, present or prospective, using any trade secrets of the Company.

9. **TERMINATION.** Executive and the Company each acknowledge that either party has the right to terminate Executive’s employment with the Company at any time for any reason whatsoever, with or without cause or advance notice pursuant to the following:

a. **Termination by Death.** Subject to applicable state or federal law, in the event Executive shall die during the period of his employment hereunder, Executive’s employment and the Company’s obligation to make payments hereunder shall cease on the date of his death, and the Company shall have no obligation to make any payments to the estate of Executive except as provided in this paragraph 9(a). The Company shall pay to the estate of Executive any salary earned but unpaid prior to the date of death, any and all accrued but unused vacation, and any business expenses referred to in paragraph 7(b) that were incurred but not reimbursed as of the date of death and for which appropriate documentation as required by paragraph 7(b) has been submitted to the Company. If, prior to the date of his death, Executive had earned the right to receive any bonus hereunder, the Company shall pay such bonus to the estate of Executive.

b. **Voluntary Resignation by Executive.** In the event the Executive voluntarily terminates his employment with the Company (other than for Good Reason as defined below), the Company’s obligation to make payments hereunder shall cease upon such termination, and the Company shall have no obligation to make any payments to Executive except as provided in this paragraph 9(b). The Company shall pay Executive: (1) on the date of termination, any salary earned but unpaid prior to termination and all accrued but unused vacation, and (2) within 90 days of termination, any business expenses referred to in paragraph 7(b) that were incurred but not reimbursed as of the date of termination. Executive must submit appropriate documentation as required by paragraph 7(b) for any business expenses that were incurred prior to termination within such 90-day period, or Executive will forfeit his right to reimbursement for those expenses. If, prior to

the date of termination, Executive had earned the right to any bonus hereunder, the Company shall pay Executive such bonus on or before the date on which it would have been payable had the termination not occurred.

c. **Termination for Just Cause or Permanent Disability.** In the event the Executive is terminated by the Company for Just Cause or upon Permanent Disability (as those terms are defined below), the Company's obligation to make payments hereunder shall cease upon such termination, and the Company shall have no obligation to make any payments to Executive except as provided in this paragraph 9(c). The Company shall pay Executive (1) on the date of termination, pay Executive any salary earned but unpaid prior to termination and all accrued but unused vacation and (2) within 90 days of termination, any business expenses referred to in paragraph 7(b) that were incurred but not reimbursed as of the date of termination. Executive must submit appropriate documentation as required by paragraph 7(b) for any business expenses that were incurred prior to termination within such 90-day period, or Executive will forfeit his right to reimbursement for those expenses. If, prior to the date of termination, Executive had earned the right to receive any bonus hereunder, the Company shall pay Executive such bonus on or before the date on which it would have been payable had the termination not occurred. During the sixty (60) day period beginning on the first anniversary of the Effective Date, the Company's Board of Directors will review the financial condition and prospects of the Company in order to determine whether or not it would be financially prudent for the Company to offer to modify this Agreement to make a termination for Permanent Disability subject to Section 9(d) of this Agreement rather than this Section 9(c) so that a Severance Payment, as defined in Section 9(d), would be payable in the event of a termination of the employment of the Executive based on Permanent Disability.

d. **Termination by the Company without Just Cause.** Company will have the unilateral right to terminate Executive's employment with Company at any time without Just Cause. In the event Executive is terminated without Just Cause other than upon Permanent Disability or resigns for Good Reason (as defined below), the Company's obligation to make payments hereunder shall cease upon the resulting termination of Executive's employment, and the Company shall have no obligation to make any payments to Executive except as provided in this paragraph 9(d). The Company shall pay Executive (1) on the date of termination, any salary earned but unpaid prior to termination and all accrued but unused vacation and (2) within 90 days of termination, any business expenses referred to in paragraph 7(b) that were incurred but not reimbursed as of the date of termination. Executive must submit appropriate documentation as required by paragraph 7(b) for any business expenses that were incurred prior to termination within such 90-day period or Executive will forfeit his right to reimbursement for those expenses. If, prior to the date of termination, Executive had earned the right to receive any bonus hereunder, the Company shall pay Executive such bonus on or before the date on which it would have been payable had the termination not occurred. In addition, upon the execution of a full general release by Executive ("**Release**"), releasing all claims known or unknown that Executive may have against Company as of the date Executive signs such release, and upon the written acknowledgment of his continuing obligations under paragraphs 8(b), 8(c) and 12(e) and under the Confidentiality Agreement, Executive shall be entitled to the following severance benefits: (1) the Company shall pay to Executive one year of Executive's base salary as of the date of the termination, less standard deductions and



withholdings (“**Severance Payment**”); (2) the Company shall pay directly to the insurance carrier(s) all applicable COBRA payments for a maximum period of 12 months (which will be less, if Executive ceases to be eligible for COBRA coverage before the end of such 12-month period) for Executive and any dependents to continue his/their health, dental and/or vision insurance; provided that the Company’s obligation to make such payments will cease if and when Executive becomes eligible to receive equivalent benefits from a new employer; and (3) immediate and full acceleration of the vesting of any and all =vested stock options. The Severance Payment shall be made in a lump-sum payment on the second month anniversary of the Executive’s separation from service; provided that the Executive’s Release is effective (and not revocable) at such time. If the Release is not effective and non-revocable by the end of such 2 month period, then the Executive will forfeit the right to these benefits. Any COBRA payment due under this Agreement shall be made directly to the insurance carrier(s) in monthly installments for a maximum period of 12 months commencing on the second month anniversary of the Executive’s termination; provided that the Executive’s Release is effective (and non-revocable) at such time.

i. *Definition of Just Cause.* For purposes of this Agreement, “Just Cause” shall mean: (i) Executive’s conviction of any felony or of any crime involving moral turpitude (including a no contest or guilty plea); (ii) Executive’s participation in any fraud or act of dishonesty against the Company; (iii) Executive’s willful and material (a) breach of his duties to the Company, (b) insubordination, or (c) misconduct, as determined by the Board and which has not been cured within 60 days after written notice from the Company or the Board describing such willful and material breach of duties, insubordination, or misconduct; (iv) Executive’s intentional and material damage or willful misappropriation of any property of the Company; (v) Executive’s material breach of any written agreement with the Company (including, but not limited to, this Agreement); or (vi) a final determination by the Board of Directors makes to liquidate or dissolve the Company or effect a transaction involving a Change in Control, as defined below, if the proceeds to the shareholders of the Company in such liquidation, dissolution or Change in Control will be insufficient to cover the aggregate liquidation preference of the outstanding preferred stock of the Company.

ii. *Definition of Permanent Disability.* For purposes of this Agreement, “Permanent Disability” shall mean Executive’s inability, as determined by the Board of Directors with the advice of a medical professional selected by it, to perform the essential functions of the Executive’s position as an employee of the Company, even with reasonable accommodation, due to a physical or mental illness or injury which lasts for, or is reasonably expected to last for, (i) 120 consecutive days, (ii) 180 days in any 12-month period, whether or not consecutive or (iii) 360 days in any 36-month period, whether or not consecutive.

iii. *Definition of Good Reason.* For purposes of this Agreement, “Good Reason” shall mean: (i) reduction of your base salary set forth in paragraph 4 above by more than ten percent (10%) without your written consent; (ii) material reduction in the package of benefits and incentives (including your bonus) described above; (iii) a material reduction in the scope of your duties and responsibilities as President & CEO (including, no longer reporting to or receiving assignments from the Board of Directors); (iv) any material breach by the Company of its obligations under this

Agreement (or any other agreement between you and the Company); (v) a relocation of your principal place of employment (currently, Berkeley, California) to a new work site requiring an increase in one-way commute from your current residence of more than thirty (30) miles; or (vi) except in the case of your Permanent Disability, either (x) your involuntary removal from the Board of Directors or (y) your ceasing to be a director of the Company following an election of directors with respect to which a list of recommended nominees is presented to the shareholders by the Board of Directors which list does not include you (except when you have consented to such exclusion).

10. **CHANGE IN CONTROL.** Upon the occurrence of a Change in Control, as defined below, Executive shall be entitled to immediate and full acceleration of the vesting of any and all unvested stock options. For purposes of this Agreement, "Change of Control" shall mean: either of the following:

a. the Company shall consummate a reorganization, merger, consolidation or any other transaction, in any case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not immediately thereafter, own equity interests representing at least fifty-one percent (51%) of the total combined voting power of the Company or the resulting reorganized, merged or consolidate entity, as applicable; or

b. the sale, lease, transfer or other disposition of all or substantially all of the assets of the company (other than to one or more direct or indirect wholly-owned subsidiaries of the Company).

11. **409A SAVINGS CLAUSE.** The parties intend that payments or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code ("Section 409A"), and the provisions of this Agreement shall be construed and administered in accordance with such intent. To the extent such potential payments or benefits could become subject to Section 409A, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax being imposed. If the parties are unable to agree on a mutually acceptable amendment, the Company may, without Executive's consent and in such manner as it deems appropriate or desirable, amend or modify this Agreement or delay the payment of any amounts hereunder to the minimum extent necessary to meet the requirements of Section 409A.

12. **MISCELLANEOUS.**

a. **Modification/Waiver/Severable.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except by a writing executed by each of the Parties hereto or, in the case of a waiver, by the party waiving compliance. Failure of any party at any time or times to require performance of any provision hereof shall in no manner affect his or its right at a later time to enforce the same. No waiver by a party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of agreement contained in the Agreement. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the

Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

b. **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of any successor or assignee of the business of the Company. This Agreement shall not be assignable by the Executive.

c. **Notices.** All notices given hereunder shall be given by certified mail, addressed, or delivered by hand, to the other party at his or its address as set forth herein, or at any other address hereafter furnished by notice given in like manner. Executive promptly shall notify Company of any change in Executive's address. Each notice shall be dated the date of its mailing or delivery and shall be deemed given, delivered or completed on such date.

d. **Governing Law.** This Agreement and all disputes relating to this Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and performed entirely in California.

e. **Arbitration.** Any disputes or controversy arising out of or in connection with Executive's employment or this Agreement, including but not limited to claims of harassment, discrimination, or wrongful termination, shall be settled by binding arbitration under the Employment Arbitration Rules set forth by the American Arbitration Association and any California state laws governing arbitration proceedings such as California Code of Civil Procedure Sections 1280 et. seq.

f. **Entire Agreement.** This Agreement, together with the Confidentiality Agreement and applicable stock plans, set forth the entire agreement and understanding of the Parties hereto with regard to the employment of the Executive by the Company and supersede the Former Offer and any and all prior agreements, arrangements and understandings, written or oral, pertaining to the subject matter hereof. No representation, promise or inducement relating to the subject matter hereof has been made to a party that is not embodied in these Agreements, and no party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

IN WITNESS WHEREOF, the Parties have each duly executed this Agreement as of the day and year first above written.

**ADURO BIOTECH, A CALIFORNIA CORPORATION**

By: /s/ S. David Model

Its: S. David Model  
Chief Financial Officer

**EXECUTIVE:**

/s/ Stephen T. Isaacs

Stephen T. Isaacs

**ADURO BIOTECH  
PERFORMANCE BONUS PLAN**

**Effective January 1, 2010**

**1. Purpose.** The purpose of the Aduro BioTech (the “**Company**”) Performance Bonus Plan (the “**Plan**”) is to compensate Stephen T. Issacs (the “**Executive**”) for achieving specified company financial goals as outlined in this Plan.

**2. Definitions.** As used in the Plan, the following terms shall have the meanings set forth below:

- (a) “**Administrator**” shall mean the Company’s Board of Directors or its delegate.
- (b) “**Bonus**” shall mean the dollar amount payable to Executive under Section 4 of the Plan.
- (c) “**Bonus Pool**” shall mean \$150,000 and is the total possible maximum aggregate amount payable to the Executive under the Plan.
- (d) “**Code**” shall mean the Internal Revenue Code of 1986, as amended, and any regulations adopted thereunder.
- (e) “**Gross-Up Payment**” shall mean a payment to reimburse the Executive in an amount equal to all of the federal, state, or local taxes imposed upon the Executive as a result of a Bonus payment in shares of the Company’s common stock, including the amount of additional taxes imposed upon the Executive due to the Company’s payment of the initial taxes on such Bonus.
- (f) “**Plan Year**” shall mean a calendar year beginning January 1 and ending December 31.

**3. Plan Participation and Administration.**

- (a) The Administrator shall have full power and authority to construe, interpret and administer the Plan. All decisions of the Administrator shall be final, conclusive and binding upon all parties. The Administrator may delegate its duties in administering the Plan to any officer or manager of the Company.
- (b) The expense of the administration of the Plan shall be borne by Company.

#### 4. Bonuses.

- (a) Entire Bonus Pool Payment. In the event the Company receives cash after the date of the Plan in the amount of \$3,000,000 or more with respect to one or more new equity investments approved by the Board of Directors and not made pursuant to investor commitments made prior to the date of the Plan, and the Executive is employed by the Company at the time the cash is received by the Company, the Executive will be entitled to a Bonus in the amount of the entire Bonus Pool. This Bonus shall be payable to Executive within thirty (30) days after the receipt of the cash investment by the Company, and such Bonus payment shall be paid in full satisfaction of the Company's obligations under this Plan.
- (b) Pro Rata Bonus Pool Payment. In the event the Company receives cash after the date of the Plan in the amount of \$2,000,000 or more but less than \$3,000,000 with respect to one or more new equity investments approved by the Board of Directors and not made pursuant to investor commitments made prior to the date of the Plan, and the Executive is employed by the Company at the time the cash is received by Company, the Executive will be entitled to a Bonus payment calculated by multiplying the Bonus Pool by a fraction with \$3,000,000 as the denominator and with the excess of the dollar amount of the cash received over \$2,000,000 as the numerator. This pro rata Bonus payment shall be payable to Executive within thirty (30) days after the receipt of the cash investment by the Company. In the event the Executive is paid a pro rata Bonus, if the Company receives additional cash with respect to an equity investment approved by the Board of Directors and not made pursuant to investor commitments made prior to the date of the Plan and the Executive is employed by the Company at the time the cash is received by Company, the Executive shall receive an additional portion of the Bonus in an amount calculated by multiplying the Bonus Pool by a fraction with \$3,000,000 as the denominator and with the amount of additional cash received as the numerator; provided, however, that in no event will the aggregate amount payable to the Executive under this Plan exceed the Bonus Pool.
- (c) Election to Be Paid in Stock. If the Executive provides the Company with a written election prior to the close of an investment financing agreement that results in a Bonus being paid under this Plan, the Executive may elect to be paid the Bonus by receiving shares of the Company's common stock with a fair market value equal to the Bonus payment on the date of closing of the investment financing agreement; provided, however, that the Executive must agree to enter into any shareholder or other stock purchase agreement required to be entered

into by similar shareholders or as required by the investors under the applicable financing agreement and that in the opinion of counsel for the Company the transfer of the shares to the Executive complies with or is exemption from the registration, qualification or other requirements or restrictions under applicable federal and state securities laws. The fair market value of the stock shall be determined in good faith by the Board of Directors of the Company.

- (d) Tax Gross-Up Payment. In the event the Executive elects to be paid all or any portion of a Bonus in shares of the Company's common stock, the Company shall pay a Gross Up Payment to Executive with respect to the Bonus payment made in shares.

## **5. Miscellaneous.**

- (a) No Assignment. No portion of any Bonus may be assigned or transferred otherwise than by will or the laws of descent and distribution prior to the payment thereof. This prohibition shall not apply to the creation, assignment or recognition of a right to any interest payable hereunder with respect to a Executive pursuant to a domestic relations order that satisfies the requirements under Section 414(p) of the Internal Revenue Code of 1986, as amended, (the Code"). Payment pursuant to such domestic relations order may be made as soon as administratively feasible following determination by the Administrator, in its sole discretion, that said order satisfies the requirements for a valid domestic relations order that is consistent with the terms and payment provided under the Plan.
- (b) Tax Requirements. All payments made pursuant to the Plan shall be subject to all applicable taxes required by U.S. federal, state or local law to be withheld, in accordance with the procedures established by Company. Company does not guarantee or warrant the tax consequences of the Plan and the Executive shall in all cases be liable for any taxes due with respect to the Plan.
- (c) No Additional Employee Rights. The selection of an employee for participation in the Plan shall not give such Executive any right to be retained in the employ of Company or any of its affiliates, and the right of Company and any such affiliate to dismiss the Executive or to terminate any arrangement pursuant to which the Executive provides services to Company, with or without cause, is specifically reserved.
- (d) Amendment, Suspension, and Termination. The Plan may only be terminated or amended pursuant to a written agreement approved by the Administrator and acknowledge and accepted by the signature of the Executive.

- (e) Other Compensation Arrangements. Nothing contained in the Plan shall prevent Company from adopting or continuing in effect other compensation arrangements, which arrangements may be either generally applicable or applicable only in specific cases.
- (f) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with federal laws and the laws of the State of California, without regard to the State of California's conflicts of law rules.
- (g) No Trust. The Plan shall not create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Company and any individual. To the extent that the Executive acquires a right to receive payments from Company with respect to a Bonus, such right shall be no greater than the right of any unsecured general creditor of Company.
- (h) Section 409A of the Code. The Plan is intended to be exempt from Section 409A of the Internal Revenue Code of 1986 under the short-term deferral rule. The Plan shall be administered and interpreted to maximize the short-term deferral rule and any payments made pursuant to that rule shall not be aggregated with any other payment. The Executive shall not, directly or indirectly, designate the taxable year that any payment will be made under the Plan.

To record the adoption of this Aduro BioTech Performance Bonus Plan, Company has caused its authorized officer to execute this Plan on this 26th day of February, 2010.

ADURO BIOTECH

By /s/ S. David Model

Name S. David Model

Title Acting CFO

**AMENDMENT  
TO  
EXECUTIVE EMPLOYMENT AGREEMENT**

This AMENDMENT TO EMPLOYMENT AGREEMENT (the “**Amendment**”) is made as of this 31 day of July, 2014, by and between Aduro BioTech, a Delaware corporation (the “**Company**”), and Stephen T. Isaacs (“**Executive**”) (collectively, the “**Parties**”).

WHEREAS, the Parties wish to amend the Executive Employment Agreement between them dated as of February 26, 2010 (as the same may have been previously amended to date, the “**Agreement**”).

NOW, THEREFORE, the Parties agree to amend the Agreement as set forth below.

1. **Amendment to Section 9(d)**. The first paragraph of Section 9(d) of the Agreement is hereby amended and restated to read in its entirety as follows:

“d. **Termination by the Company without Just Cause**. Company will have the unilateral right to terminate Executive’s employment with Company at any time without Just Cause. In the event Executive is terminated without Just Cause other than upon Permanent Disability or resigns for Good Reason (as defined below), the Company’s obligation to make payments hereunder shall cease upon the resulting termination of Executive’s employment, and the Company shall have no obligation to make any payments to Executive except as provided in this paragraph 9(d). The Company shall pay Executive (1) on the date of termination of Executive’s employment with Company (the “**Termination Date**”), any salary earned but unpaid prior to termination and all accrued but unused vacation and (2) within 90 days following the Termination Date, any business expenses referred to in paragraph 7(b) that were incurred but not reimbursed as of the Termination Date. Executive must submit appropriate documentation as required by paragraph 7(b) for any business expenses that were incurred prior to termination within such 90-day period or Executive will forfeit his right to reimbursement for those expenses. In addition, upon the execution and effectiveness of a separation agreement and general release of all claims in substantially the form (or as may be reasonably modified by the Company in good faith and in its reasonable discretion) attached as Exhibit A hereto (the “**Release**”), and, upon the written acknowledgment of his continuing obligations under paragraphs 8(b), 8(c) and 12(e) and under the Confidentiality Agreement, Executive shall be entitled to the following severance benefits:

(1) the Company shall pay to Executive one year of Executive’s base salary as of the Termination Date, less standard deductions and withholdings (“**Severance Payment**”);

(2) the Company shall pay directly to the insurance carrier(s) all applicable COBRA payments for a maximum period of 12 months (which will be less, if Executive ceases to be eligible for COBRA coverage before the end of such 12-month period) for Executive and any dependents to continue his/their health, dental and/or vision insurance; provided that the Company’s obligation to make such payments will cease if and when Executive becomes eligible to receive equivalent benefits from a new employer;

(3) The Company shall pay to Executive, on the sixtieth (60th) day after the Termination Date, a one-time cash lump sum payment that is equal to the product of



Executive's target Bonus for the fiscal year in which the Termination Date occurs (such year, the "**Fiscal Year**") multiplied by the Percentage; and

(4) all of Executive's then unvested Equity Awards shall become vested and exercisable on an accelerated basis as if Executive's Termination Date had occurred twelve (12) months later,

The Severance Payment shall be made in a lump-sum payment on the second month anniversary of the Executive's Termination Date; provided that the Executive's Release is effective (and not revocable) at such time. If the Release is not effective and non-revocable by the end of such 2 month period, then the Executive will forfeit the right to these benefits. Any COBRA payment due under this Agreement shall be made directly to the insurance carriers) in monthly installments for a maximum period of 12 months commencing on the second month anniversary of the Executive's termination; provided that the Executive's Release is effective (and non-revocable) at such time.

The term "**Bonus**" shall mean Executive's annual bonus opportunity for the Fiscal Year.

The term "**Equity Awards**" shall mean Executive's Company equity compensation awards (including without limitation Executive's Company stock options) that are outstanding as of Executive's Termination Date.

The term "**Percentage**" shall mean the percentage that is equal to the quotient of (i) the number of days in the Fiscal Year that had elapsed as of the Termination Date (and including the Termination Date) divided by (ii) 365 (or 366 if such Fiscal Year is a leap year).

2. **Addition of Exhibit A.** The Exhibit attached as Exhibit A to this Amendment is hereby added as Exhibit A to the Agreement.

3. Other than as provided in this Amendment, the Agreement remains in full force and effect.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Parties have each duly executed this Agreement as of the day and year first above written.

ADURO BioTECH INC., A DELAWARE CORPORATION

By: /s/ Stephanie O’Brien  
Its: Comp Committee Chair

EXECUTIVE

/s/ Stephen T. Isaacs  
Stephen T. Isaacs

[Signature Page to Amendment to Executive Employment Agreement]

**EXHIBIT A**

**SEPARATION AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS**

This Separation Agreement and General Release, dated [DATE] (the “**Agreement**”), is made pursuant to that certain Employment Agreement dated as of February 26, 2010, as amended as of July 31, 2014 (as amended to date, the “**Employment Agreement**”) entered into by and between Stephen T. Isaacs (“**Employee**”) on the one hand, and Aduro BioTech, Inc. (the “**Company**”), on the other. This Agreement is entered into in consideration for and as condition precedent to the Company providing separation benefits to Employee pursuant to the Employment Agreement. It is understood and agreed that the Company is not otherwise obligated to provide such benefits under the terms of the Employment Agreement and that the Company is doing so as a direct result of Employee’s willingness to agree to the terms hereof. Collectively, Employee and the Company shall be referred to as the “**Parties.**”

1. Employee was formerly employed by the Company. Employee’s employment with the Company ended effective [DATE] (the “**Termination Date**”) as a result of a Qualifying Termination. [A Change in Control of the Company occurred on [DATE].]

2. The purpose of this Agreement is to resolve any and all disputes relating to Employee’s employment with the Company, and the termination thereof (the “**Disputes**”). The Parties desire to resolve the above-referenced Disputes, and all issues raised by the Disputes, without the further expenditure of time or the expense of contested litigation. Additionally, the Parties desire to resolve any known or unknown claims as more fully set forth below. For these reasons, they have entered into this Agreement.

3. Employee acknowledges and agrees that Employee has received all wages due to Employee through the Termination Date, including but not limited to all accrued but unused vacation, bonuses, commissions, options, benefits, and monies owed by the Company to Employee. Employee further agrees and acknowledges that Employee has been fully paid and reimbursed for any and all business expenses which Employee incurred during his/her employment with the Company.

4. The Company expressly denies any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order or other law. The Company also expressly denies any liability to Employee. This Agreement is the compromise of disputed claims and nothing contained herein is to be construed as an admission of liability on the part of the Company hereby released, by whom liability is expressly denied. Accordingly, while this Agreement resolves all issues referenced herein, it does not constitute an adjudication or finding on the merits of the allegations in the Disputes and it is not, and shall not be construed as, an admission by the Company of any violation of federal, state or local statute, ordinance, rule, regulation, policy, order or other law, or of any liability alleged in the Disputes.

5. In consideration of and in return for the promises and covenants undertaken by the Company and Employee herein and the releases given by Employee herein, Employee shall receive the benefits provided by Section 9(d) of the Employment Agreement. Any tax liabilities resulting from or arising out of the benefits to Employee referred to in this paragraph, shall be the sole and exclusive responsibility of Employee. Employee agrees to indemnify and hold the Company and the others released herein harmless from and for any tax liability (including, but not limited to, assessments, interest, and penalties) imposed on the Company by any taxing authority on account of the Company failing to withhold for tax purposes any amount from the benefits made as consideration of this Agreement.

*Exhibit A-1*

6. Except for any rights created by this Agreement, in consideration of and in return for the promises and covenants undertaken herein by the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged:

a. Employee does hereby acknowledge full and complete satisfaction of and does hereby release, absolve and discharge the Company, and each of its parents, subsidiaries, divisions, related companies and business concerns, past and present, as well as each of its partners, trustees, directors, officers, agents, attorneys, servants and employees, past and present, and each of them (hereinafter collectively referred to as “**Releasees**”) from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, grievances, wages, vacation payments, severance payments, obligations, commissions, overtime payments, debts, profit sharing claims, expenses, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown to Employee which Employee now owns or holds or has at anytime owned or held as against Releasees, or any of them, including specifically but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, grievances, agreements, obligations and causes of action, known or unknown, suspected or unsuspected by Employee: (1) arising out of or in any way connected with the Disputes; or (2) arising out of Employee’s employment with the Company; or (3) arising out of or in any way connected with any claim, loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement. Additionally, Employee in any future claims may not use against Releasees as evidence any acts or omissions by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement, and no such future claims may be based on any such acts or omissions. Also without limiting the generality of the foregoing, Employee specifically releases the Releasees from any claim for attorneys’ fees. EMPLOYEE ALSO SPECIFICALLY AGREES AND ACKNOWLEDGES EMPLOYEE IS WAIVING ANY RIGHT TO RECOVERY BASED ON STATE OR FEDERAL AGE, SEX, PREGNANCY, RACE, COLOR, NATIONAL ORIGIN, MARITAL STATUS, RELIGION, VETERAN STATUS, DISABILITY, SEXUAL ORIENTATION, MEDICAL CONDITION OR OTHER ANTI-DISCRIMINATION LAWS, INCLUDING, WITHOUT LIMITATION, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE EQUAL PAY ACT, THE AMERICANS WITH DISABILITIES ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE CALIFORNIA FAMILY RIGHTS ACT, CALIFORNIA LABOR CODE SECTION 970, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT, THE WORKER ADJUSTMENT AND RETRAINING ACT, THE FAIR LABOR STANDARDS ACT, AND ANY OTHER SECTION OF THE CALIFORNIA LABOR OR GOVERNMENT CODE, ALL AS AMENDED, WHETHER SUCH CLAIM BE BASED UPON AN ACTION FILED BY EMPLOYEE OR BY A GOVERNMENTAL AGENCY. This release does not release claims that cannot be released as a matter of law.

7. Employee agrees and understands as follows: It is the intention of Employee in executing this instrument that it shall be effective as a bar to each and every claim, demand, grievance and cause of action hereinabove specified. In furtherance of this intention, Employee hereby expressly waives any and all rights and benefits conferred upon Employee by the provisions of Section 1542 of the California Civil Code and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified, Section 1542 provides:

*Exhibit A-2*

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Having been so apprised, Employee nevertheless hereby voluntarily elects to and does waive the rights described in Civil Code section 1542 and elects to assume all risks for claims that now exist in Employee's favor, known or unknown, that are released under this Agreement.

8. Employee agrees: (1) the fact of and the terms and conditions of this Agreement; and (2) any and all actions by Releasees taken in accordance herewith, are confidential, and shall not be disclosed, discussed, publicized or revealed by the parties or their attorneys to any other person or entity, including but not limited to radio, television, press media, newspapers, magazines, professional journals and professional reports, excepting only the Parties' accountants, lawyers, immediate family members (mother, father, brother, sister, child, spouse), the persons necessary to carry out the terms of this Agreement or as required by law. Should Employee be asked about the Disputes or this Agreement, Employee shall limit Employee's response, if any, by stating that the matters have been amicably resolved.

9. In the event a government agency files or pursues a charge or complaint relating to Employee's employment with the Company and/or the Disputes, Employee agrees not to accept any monetary or other benefits arising out of the charge or Complaint.

10. Employee agrees not to make any derogatory, disparaging or negative comments about the Company, its products, officers, directors, or employees.

11. If any provision of this Agreement or application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are severable.

12. Employee agrees and understands that this Agreement may be treated as a complete defense to any legal, equitable, or administrative action that may be brought, instituted, or taken by Employee, or on Employee's behalf, against the Company or the Releasees, and shall forever be a complete bar to the commencement or prosecution of any claim, demand, lawsuit, charge, or other legal proceeding of any kind against the Company and the Releasees,

13. This Agreement and all covenants and releases set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, parent companies, subsidiary companies, agents, attorneys, officers, employees, directors and shareholders.

14. The Parties hereto acknowledge each has read this Agreement, that each fully understands its rights, privileges and duties under the Agreement, that each has had an opportunity to consult with an attorney of its choice and that each enters this Agreement freely and voluntarily.

15. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed by Employee and an officer of the Company. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed as a waiver of any such provision, nor in any way to affect the validity of this

*Exhibit A-3*

Agreement or any part thereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

16. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused that party's legal representative to draft any of its provisions.

17. In the event of litigation arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

18. Employee acknowledges Employee may hereafter discover facts different from, or in addition to, those Employee now knows or believes to be true with respect to the claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, wages, obligations, debts, expenses, damages, judgments, orders and liabilities herein released, and agrees the release herein shall be and remain in effect in all respects as a complete and general release as to all matters released herein, notwithstanding any such different or additional facts.

19. The undersigned each acknowledge and represent that no promise or representation not contained in this Agreement has been made to them and acknowledge and represent that this Agreement and the Employment Agreement contains the entire understanding between the Parties and contains all terms and conditions pertaining to the compromise and settlement of the subjects referenced herein. The undersigned further acknowledge that the terms of this Agreement are contractual and not a mere recital.

20. Employee expressly acknowledges, understands and agrees that this Agreement includes a waiver and release of all claims which Employee has or may have under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §621, et seq. ("ADEA"). The terms and conditions of Paragraphs 20 through 22 apply to and are part of the waiver and release of ADEA claims under this Agreement. Company hereby advises Employee in writing to discuss this Agreement with an attorney before signing it. Employee acknowledges the Company has provided Employee at least forty-five days within which to review and consider this Agreement before signing it. If Employee elects not to use all forty-five days, then Employee knowingly and voluntarily waives any claim that Employee was not in fact given that period of time or did not use the entire forty-five days to consult an attorney and/or consider this Agreement.

21. Within three calendar days of signing and dating this Agreement, Employee shall deliver the signed original of this Agreement to [ ] of the Company. However, the Parties acknowledge and agree that Employee may revoke this Agreement for up to seven calendar days following Employee's execution of this Agreement and that it shall not become effective or enforceable until the revocation period has expired without revocation. The Parties further acknowledge and agree that such revocation must be in writing addressed to and received by [ ] of the Company not later than midnight on the seventh day following execution of this Agreement by Employee. If Employee revokes this Agreement under this Paragraph, this Agreement shall not be effective or enforceable and Employee will not receive the benefits described above, including those described in Paragraph 5.

*Exhibit A-4*

22. If Employee does not revoke this Agreement in the timeframe specified in Paragraph 21 above, the Agreement shall be effective at 12:00:01 a.m. on the eighth day after it is signed by Employee (the “**Effective Date**”).

23. This Agreement is intended to be exempt from or comply with the requirements of section 409A of the Internal Revenue Code of 1986 as amended (“**Section 409A**”) and will be interpreted accordingly. While it is intended that all payments and benefits provided under this Agreement to Employee or on behalf of Employee will be exempt from or comply with Section 409A, the Company makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. The Company will have no liability to Employee or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt from or compliant with Section 409A.

24. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute one and the same Agreement.

25. This Agreement shall be construed in accordance with, and be deemed governed by the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof

*Exhibit A-5*

I have read the foregoing Separation Agreement and General Release of All Claims, consisting of [ ] pages, and I accept and agree to the provisions contained therein and hereby execute it voluntarily and with full understanding of its consequences.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Stephen T. Isaacs

**Aduro BioTech, Inc.**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title:

*[Signature Page to Separation Agreement and General Release of All Claims]*





28 April 2013

Gregory W. Schafer  
[PRIVATE ADDRESS]

Subject: Offer of Employment

Dear Greg:

Aduro BioTech, Inc. is pleased to extend a full time offer of employment to you as Chief Operating Officer, reporting to Stephen Isaacs, Chairman and CEO. Your compensation will be at a gross monthly salary of \$25,000.00.

This is an exempt position. Your anticipated start date will be July 1, 2013 (however, sooner if possible; ideally June 1). Should you accept this position, you will be expected to sign the standard Aduro Employee Agreement and the Proprietary Inventions and Disclosure Agreement. Furthermore, upon acceptance, this offer is subject to the approval of the Aduro BOD.

In addition to your salary and subject to the approval of the Aduro Board, you will be granted an award of incentive stock options for common stock equal to 1.5% of the total outstanding company shares (fully diluted), in accordance with the Company's 2008 Stock Incentive Plan. These options will vest ratably over a four-year period, subject to a one year cliff. You will also receive a target bonus of \$90,000 (30% of base salary), which will also be milestone based.

#### **At-Will Employment Relationship**

Your employment relationship with the Company is at-will. Accordingly, both you and the Company may terminate the employment relationship at any time, with or without cause, and with or without advance notice.

#### **Non-Change in Control Severance Benefits**

If, at any time other than as provided under the section entitled "Change in Control Severance Benefits" below, (a) the Company terminates your employment without Cause (as defined herein), and other than as a result of your death or disability, or (b) you resign for Good Reason (as defined herein), and provided such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)) (a "**Separation from Service**"), then subject to your obligations below and the completion of financings by the Company (including bridge and debt financings of at least \$35 million by March 31, 2014, you shall be entitled to receive (collectively, the "**Severance Benefits**"):

ADURO BIOTECH 626 Bancroft Way, 3C, Berkeley, CA 94710-2224  
PHONE 510 848 4400 FAX 510 848 5614 EMAIL [info@adurobiotech.com](mailto:info@adurobiotech.com)  
WEB [www.adurobiotech.com](http://www.adurobiotech.com)

- for 6 months, with payments running from the date of your Separation from Service over such number of months: (a) severance pay in the form of continuation of your base salary at the rate in effect on the effective date of your Separation from Service (the “**Salary Continuation**”), and (b) if you timely elect continued coverage under COBRA, then the Company shall pay the COBRA premiums necessary to continue your health insurance coverage in effect for yourself and your eligible dependents on the termination date (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage).

Such Severance Benefits are conditional upon (a) your continuing to comply with your obligations under your Proprietary Information Agreement during the period of time in which you are receiving the Severance Benefits; (b) your delivering to the Company an effective, general release of claims in favor of the Company in a form acceptable to the Company within 30 days following your Separation from Service; and (c) if you are a member of the Board, your resignation from the Board, to be effective no later than the date of your Separation from Service (or such other date as requested by the Board). The Salary Continuation will be paid on the Company’s regular payroll schedule and will be subject to applicable tax withholdings over the period outlined above following the date of your Separation from Service; *provided, however*, that no payments will be made prior to the 30th day following your Separation from Service. On the 30th day following your Separation from Service, the Company will pay you in a lump sum the Salary Continuation that you would have received on or prior to such date under the original schedule but for the delay while waiting for the effectiveness of the release, with the balance of the Salary Continuation being paid as originally scheduled.

For purposes of this Agreement, “**Cause**” means (A) your conviction (including a guilty plea or a no contest plea) of a felony, or of any other crime involving fraud, dishonesty or moral turpitude; (B) your attempted commission of or participation in a fraud or act of material dishonesty against the Company; (C) your material breach of any written agreement between you and the Company (including but not limited to your Proprietary Information Agreement) or material breach or neglect of any statutory or fiduciary duty you owe to the Company; or (D) your conduct that constitutes gross insubordination, incompetence or habitual neglect of your duties as determined by the CEO and the Board.

For purposes of this Agreement, you shall have “**Good Reason**” for your resignation from your employment with the Company and/or any of its subsidiaries or parent entities if any of the following actions are taken by the Company without your prior written consent thereto: (A) material reduction in your duties (including responsibilities and/or authorities), provided, however, that a change in job position (including a change in title) shall not be deemed a “material reduction” in and of itself unless your new duties are substantially reduced from the prior duties; (B) relocation of your principal place of employment to a place that increases your one-way commute by more than fifty (50) miles as compared to your then current principal place of employment immediately prior to such relocation; or (C) a reduction of at least 10% of your gross base salary (unless pursuant to a salary reduction program applicable generally to the Company’s executive employees), which percentage the parties agree is a “material” reduction; provided, however, that in order to resign for Good Reason, you must (1) provide written notice to the Company’s General Counsel within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, (2) allow the

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Company at least 30 days from receipt of such written notice to cure such event, and (3) if such event is not reasonably cured within such period, your resignation from all positions you then hold with the Company is effective not later than 90 days after the expiration of the cure period.

#### **Section 409A**

It is intended that all of the severance benefits payable under this letter satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this letter will be construed to the greatest extent possible as consistent with those provisions. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), your right to receive any installment payments under this letter (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this letter, if you are deemed by the Company at the time of your Separation from Service to be a “specified employee” for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein are deemed to be “deferred compensation”, then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to you prior to the earliest of (i) the expiration of the six-month period measured from the date of your Separation from Service with the Company, (ii) the date of your death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid in a lump sum to you, and any remaining payments due shall be paid as otherwise provided herein.

#### **Change in Control Severance Benefits**

If, on or within twelve months following the closing of a Change in Control, (a) the Company or a successor corporation terminates your employment without Cause (as defined above) and other than as a result of your death or disability, or (b) you resign for Good Reason (as defined above), and provided such termination constitutes a Separation from Service, then subject to your obligations below, you shall be entitled to receive (collectively, the “**Change in Control Severance Benefits**”):

- a cash lump-sum payment in an amount equal to one (1) times your annual base salary at the rate in effect on the effective date of your Separation from Service (the “**Lump Sum Salary**”)
- the full acceleration of the vesting of all of your then-outstanding stock option grants, and
- if you timely elect continued coverage under COBRA for yourself and your covered dependents under the Company’s group health plans following such termination or resignation of employment, then the Company shall pay the COBRA premiums necessary to continue your health insurance coverage in effect for yourself and your eligible dependents on the termination date until the earliest of (A) the close of the twelve (12) month period following the termination

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of your employment, (B) the expiration of your eligibility for the continuation coverage under COBRA, or (C) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment.

Such Change in Control Severance Benefits are conditional upon (a) your continuing to comply with your obligations under your Proprietary Information Agreement during the period of time in which you are receiving the Change in Control Severance Benefits; (b) your delivering to the Company an effective, general release of claims in favor of the Company in a form acceptable to the Company within 30 days following your Separation from Service; and (c) if you are a member of the Board, your resignation from the Board, to be effective no later than the date of your Separation from Service (or such other date as requested by the Board). The Lump Sum Salary will be paid, subject to applicable tax withholdings on the 30th day following your Separation from Service.

For purposes of this Section, "Change in Control" means either: (i) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger (including, but not limited to, a reverse triangular merger) or consolidation or stock transfer, but excluding any such transaction effected primarily for the purpose of changing the domicile of the Company), unless the Company's stockholders of record immediately prior to such transaction or series of related transactions hold, immediately after such transaction or series of related transactions, at least 50% of the voting power of the surviving or acquiring entity (provided that the sale by the Company of its securities in a bona fide financing transaction shall not constitute a Change of Control hereunder); or (ii) a sale or lease of all or substantially all of the assets of the Company. Notwithstanding the foregoing, to the extent that the Company determines that any of the Severance Benefits or Change in Control Severance Benefits constitute deferred compensation under Section 409A (that is, they are not "exempt" under 409A), the foregoing definition of Change in Control shall not apply and Change in Control shall have the definition used for purposes of Treasury Regulation Section 1.409A-3(a)(5), that is, as defined under Treasury Regulation Section 1.409A-3(i)(5).

You will be eligible to participate in the benefits available to full-time Aduro employees, including bonuses, participation in the Company's 401(k) and Stock Incentive Plans, Aduro medical/dental programs, life insurance, short-term disability, long-term disability, and vacation accrual, all in accordance with Company policy.

In compliance with federal laws contained in the Immigration Reform and Control Act of 1986, all offers of employment are contingent upon an applicant's ability to satisfy federal requirements regarding proof of identity and the lawful right to be employed in the United States. Please be sure to bring with you this I-9 identification (e.g. driver's license and Social Security card or passport) on your first day of employment.

We look forward to a mutually beneficial relationship and believe that working with our Company will be both personally and professionally rewarding for you. It is our sincere hope that you will join us. We look forward to welcoming you to Aduro.

Please do not hesitate to contact me if you have questions about this offer or about Aduro BioTech, Inc.

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Best Regards,

*/s/ Stephen T. Isaacs*

Stephen T. Isaacs

Chairman & Chief Executive Officer

I hereby accept the terms of employment as stated above.

*/s/ Gregory W. Schafer*

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28 April 2013

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Gregory W Schafer

Date

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## SEVERANCE AGREEMENT

This Severance Agreement (the “**Agreement**”) is entered into by and between Greg Schafer (“**you**” or “**your**”) and the Company. This Agreement has an effective date of July 31, 2014 (the “**Effective Date**”). The Board has authorized the Company to enter into this Agreement in order for you to become a Covered Employee (as defined in the Plan) and participant in the Plan as provided by the Plan. This Agreement is the Severance Agreement described in the Plan and this Agreement enumerates the Plan benefits that may be provided to you as a Covered Employee as referenced in Section II of the Plan. All provisions of this Agreement are subject to and governed by the terms of the Plan. In the event of any conflict in terms between the Plan and this Agreement, the terms of the Plan shall prevail and govern.

In consideration of the mutual covenants and promises made in this Agreement, you and the Company agree as follows:

1. **Certain Definitions.** In addition to terms defined elsewhere herein or in the Plan, the following terms have the following meanings when used in this Agreement provided however that if you have a written employment agreement with the Company (that is still effective as of the Termination Date) which expressly includes defined terms that expressly are different from and/or conflict with the defined terms contained in this Agreement then the defined terms contained in such employment agreement shall govern and shall supersede the definitions provided in this Agreement.

(a) “**Affiliate**” shall mean any entity if the Company and/or one or more Subsidiaries own 50% or more of the total combined voting power of such entity. An entity that attains the status of an Affiliate on a date after the adoption of the Plan shall be considered an Affiliate commencing as of such date.

(b) “**Base Pay**” shall mean your annual base salary rate as of immediately before the Termination Date (but disregarding any reduction in Base Pay that constituted Good Reason).

(c) “**Board**” shall mean the Company’s Board of Directors.

(d) “**Bonus**” shall mean your annual bonus opportunity for the Fiscal Year.

(e) “**Cause**” shall mean the occurrence of one or more of the following:

- (i) your conviction of, or plea of nolo contendere to, any felony or to any crime or offense causing substantial harm to the Company or its Affiliates or involving acts of theft, fraud, embezzlement, moral turpitude or similar conduct;
- (ii) your repeated intoxication by alcohol or drugs during the performance of your duties in a manner that materially and adversely affects your performance of such duties;
- (iii) malfeasance in the conduct of your duties, including, but not limited to (A) willful and intentional misuse or diversion of funds of the Company or its Affiliates, (B) embezzlement, (C) fraudulent or willful and material misrepresentations or concealments on any written reports submitted to the Company or its Affiliates, or (D) any unauthorized use

or disclosure of any confidential information or trade secrets of the Company or any Affiliate;

(iv) your material violation of any provision of an agreement between you and the Company; or

(v) your material failure to perform the duties of your employment or engagement or material failure to follow or comply with the reasonable and lawful written directives of the Board or the Chief Executive Officer of the Company or with the written employment policies of the Company.

At all times prior to a Change in Control, Cause shall be determined by the Plan Administrator in its sole discretion. If you are terminated for Cause at any time within 12 months following a Change in Control, you will be provided with written notice from the Company describing the conduct forming the basis for the alleged Cause and to the extent curable as determined by the Plan Administrator in its good faith discretion, an opportunity of 15 days to cure such conduct before the Company may terminate you for Cause. If the Plan Administrator determines that the Cause event is curable, you may during this 15 day period present your case to the full Board before any termination for Cause is finalized by the Company. Any termination for "Cause" will not limit any other right or remedy the Company may have under this Agreement or otherwise.

(f) "**Change in Control**" shall mean one or more of the following: (i) the consummation of the acquisition by any entity, person, or group (other than the Company, an Affiliate, or an employee benefit plan maintained by the Company or any Affiliate) of beneficial ownership of the capital stock of the Company representing more than 50% of the outstanding voting stock of the Company; or (ii) the consummation of a transaction requiring stockholder approval for the acquisition of the Company by the purchase of stock or assets, or by merger, or otherwise. For purposes of this Agreement, only the first Change in Control occurring after the Effective Date will be a "Change in Control."

(g) "**COBRA**" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985.

(h) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(i) "**Company**" shall mean Aduro BioTech, Inc., a Delaware corporation, and shall include any successor company following a Change in Control.

(j) "**Disability**" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code, or, if required by applicable law, the inability in the opinion of a qualified physician acceptable to the Company, to perform the major duties of your position with the Company or an Affiliate because of your physical or mental impairment.

(k) "**Employee Benefits**" shall mean any Company group health plan(s) that you were participating in as of immediately before your Termination Date and for which you are eligible to continue coverage under COBRA. For avoidance of doubt, Employee Benefits shall without limitation not include contributions made by the Company to any retirement plan, pension plan or profit sharing plan for the benefit of you in connection with amounts earned by you.

(l) **“Equity Awards”** shall mean your Company equity compensation awards (including without limitation your Company stock options) that are outstanding as of your Termination Date.

(m) **“Fiscal Year”** shall mean the Company’s fiscal year in which the Termination Date occurs.

(n) **“Good Reason”** shall mean that any one or more of the following events have occurred without your written consent. This “Good Reason” definition and process is intended to comply with the safe harbor provided under Treasury Regulation Section 1.409A-1(n)(2)(ii) and shall be interpreted accordingly.

(i) You have incurred a material diminution in your responsibilities, duties or authority;

(ii) You have incurred a material diminution in your Base Salary; or

(iii) A relocation of the Company’s principal place of business such that you are assigned to primarily work at a location that is more than 50 miles away from Berkeley, California.

You may resign your employment from the Company for “Good Reason” within ninety (90) days after the date that any one of the “Good Reason” events described in subparts (i) through (iii) of Section 1(n) above has first occurred without your written consent. Your resignation for Good Reason will only be effective if the Company has not cured or remedied the Good Reason event within 30 days after its receipt of your written notice (such notice shall describe in detail the basis and underlying facts supporting your belief that a Good Reason event has occurred). Such notice of your intention to resign for Good Reason must be provided to the Company within 45 days of the initial existence of a Good Reason event. Failure to timely provide such written notice to the Company or failure to timely resign your employment for Good Reason means that you will be deemed to have consented to and waived the Good Reason event. If the Company does timely cure or remedy the Good Reason event, then you may either resign your employment without Good Reason or you may continue to remain employed on an at-will basis.

(o) **“Percentage”** shall mean the percentage that is equal to the quotient of (i) the number of days in the Fiscal Year that had elapsed as of the Termination Date (and including the Termination Date) divided by (ii) 365 (or 366 if such Fiscal Year is a leap year).

(p) **“Plan”** shall mean the Aduro BioTech, Inc. Severance Plan, as may be amended by the Company.

(q) **“Qualifying Termination”** means that you experienced a Separation from Service from the Company due to your employment being terminated either because the Company terminated your employment without Cause or because you resigned your employment for Good Reason in accordance with this Agreement. For avoidance of doubt, a Separation from Service due to your death or Disability shall not constitute a Qualifying Termination.

(r) **“Separation from Service”** has the same meaning provided to such term under Code Section 409A.

(s) **“Subsidiary”** means any entity (other than the Company) in an unbroken chain of entities beginning with the Company, if each of the entities other than the last entity in the unbroken



chain owns equity possessing fifty percent (50%) or more of the total combined voting power of all classes of equity in one of the other entities in such chain. An entity that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(t) “**Termination Date**” shall mean your last day of employment with the Company or Affiliates and where such termination also was a Separation from Service.

2. **Consequences of Qualifying Termination of Employment.** As of your Termination Date, you shall be paid for your accrued but unpaid salary and vacation, earned unpaid bonuses for a previously completed performance period, and unreimbursed valid business expenses that were submitted in accordance with Company policies and procedures. In addition, you will be eligible to receive any vested benefits pursuant to the express terms of any applicable Company-sponsored employee benefit plan or arrangement. If, and only if, you experience a Qualifying Termination, then the following subsections in this Section 2 shall also apply.

(a) **Base Pay Continuation.** The Company will provide to you Base Pay continuation cash payments that in the aggregate equal fifty percent of Base Pay. Except as provided below with respect to the first payment installment, the cash payments provided by this Section 2(a) shall be paid to you in substantially equal monthly installments over the six (6) month period following the Termination Date. The first installment shall be paid to you on the sixtieth (60th) day after the Termination Date and the amount of this first payment will equal two months of Base Pay.

(b) **Pro-Rated Bonus.** The Company will pay you, on the sixtieth (60th) day after the Termination Date, a one-time cash lump sum payment that is equal to the product of your target Bonus for the Fiscal Year multiplied by the Percentage.

(c) **Equity Compensation.** Subject to the next sentence, upon your Termination Date, your then unvested Equity Awards shall become vested and exercisable on an accelerated basis as if your Termination Date had occurred six (6) months later. However, if your Termination Date occurs during the time period commencing on the closing date of a Change in Control and ending on the first anniversary of such Change in Control, then all of your then unvested Equity Awards shall become vested and exercisable on an accelerated basis on your Termination Date.

(d) **Employee Benefits.** For the six (6) month period commencing with the first day of the month following the month of the Termination Date, if you timely elect to continue your Employee Benefits under COBRA, then the Company shall continue to provide to you all Employee Benefits which were received by, or with respect to, you as of immediately before the Termination Date, at the same expense to you as of immediately before the Termination Date subject to immediate cessation if you become eligible for other employee benefits coverage in connection with new employment. The time period during which you are receiving continuation of the Employee Benefits shall be considered part of your COBRA coverage entitlement period. You shall provide at least five business days advance written notice to the Company informing the Company when you become eligible for other employee benefits in connection with new employment. In addition, if periodically requested by the Company, you will provide the Company with written confirmation that you have not become eligible for other employee benefits. If it becomes unreasonable for the Company to continue to pay for this coverage for you (or imposes adverse tax consequences on you) because of changes in applicable law then the Company shall make the premium payments to you on an after-tax basis. The payments under this subsection (d) shall immediately cease once you are offered other group health insurance coverage.

(e) **Release.** As a condition to receiving (and continuing to receive) the payments provided in Section 2(a) through 2(d), you must: (i) within not later than forty-five (45) days after your

Termination Date, execute (and not revoke) and deliver to the Company a separation agreement and general release of all claims in substantially the form (or as may be reasonably modified by the Company in good faith and in its reasonable discretion) attached as Exhibit A hereto (the “**Separation Agreement**”) and (ii) remain in full compliance with both the Separation Agreement and also the provisions of Section 8 below.

**3. Assignability; Binding Nature.** Commencing on the Effective Date, this Agreement will be binding upon you and the Company. This Agreement may not be assigned by you except that your rights to compensation and benefits hereunder, subject to the limitations of this Agreement, may be transferred by will or operation of law. No rights or obligations of the Company under this Agreement may be assigned or transferred except in the event of a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the Company’s obligations under this Agreement contractually or as a matter of law. The Company will require any such purchaser, successor or assignee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such purchase, succession or assignment had taken place. Your rights and obligations under this Agreement shall not be transferable by you by assignment or otherwise provided, however, that if you die, all amounts then payable to you hereunder shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

**4. Governing Law.** This Agreement is governed by the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of California, without reference to the conflict of law provisions thereof.

**5. Taxes.** The Company shall have the right to withhold and deduct from any payment or benefit hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment or benefit. The Company (including without limitation the Plan Administrator and members of the Board) shall not be liable to you or other persons as to any unexpected or adverse tax consequence realized by you and you shall be solely responsible for the timely payment of all taxes arising from this Agreement that are imposed on you. This Agreement is intended to comply with the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in a manner so as to comply therewith. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In addition, if upon your Termination Date, you are then a “specified employee” (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of “nonqualified deferred compensation” subject to Code Section 409A payable as a result of and within six (6) months following your Termination Date until the earlier of (i) the first business day of the seventh month following your Termination Date or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. If (a) any or all of the payments and benefits under this Agreement would otherwise constitute “parachute payments” as defined under Code Section 280G and (b) the Company in its discretion elects to solicit its stockholders for their approval of putative parachute payments in accordance with Treasury Regulation Section 1.280G-1 Q&A 6, 7, then such payments and benefits shall be conditioned upon and subject to such stockholder approval and you shall

cooperate with the Company in such solicitation including without limitation timely executing any required waivers of compensation.

6. **No Change in At-Will Status.** Your employment with the Company is and shall continue to be at-will, as defined under applicable law. If your employment terminates for any reason, you shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or required by applicable law, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination. Nothing in this Agreement modifies your at-will employment status and either you or the Company can terminate the employment relationship at any time, with or without Cause.

7. **Entire Agreement.** Except as otherwise specifically provided in this Agreement, the Plan and this Agreement (and the agreements referenced herein) contain all the legally binding understandings and agreements between you and the Company pertaining to the subject matter of this Agreement and supersedes all such agreements, whether oral or in writing, previously discussed or entered into between the parties. For clarity, you understand and agree that this Agreement and the Plan supersede and replace any and all severance-related provisions and related defined terms contained in that certain Offer of Employment letter entered into between you and the Company dated April 28, 2013.

## 8. Covenants

(a) (a) As a condition of this Agreement and to your receipt of any post-employment benefits, you agree that you will fully and timely comply with all of the covenants set forth in this Section 8(a) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully comply with all obligations under the proprietary information and inventions agreement between you and the Company (as amended from time to time, the "**Confidentiality Agreement**") and further agree that the provisions of the Confidentiality Agreement shall survive any termination or expiration of this Agreement or termination of your employment or any subsequent service relationship with the Company;

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company confidential information including, but not limited to, intellectual property, etc. and you shall not retain any copies, facsimiles or summaries of any Company proprietary information;

(iii) You will not at any time during or following your employment with the Company, make (or direct anyone to make) any disparaging statements (oral or written) about the Company, or any of its affiliated entities, officers, directors, employees, stockholders, representatives or agents, or any of the Company's products, product candidates, services or work-in-progress, that are harmful to their businesses, business reputations or personal reputations;

(iv) You agree that, upon the Company's request and without any payment therefore, you shall reasonably cooperate with the Company (and be available as necessary) after the Termination Date in connection with any matters involving events that occurred during your period of employment with the Company; and

(v) If you are a member of the Board or of the board of directors of any Subsidiary, and if requested by the Company, you will tender your written resignation from such position, effective as of your Termination Date.

(b) You also agree that you will fully and timely comply with all of the covenants set forth in this Section 8(b) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully pay off any outstanding amounts owed to the Company no later than their applicable due date or within thirty days of your Termination Date (if no other due date has been previously established);

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company property including, but not limited to, computers, cell phones, pagers, keys, business cards, etc.;

(iii) Within fifteen (15) days of the Termination Date, you will submit any outstanding expense reports to the Company on or prior to the Termination Date; and

(iv) As of the Termination Date, you will no longer represent that you are an officer, director or employee of the Company and you will immediately discontinue using your Company mailing address, telephone, facsimile machines, voice mail and e-mail.

(c) You acknowledge that (i) upon a violation of any of the covenants contained in Section 8 of this Agreement or (ii) if the Company is terminating your employment for Cause, the Company would as a result sustain irreparable harm, and, therefore, you agree that in addition to any other remedies which the Company may have, the Company shall be entitled to seek equitable relief including specific performance and injunctions restraining you from committing or continuing any such violation; and

9. **Offset.** Any severance or other payments or benefits made to you under this Agreement may be reduced, in the Company's discretion, by any amounts you owe to the Company provided that any such offsets do not violate Code Section 409A. To the extent you receive severance or similar payments and/or benefits under any other Company plan, program, agreement, policy, practice, or the like, or under the WARN Act or similar state law, the payments and benefits due to you under this Agreement will be correspondingly reduced on a dollar-for-dollar basis (or vice-versa) in a manner that complies with Code Section 409A.

10. **Notice.** Any notice that the Company is required to or may desire to give you shall be given by personal delivery, recognized overnight courier service, email, telecopy or registered or certified mail, return receipt requested, addressed to you at your address of record with the Company, or at such other place as you may from time to time designate in writing. Any notice that you are required or may desire to give to the Company hereunder shall be given by personal delivery, recognized overnight courier service, email, telecopy or by registered or certified mail, return receipt requested, addressed to the Company's Chief Executive Officer at its principal office, or at such other office as the Company may from time to time designate in writing. The date of actual delivery of any notice under this Section 10 shall be deemed to be the date of delivery thereof.

11. **Waiver; Severability.** No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to by you and the Company in writing. No waiver by you or the Company of the breach of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time. Except as expressly provided herein to the contrary, failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder will not be deemed to constitute a waiver thereof. In the event any portion of this Agreement is determined to be invalid or unenforceable for any reason, the remaining

portions shall be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law. If the Plan is terminated as provided under Section III.E of the Plan, then this Agreement shall also terminate as of the termination date of the Plan if no Qualifying Termination (or Good Reason event from which a Qualifying Termination results) had yet occurred.

12. **Voluntary Agreement.** You acknowledge that you have been advised to review this Agreement with your own legal counsel and other advisors of your choosing and that prior to entering into this Agreement, you have had the opportunity to review this Agreement with your attorney and other advisors and have not asked (or relied upon) the Company or its counsel to represent you or your counsel in this matter. You further represent that you have carefully read and understand the scope and effect of the provisions of this Agreement and that you are fully aware of the legal and binding effect of this Agreement. This Agreement is executed voluntarily by you and without any duress or undue influence on the part or behalf of the Company.

By signing below, you expressly acknowledge that you (i) have received a copy of the Plan and its Summary Plan Description, (ii) understand the terms of the Plan and this Agreement, (iii) are voluntarily entering into this Agreement and (iv) are agreeing to be bound by the terms of the Plan and this Agreement.

Please acknowledge your acceptance and understanding of this Agreement by signing and returning it to the undersigned. A copy of this signed Agreement will be sent to you for your records.

**ACKNOWLEDGED AND AGREED:**

**ADURO BIOTECH, INC.**

**GREG SCHAFER**

/s/ Stephen T. Isaacs  
\_\_\_\_\_  
BY: Stephen T. Isaacs, Chief Executive Officer

/s/ Greg Schafer  
\_\_\_\_\_

*[Signature Page to Severance Agreement]*

**EXHIBIT A**

**SEPARATION AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS**

This Separation Agreement and General Release, dated [DATE] (the “**Agreement**”), is made pursuant to that certain Severance Agreement dated July 31, 2014 (the “**Severance Agreement**”) entered into by and between Greg Schafer (“**Employee**”) on the one hand, and Aduro BioTech, Inc. (the “**Company**”), on the other. This Agreement is entered into in consideration for and as condition precedent to the Company providing separation benefits to Employee pursuant to the Severance Agreement. It is understood and agreed that the Company is not otherwise obligated to provide such benefits under the terms of the Severance Agreement and that the Company is doing so as a direct result of Employee’s willingness to agree to the terms hereof. Collectively, Employee and the Company shall be referred to as the “**Parties**.”

1. Employee was formerly employed by the Company. Employee’s employment with the Company ended effective [DATE] (the “**Termination Date**”) as a result of a Qualifying Termination. [A Change in Control of the Company occurred on [DATE].]

2. The purpose of this Agreement is to resolve any and all disputes relating to Employee’s employment with the Company, and the termination thereof (the “**Disputes**”). The Parties desire to resolve the above-referenced Disputes, and all issues raised by the Disputes, without the further expenditure of time or the expense of contested litigation. Additionally, the Parties desire to resolve any known or unknown claims as more fully set forth below. For these reasons, they have entered into this Agreement.

3. Employee acknowledges and agrees that Employee has received all wages due to Employee through the Termination Date, including but not limited to all accrued but unused vacation, bonuses, commissions, options, benefits, and monies owed by the Company to Employee. Employee further agrees and acknowledges that Employee has been fully paid and reimbursed for any and all business expenses which Employee incurred during his/her employment with the Company.

4. The Company expressly denies any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order or other law. The Company also expressly denies any liability to Employee. This Agreement is the compromise of disputed claims and nothing contained herein is to be construed as an admission of liability on the part of the Company hereby released, by whom liability is expressly denied. Accordingly, while this Agreement resolves all issues referenced herein, it does not constitute an adjudication or finding on the merits of the allegations in the Disputes and it is not, and shall not be construed as, an admission by the Company of any violation of federal, state or local statute, ordinance, rule, regulation, policy, order or other law, or of any liability alleged in the Disputes.

5. In consideration of and in return for the promises and covenants undertaken by the Company and Employee herein and the releases given by Employee herein, Employee shall receive the benefits provided by Sections 2(a) through 2(d) of the Severance Agreement. Any tax liabilities resulting from or arising out of the benefits to Employee referred to in this paragraph, shall be the sole and exclusive responsibility of Employee. Employee agrees to indemnify and hold the Company and the others released herein harmless from and for any tax liability (including, but not limited to, assessments, interest, and penalties) imposed on the Company by any taxing authority on account of the Company failing to withhold for tax purposes any amount from the benefits made as consideration of this Agreement.

*Exhibit A-1*

6. Except for any rights created by this Agreement, in consideration of and in return for the promises and covenants undertaken herein by the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged:

a. Employee does hereby acknowledge full and complete satisfaction of and does hereby release, absolve and discharge the Company, and each of its parents, subsidiaries, divisions, related companies and business concerns, past and present, as well as each of its partners, trustees, directors, officers, agents, attorneys, servants and employees, past and present, and each of them (hereinafter collectively referred to as “**Releasees**”) from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, grievances, wages, vacation payments, severance payments, obligations, commissions, overtime payments, debts, profit sharing claims, expenses, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown to Employee which Employee now owns or holds or has at any time owned or held as against Releasees, or any of them, including specifically but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, grievances, agreements, obligations and causes of action, known or unknown, suspected or unsuspected by Employee: (1) arising out of or in any way connected with the Disputes; or (2) arising out of Employee’s employment with the Company; or (3) arising out of or in any way connected with any claim, loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement. Additionally, Employee in any future claims may not use against Releasees as evidence any acts or omissions by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement, and no such future claims may be based on any such acts or omissions. Also without limiting the generality of the foregoing, Employee specifically releases the Releasees from any claim for attorneys’ fees. EMPLOYEE ALSO SPECIFICALLY AGREES AND ACKNOWLEDGES EMPLOYEE IS WAIVING ANY RIGHT TO RECOVERY BASED ON STATE OR FEDERAL AGE, SEX, PREGNANCY, RACE, COLOR, NATIONAL ORIGIN, MARITAL STATUS, RELIGION, VETERAN STATUS, DISABILITY, SEXUAL ORIENTATION, MEDICAL CONDITION OR OTHER ANTI-DISCRIMINATION LAWS, INCLUDING, WITHOUT LIMITATION, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE EQUAL PAY ACT, THE AMERICANS WITH DISABILITIES ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE CALIFORNIA FAMILY RIGHTS ACT, CALIFORNIA LABOR CODE SECTION 970, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT, THE WORKER ADJUSTMENT AND RETRAINING ACT, THE FAIR LABOR STANDARDS ACT, AND ANY OTHER SECTION OF THE CALIFORNIA LABOR OR GOVERNMENT CODE, ALL AS AMENDED, WHETHER SUCH CLAIM BE BASED UPON AN ACTION FILED BY EMPLOYEE OR BY A GOVERNMENTAL AGENCY. This release does not release claims that cannot be released as a matter of law.

7. Employee agrees and understands as follows: It is the intention of Employee in executing this instrument that it shall be effective as a bar to each and every claim, demand, grievance and cause of action hereinabove specified. In furtherance of this intention, Employee hereby expressly waives any and all rights and benefits conferred upon Employee by the provisions of Section 1542 of the California Civil Code and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. Section 1542 provides:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the

*Exhibit A-2*



release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Having been so apprised, Employee nevertheless hereby voluntarily elects to and does waive the rights described in Civil Code section 1542 and elects to assume all risks for claims that now exist in Employee’s favor, known or unknown, that are released under this Agreement.

8. Employee agrees: (1) the fact of and the terms and conditions of this Agreement; and (2) any and all actions by Releasees taken in accordance herewith, are confidential, and shall not be disclosed, discussed, publicized or revealed by the parties or their attorneys to any other person or entity, including but not limited to radio, television, press media, newspapers, magazines, professional journals and professional reports, excepting only the Parties’ accountants, lawyers, immediate family members (mother, father, brother, sister, child, spouse), the persons necessary to carry out the terms of this Agreement or as required by law. Should Employee be asked about the Disputes or this Agreement, Employee shall limit Employee’s response, if any, by stating that the matters have been amicably resolved.

9. In the event a government agency files or pursues a charge or complaint relating to Employee’s employment with the Company and/or the Disputes, Employee agrees not to accept any monetary or other benefits arising out of the charge or complaint.

10. Employee agrees not to make any derogatory, disparaging or negative comments about the Company, its products, officers, directors, or employees.

11. If any provision of this Agreement or application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are severable.

12. Employee agrees and understands that this Agreement may be treated as a complete defense to any legal, equitable, or administrative action that may be brought, instituted, or taken by Employee, or on Employee’s behalf, against the Company or the Releasees, and shall forever be a complete bar to the commencement or prosecution of any claim, demand, lawsuit, charge, or other legal proceeding of any kind against the Company and the Releasees.

13. This Agreement and all covenants and releases set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, parent companies, subsidiary companies, agents, attorneys, officers, employees, directors and shareholders.

14. The Parties hereto acknowledge each has read this Agreement, that each fully understands its rights, privileges and duties under the Agreement, that each has had an opportunity to consult with an attorney of its choice and that each enters this Agreement freely and voluntarily.

15. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed by Employee and an officer of the Company. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed as a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

*Exhibit A-3*

16. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused that party's legal representative to draft any of its provisions.

17. In the event of litigation arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

18. Employee acknowledges Employee may hereafter discover facts different from, or in addition to, those Employee now knows or believes to be true with respect to the claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, wages, obligations, debts, expenses, damages, judgments, orders and liabilities herein released, and agrees the release herein shall be and remain in effect in all respects as a complete and general release as to all matters released herein, notwithstanding any such different or additional facts.

19. The undersigned each acknowledge and represent that no promise or representation not contained in this Agreement has been made to them and acknowledge and represent that this Agreement and the Severance Agreement contains the entire understanding between the Parties and contains all terms and conditions pertaining to the compromise and settlement of the subjects referenced herein. The undersigned further acknowledge that the terms of this Agreement are contractual and not a mere recital.

20. Employee expressly acknowledges, understands and agrees that this Agreement includes a waiver and release of all claims which Employee has or may have under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §621, et seq. ("**ADEA**"). The terms and conditions of Paragraphs 20 through 22 apply to and are part of the waiver and release of ADEA claims under this Agreement. Company hereby advises Employee in writing to discuss this Agreement with an attorney before signing it. Employee acknowledges the Company has provided Employee at least forty-five days within which to review and consider this Agreement before signing it. If Employee elects not to use all forty-five days, then Employee knowingly and voluntarily waives any claim that Employee was not in fact given that period of time or did not use the entire forty-five days to consult an attorney and/or consider this Agreement.

21. Within three calendar days of signing and dating this Agreement, Employee shall deliver the signed original of this Agreement to [\_\_\_\_\_] of the Company. However, the Parties acknowledge and agree that Employee may revoke this Agreement for up to seven calendar days following Employee's execution of this Agreement and that it shall not become effective or enforceable until the revocation period has expired without revocation. The Parties further acknowledge and agree that such revocation must be in writing addressed to and received by [\_\_\_\_\_] of the Company not later than midnight on the seventh day following execution of this Agreement by Employee. If Employee revokes this Agreement under this Paragraph, this Agreement shall not be effective or enforceable and Employee will not receive the benefits described above, including those described in Paragraph 5.

22. If Employee does not revoke this Agreement in the timeframe specified in Paragraph 21 above, the Agreement shall be effective at 12:00:01 a.m. on the eighth day after it is signed by Employee (the "**Effective Date**").

23. This Agreement is intended to be exempt from or comply with the requirements of section 409A of the Internal Revenue Code of 1986 as amended ("**Section 409A**") and will be interpreted accordingly. While it is intended that all payments and benefits provided under this Agreement to Employee or on behalf of Employee will be exempt from or comply with Section 409A, the

*Exhibit A-4*

Company makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. The Company will have no liability to Employee or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt from or compliant with Section 409A.

24. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute one and the same Agreement.

25. This Agreement shall be construed in accordance with, and be deemed governed by, the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

*Exhibit A-5*

I have read the foregoing Separation Agreement and General Release of All Claims, consisting of [    ] pages, and I accept and agree to the provisions contained therein and hereby execute it voluntarily and with full understanding of its consequences.

**PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Greg Schafer

**Aduro BioTech, Inc.**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title:

*[Signature Page to Separation Agreement and General Release of All Claims]*



September 7, 2011

Tom Dubensky  
[PRIVATE ADDRESS]

Dear Tom,

Aduro BioTech, Inc. is pleased to extend a full time offer of employment to you as Chief Scientific Officer, reporting to Stephen T. Isaacs. Your compensation will be a monthly salary of \$25,000.00. This is an exempt position. Your anticipated start date will be Monday, September 19, 2011. Should you accept this position, you will be expected to sign the standard Aduro Employee Agreement and the Proprietary Inventions and Disclosure Agreement.

In addition to your salary you will be granted stock options equal to 1.8% of the outstanding shares on a fully diluted basis but subject to the Aduro BioTech Inc. Option Plan (65% time-based and 35% milestone-based).

A 2011 Bonus will be put in place (to be determined) for not less than 25% of your full time salary, normalized to your start date and subject to the Aduro Bonus Plan (milestone-based).

Moving Expenses will be reimbursed with the appropriate documentation and not to exceed \$19,000.00.

You will be eligible to participate in the benefits available to full-time Aduro employees, including bonuses, participation in the Company's 401(K), Aduro medical/dental programs, life insurance, short-term disability, long-term disability and vacation accrual, all in accordance with Company policy.

Please understand that nothing contained in this offer letter nor any other communication by a management representative is intended to create a contract of continued employment or the providing of benefits. Rather, it should be understood that Aduro BioTech, Inc. and the employee each have a right to terminate employment for any reason at any time, and this status cannot be modified in any manner. In addition, please understand that changes in compensation, benefits or other working conditions may occur during your employment and that such changes will not affect your at-will employment status.

ADURO BIOTECH 626 Bancroft Way, 3C, Berkeley, CA 94710-2224  
PHONE 510 848 4400 FAX 510 848 5614 WEB [www.adurobiotech.com](http://www.adurobiotech.com)

In compliance with federal laws contained in the Immigration Reform and Control Act of 1986, all offers of employment are contingent upon an applicant's ability to satisfy federal requirements regarding proof of identity and the lawful right to be employed in the United States. Please be sure to bring with you the following identification (e.g. driver's license and Social Security card or passport) on your first day of employment.

We look forward to a mutually beneficial relationship and believe that working with our Company we will both personally and professionally rewarding for you. We look forward to welcoming you to Aduro.

Please do not hesitate to contact me if you have questions about this offer or about Aduro BioTech, Inc.

Best Regards,

/s/ Stephen T. Isaacs

Stephen T. Isaacs  
Chairman & CEO

I hereby accept the terms of employment as stated above.

/s/ Tom Dubensky  
\_\_\_\_\_  
Signature

09 - 10 - 2011  
\_\_\_\_\_  
Date

## SEVERANCE AGREEMENT

This Severance Agreement (the “**Agreement**”) is entered into by and between Thomas Dubensky (“**you**” or “**your**”) and the Company. This Agreement has an effective date of July 31, 2014 (the “**Effective Date**”). The Board has authorized the Company to enter into this Agreement in order for you to become a Covered Employee (as defined in the Plan) and participant in the Plan as provided by the Plan. This Agreement is the Severance Agreement described in the Plan and this Agreement enumerates the Plan benefits that may be provided to you as a Covered Employee as referenced in Section II of the Plan. All provisions of this Agreement are subject to and governed by the terms of the Plan. In the event of any conflict in terms between the Plan and this Agreement, the terms of the Plan shall prevail and govern.

In consideration of the mutual covenants and promises made in this Agreement, you and the Company agree as follows:

1. **Certain Definitions.** In addition to terms defined elsewhere herein or in the Plan, the following terms have the following meanings when used in this Agreement provided however that if you have a written employment agreement with the Company (that is still effective as of the Termination Date) which expressly includes defined terms that expressly are different from and/or conflict with the defined terms contained in this Agreement then the defined terms contained in such employment agreement shall govern and shall supersede the definitions provided in this Agreement.

(a) “**Affiliate**” shall mean any entity if the Company and/or one or more Subsidiaries own 50% or more of the total combined voting power of such entity. An entity that attains the status of an Affiliate on a date after the adoption of the Plan shall be considered an Affiliate commencing as of such date.

(b) “**Base Pay**” shall mean your annual base salary rate as of immediately before the Termination Date (but disregarding any reduction in Base Pay that constituted Good Reason).

(c) “**Board**” shall mean the Company’s Board of Directors.

(d) “**Bonus**” shall mean your annual bonus opportunity for the Fiscal Year.

(e) “**Cause**” shall mean the occurrence of one or more of the following:

- (i) your conviction of, or plea of nolo contendere to, any felony or to any crime or offense causing substantial harm to the Company or its Affiliates or involving acts of theft, fraud, embezzlement, moral turpitude or similar conduct;
- (ii) your repeated intoxication by alcohol or drugs during the performance of your duties in a manner that materially and adversely affects your performance of such duties;
- (iii) malfeasance in the conduct of your duties, including, but not limited to (A) willful and intentional misuse or diversion of funds of the Company or its Affiliates, (B) embezzlement, (C) fraudulent or willful and material misrepresentations or concealments on any written reports submitted to the Company or its Affiliates, or (D) any unauthorized use

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or disclosure of any confidential information or trade secrets of the Company or any Affiliate;

(iv) your material violation of any provision of an agreement between you and the Company; or

(v) your material failure to perform the duties of your employment or engagement or material failure to follow or comply with the reasonable and lawful written directives of the Board or the Chief Executive Officer of the Company or with the written employment policies of the Company.

At all times prior to a Change in Control, Cause shall be determined by the Plan Administrator in its sole discretion. If you are terminated for Cause at any time within 12 months following a Change in Control, you will be provided with written notice from the Company describing the conduct forming the basis for the alleged Cause and to the extent curable as determined by the Plan Administrator in its good faith discretion, an opportunity of 15 days to cure such conduct before the Company may terminate you for Cause. If the Plan Administrator determines that the Cause event is curable, you may during this 15 day period present your case to the full Board before any termination for Cause is finalized by the Company. Any termination for "Cause" will not limit any other right or remedy the Company may have under this Agreement or otherwise.

(f) "**Change in Control**" shall mean one or more of the following: (i) the consummation of the acquisition by any entity, person, or group (other than the Company, an Affiliate, or an employee benefit plan maintained by the Company or any Affiliate) of beneficial ownership of the capital stock of the Company representing more than 50% of the outstanding voting stock of the Company; or (ii) the consummation of a transaction requiring stockholder approval for the acquisition of the Company by the purchase of stock or assets, or by merger, or otherwise. For purposes of this Agreement, only the first Change in Control occurring after the Effective Date will be a "Change in Control."

(g) "**COBRA**" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985.

(h) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(i) "**Company**" shall mean Aduro BioTech, Inc., a Delaware corporation, and shall include any successor company following a Change in Control.

(j) "**Disability**" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code, or, if required by applicable law, the inability in the opinion of a qualified physician acceptable to the Company, to perform the major duties of your position with the Company or an Affiliate because of your physical or mental impairment.

(k) "**Employee Benefits**" shall mean any Company group health plan(s) that you were participating in as of immediately before your Termination Date and for which you are eligible to continue coverage under COBRA. For avoidance of doubt, Employee Benefits shall without limitation not include contributions made by the Company to any retirement plan, pension plan or profit sharing plan for the benefit of you in connection with amounts earned by you.



(l) **“Equity Awards”** shall mean your Company equity compensation awards (including without limitation your Company stock options) that are outstanding as of your Termination Date.

(m) **“Fiscal Year”** shall mean the Company’s fiscal year in which the Termination Date occurs.

(n) **“Good Reason”** shall mean that any one or more of the following events have occurred without your written consent. This “Good Reason” definition and process is intended to comply with the safe harbor provided under Treasury Regulation Section 1.409A-1(n)(2)(ii) and shall be interpreted accordingly.

(i) You have incurred a material diminution in your responsibilities, duties or authority;

(ii) You have incurred a material diminution in your Base Salary; or

(iii) A relocation of the Company’s principal place of business such that you are assigned to primarily work at a location that is more than 50 miles away from Berkeley, California.

You may resign your employment from the Company for “Good Reason” within ninety (90) days after the date that any one of the “Good Reason” events described in subparts (i) through (iii) of Section 1(n) above has first occurred without your written consent. Your resignation for Good Reason will only be effective if the Company has not cured or remedied the Good Reason event within 30 days after its receipt of your written notice (such notice shall describe in detail the basis and underlying facts supporting your belief that a Good Reason event has occurred). Such notice of your intention to resign for Good Reason must be provided to the Company within 45 days of the initial existence of a Good Reason event. Failure to timely provide such written notice to the Company or failure to timely resign your employment for Good Reason means that you will be deemed to have consented to and waived the Good Reason event. If the Company does timely cure or remedy the Good Reason event, then you may either resign your employment without Good Reason or you may continue to remain employed on an at-will basis.

(o) **“Percentage”** shall mean the percentage that is equal to the quotient of (i) the number of days in the Fiscal Year that had elapsed as of the Termination Date (and including the Termination Date) divided by (ii) 365 (or 366 if such Fiscal Year is a leap year).

(p) **“Plan”** shall mean the Aduro BioTech, Inc. Severance Plan, as may be amended by the Company.

(q) **“Qualifying Termination”** means that you experienced a Separation from Service from the Company due to your employment being terminated either because the Company terminated your employment without Cause or because you resigned your employment for Good Reason in accordance with this Agreement. For avoidance of doubt, a Separation from Service due to your death or Disability shall not constitute a Qualifying Termination.

(r) **“Separation from Service”** has the same meaning provided to such term under Code Section 409A.

(s) **“Subsidiary”** means any entity (other than the Company) in an unbroken chain of entities beginning with the Company, if each of the entities other than the last entity in the unbroken

chain owns equity possessing fifty percent (50%) or more of the total combined voting power of all classes of equity in one of the other entities in such chain. An entity that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(t) “**Termination Date**” shall mean your last day of employment with the Company or Affiliates and where such termination also was a Separation from Service.

2. **Consequences of Qualifying Termination of Employment.** As of your Termination Date, you shall be paid for your accrued but unpaid salary and vacation, earned unpaid bonuses for a previously completed performance period, and unreimbursed valid business expenses that were submitted in accordance with Company policies and procedures. In addition, you will be eligible to receive any vested benefits pursuant to the express terms of any applicable Company-sponsored employee benefit plan or arrangement. If, and only if, you experience a Qualifying Termination, then the following subsections in this Section 2 shall also apply.

(a) **Base Pay Continuation.** The Company will provide to you Base Pay continuation cash payments that in the aggregate equal fifty percent of Base Pay. Except as provided below with respect to the first payment installment, the cash payments provided by this Section 2(a) shall be paid to you in substantially equal monthly installments over the six (6) month period following the Termination Date. The first installment shall be paid to you on the sixtieth (60th) day after the Termination Date and the amount of this first payment will equal two months of Base Pay.

(b) **Pro-Rated Bonus.** The Company will pay you, on the sixtieth (60th) day after the Termination Date, a one-time cash lump sum payment that is equal to the product of your target Bonus for the Fiscal Year multiplied by the Percentage.

(c) **Equity Compensation.** Subject to the next sentence, upon your Termination Date, your then unvested Equity Awards shall become vested and exercisable on an accelerated basis as if your Termination Date had occurred six (6) months later. However, if your Termination Date occurs during the time period commencing on the closing date of a Change in Control and ending on the first anniversary of such Change in Control, then all of your then unvested Equity Awards shall become vested and exercisable on an accelerated basis on your Termination Date.

(d) **Employee Benefits.** For the six (6) month period commencing with the first day of the month following the month of the Termination Date, if you timely elect to continue your Employee Benefits under COBRA, then the Company shall continue to provide to you all Employee Benefits which were received by, or with respect to, you as of immediately before the Termination Date, at the same expense to you as of immediately before the Termination Date subject to immediate cessation if you become eligible for other employee benefits coverage in connection with new employment. The time period during which you are receiving continuation of the Employee Benefits shall be considered part of your COBRA coverage entitlement period. You shall provide at least five business days advance written notice to the Company informing the Company when you become eligible for other employee benefits in connection with new employment. In addition, if periodically requested by the Company, you will provide the Company with written confirmation that you have not become eligible for other employee benefits. If it becomes unreasonable for the Company to continue to pay for this coverage for you (or imposes adverse tax consequences on you) because of changes in applicable law then the Company shall make the premium payments to you on an after-tax basis. The payments under this subsection (d) shall immediately cease once you are offered other group health insurance coverage.

(e) **Release.** As a condition to receiving (and continuing to receive) the payments provided in Section 2(a) through 2(d), you must: (i) within not later than forty-five (45) days after your

Termination Date, execute (and not revoke) and deliver to the Company a separation agreement and general release of all claims in substantially the form (or as may be reasonably modified by the Company in good faith and in its reasonable discretion) attached as Exhibit A hereto (the “**Separation Agreement**”) and (ii) remain in full compliance with both the Separation Agreement and also the provisions of Section 8 below.

**3. Assignability; Binding Nature.** Commencing on the Effective Date, this Agreement will be binding upon you and the Company. This Agreement may not be assigned by you except that your rights to compensation and benefits hereunder, subject to the limitations of this Agreement, may be transferred by will or operation of law. No rights or obligations of the Company under this Agreement may be assigned or transferred except in the event of a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and assumes the Company’s obligations under this Agreement contractually or as a matter of law. The Company will require any such purchaser, successor or assignee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such purchase, succession or assignment had taken place. Your rights and obligations under this Agreement shall not be transferable by you by assignment or otherwise provided, however, that if you die, all amounts then payable to you hereunder shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there be no such designee, to your estate.

**4. Governing Law.** This Agreement is governed by the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of California, without reference to the conflict of law provisions thereof.

**5. Taxes.** The Company shall have the right to withhold and deduct from any payment or benefit hereunder any federal, state or local taxes of any kind required by law to be withheld with respect to any such payment or benefit. The Company (including without limitation the Plan Administrator and members of the Board) shall not be liable to you or other persons as to any unexpected or adverse tax consequence realized by you and you shall be solely responsible for the timely payment of all taxes arising from this Agreement that are imposed on you. This Agreement is intended to comply with the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in a manner so as to comply therewith. Each payment made pursuant to any provision of this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Agreement to you will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Agreement are exempt from or compliant with Code Section 409A. The Company will have no liability to you or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. In addition, if upon your Termination Date, you are then a “specified employee” (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of “nonqualified deferred compensation” subject to Code Section 409A payable as a result of and within six (6) months following your Termination Date until the earlier of (i) the first business day of the seventh month following your Termination Date or (ii) ten (10) days after the Company receives written confirmation of your death. Any such delayed payments shall be made without interest. If (a) any or all of the payments and benefits under this Agreement would otherwise constitute “parachute payments” as defined under Code Section 280G and (b) the Company in its discretion elects to solicit its stockholders for their approval of putative parachute payments in accordance with Treasury Regulation Section 1.280G-1 Q&A 6, 7, then such payments and benefits shall be conditioned upon and subject to such stockholder approval and you shall

cooperate with the Company in such solicitation including without limitation timely executing any required waivers of compensation.

6. **No Change in At-Will Status.** Your employment with the Company is and shall continue to be at-will, as defined under applicable law. If your employment terminates for any reason, you shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or required by applicable law, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination. Nothing in this Agreement modifies your at-will employment status and either you or the Company can terminate the employment relationship at any time, with or without Cause.

7. **Entire Agreement.** Except as otherwise specifically provided in this Agreement, the Plan and this Agreement (and the agreements referenced herein) contain all the legally binding understandings and agreements between you and the Company pertaining to the subject matter of this Agreement and supersedes all such agreements, whether oral or in writing, previously discussed or entered into between the parties.

## 8. **Covenants**

(a) (a) As a condition of this Agreement and to your receipt of any post-employment benefits, you agree that you will fully and timely comply with all of the covenants set forth in this Section 8(a) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully comply with all obligations under the proprietary information and inventions agreement between you and the Company (as amended from time to time, the "**Confidentiality Agreement**") and further agree that the provisions of the Confidentiality Agreement shall survive any termination or expiration of this Agreement or termination of your employment or any subsequent service relationship with the Company;

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company confidential information including, but not limited to, intellectual property, etc. and you shall not retain any copies, facsimiles or summaries of any Company proprietary information;

(iii) You will not at any time during or following your employment with the Company, make (or direct anyone to make) any disparaging statements (oral or written) about the Company, or any of its affiliated entities, officers, directors, employees, stockholders, representatives or agents, or any of the Company's products, product candidates, services or work-in-progress, that are harmful to their businesses, business reputations or personal reputations;

(iv) You agree that, upon the Company's request and without any payment therefore, you shall reasonably cooperate with the Company (and be available as necessary) after the Termination Date in connection with any matters involving events that occurred during your period of employment with the Company; and

(v) If you are a member of the Board or of the board of directors of any Subsidiary, and if requested by the Company, you will tender your written resignation from such position, effective as of your Termination Date.

(b) You also agree that you will fully and timely comply with all of the covenants set forth in this Section 8(b) (which shall survive your termination of employment and termination or expiration of this Agreement):

(i) You will fully pay off any outstanding amounts owed to the Company no later than their applicable due date or within thirty days of your Termination Date (if no other due date has been previously established);

(ii) Within five (5) days of the Termination Date, you shall return to the Company all Company property including, but not limited to, computers, cell phones, pagers, keys, business cards, etc.;

(iii) Within fifteen (15) days of the Termination Date, you will submit any outstanding expense reports to the Company on or prior to the Termination Date; and

(iv) As of the Termination Date, you will no longer represent that you are an officer, director or employee of the Company and you will immediately discontinue using your Company mailing address, telephone, facsimile machines, voice mail and e-mail.

(c) You acknowledge that (i) upon a violation of any of the covenants contained in Section 8 of this Agreement or (ii) if the Company is terminating your employment for Cause, the Company would as a result sustain irreparable harm, and, therefore, you agree that in addition to any other remedies which the Company may have, the Company shall be entitled to seek equitable relief including specific performance and injunctions restraining you from committing or continuing any such violation; and

9. **Offset.** Any severance or other payments or benefits made to you under this Agreement may be reduced, in the Company's discretion, by any amounts you owe to the Company provided that any such offsets do not violate Code Section 409A. To the extent you receive severance or similar payments and/or benefits under any other Company plan, program, agreement, policy, practice, or the like, or under the WARN Act or similar state law, the payments and benefits due to you under this Agreement will be correspondingly reduced on a dollar-for-dollar basis (or vice-versa) in a manner that complies with Code Section 409A.

10. **Notice.** Any notice that the Company is required to or may desire to give you shall be given by personal delivery, recognized overnight courier service, email, telecopy or registered or certified mail, return receipt requested, addressed to you at your address of record with the Company, or at such other place as you may from time to time designate in writing. Any notice that you are required or may desire to give to the Company hereunder shall be given by personal delivery, recognized overnight courier service, email, telecopy or by registered or certified mail, return receipt requested, addressed to the Company's Chief Executive Officer at its principal office, or at such other office as the Company may from time to time designate in writing. The date of actual delivery of any notice under this Section 10 shall be deemed to be the date of delivery thereof.

11. **Waiver; Severability.** No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to by you and the Company in writing. No waiver by you or the Company of the breach of any condition or provision of this Agreement will be deemed a waiver of a similar or dissimilar provision or condition at the same or any prior or subsequent time. Except as expressly provided herein to the contrary, failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder will not be deemed to constitute a waiver thereof. In the event any portion of this Agreement is determined to be invalid or unenforceable for any reason, the remaining portions shall be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law. If the Plan is terminated as provided under Section III.E of the Plan, then this Agreement shall also terminate as of the termination date of the Plan if no Qualifying Termination (or Good Reason event from which a Qualifying Termination results) had yet occurred.

12. **Voluntary Agreement.** You acknowledge that you have been advised to review this Agreement with your own legal counsel and other advisors of your choosing and that prior to entering into this Agreement, you have had the opportunity to review this Agreement with your attorney and other advisors and have not asked (or relied upon) the Company or its counsel to represent you or your counsel in this matter. You further represent that you have carefully read and understand the scope and effect of the provisions of this Agreement and that you are fully aware of the legal and binding effect of this Agreement. This Agreement is executed voluntarily by you and without any duress or undue influence on the part or behalf of the Company.

By signing below, you expressly acknowledge that you (i) have received a copy of the Plan and its Summary Plan Description, (ii) understand the terms of the Plan and this Agreement, (iii) are voluntarily entering into this Agreement and (iv) are agreeing to be bound by the terms of the Plan and this Agreement.

Please acknowledge your acceptance and understanding of this Agreement by signing and returning it to the undersigned. A copy of this signed Agreement will be sent to you for your records.

**ACKNOWLEDGED AND AGREED:**

**ADURO BIOTECH, INC.**

**THOMAS DUBENSKY**

/s/ *Stephen T. Isaacs*

/s/ *Thomas Dubensky*

BY: Stephen T. Isaacs, Chief Executive Officer

*[Signature Page to Severance Agreement]*

**EXHIBIT A**

**SEPARATION AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS**

This Separation Agreement and General Release, dated [DATE] (the “**Agreement**”), is made pursuant to that certain Severance Agreement dated July 31, 2014 (the “**Severance Agreement**”) entered into by and between Thomas Dubensky (“**Employee**”) on the one hand, and Aduro BioTech, Inc. (the “**Company**”), on the other. This Agreement is entered into in consideration for and as condition precedent to the Company providing separation benefits to Employee pursuant to the Severance Agreement. It is understood and agreed that the Company is not otherwise obligated to provide such benefits under the terms of the Severance Agreement and that the Company is doing so as a direct result of Employee’s willingness to agree to the terms hereof. Collectively, Employee and the Company shall be referred to as the “**Parties**.”

1. Employee was formerly employed by the Company. Employee’s employment with the Company ended effective [DATE] (the “**Termination Date**”) as a result of a Qualifying Termination. [A Change in Control of the Company occurred on [DATE].]

2. The purpose of this Agreement is to resolve any and all disputes relating to Employee’s employment with the Company, and the termination thereof (the “**Disputes**”). The Parties desire to resolve the above-referenced Disputes, and all issues raised by the Disputes, without the further expenditure of time or the expense of contested litigation. Additionally, the Parties desire to resolve any known or unknown claims as more fully set forth below. For these reasons, they have entered into this Agreement.

3. Employee acknowledges and agrees that Employee has received all wages due to Employee through the Termination Date, including but not limited to all accrued but unused vacation, bonuses, commissions, options, benefits, and monies owed by the Company to Employee. Employee further agrees and acknowledges that Employee has been fully paid and reimbursed for any and all business expenses which Employee incurred during his/her employment with the Company.

4. The Company expressly denies any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order or other law. The Company also expressly denies any liability to Employee. This Agreement is the compromise of disputed claims and nothing contained herein is to be construed as an admission of liability on the part of the Company hereby released, by whom liability is expressly denied. Accordingly, while this Agreement resolves all issues referenced herein, it does not constitute an adjudication or finding on the merits of the allegations in the Disputes and it is not, and shall not be construed as, an admission by the Company of any violation of federal, state or local statute, ordinance, rule, regulation, policy, order or other law, or of any liability alleged in the Disputes.

5. In consideration of and in return for the promises and covenants undertaken by the Company and Employee herein and the releases given by Employee herein, Employee shall receive the benefits provided by Sections 2(a) through 2(d) of the Severance Agreement. Any tax liabilities resulting from or arising out of the benefits to Employee referred to in this paragraph, shall be the sole and exclusive responsibility of Employee. Employee agrees to indemnify and hold the Company and the others released herein harmless from and for any tax liability (including, but not limited to, assessments, interest, and penalties) imposed on the Company by any taxing authority on account of the Company failing to withhold for tax purposes any amount from the benefits made as consideration of this Agreement.

*Exhibit A-1*



6. Except for any rights created by this Agreement, in consideration of and in return for the promises and covenants undertaken herein by the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged:

a. Employee does hereby acknowledge full and complete satisfaction of and does hereby release, absolve and discharge the Company, and each of its parents, subsidiaries, divisions, related companies and business concerns, past and present, as well as each of its partners, trustees, directors, officers, agents, attorneys, servants and employees, past and present, and each of them (hereinafter collectively referred to as “**Releasees**”) from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, grievances, wages, vacation payments, severance payments, obligations, commissions, overtime payments, debts, profit sharing claims, expenses, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown to Employee which Employee now owns or holds or has at any time owned or held as against Releasees, or any of them, including specifically but not exclusively and without limiting the generality of the foregoing, any and all claims, demands, grievances, agreements, obligations and causes of action, known or unknown, suspected or unsuspected by Employee: (1) arising out of or in any way connected with the Disputes; or (2) arising out of Employee’s employment with the Company; or (3) arising out of or in any way connected with any claim, loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement. Additionally, Employee in any future claims may not use against Releasees as evidence any acts or omissions by or on the part of the Releasees, or any of them, committed or omitted on or before the time Employee signs this Agreement, and no such future claims may be based on any such acts or omissions. Also without limiting the generality of the foregoing, Employee specifically releases the Releasees from any claim for attorneys’ fees. EMPLOYEE ALSO SPECIFICALLY AGREES AND ACKNOWLEDGES EMPLOYEE IS WAIVING ANY RIGHT TO RECOVERY BASED ON STATE OR FEDERAL AGE, SEX, PREGNANCY, RACE, COLOR, NATIONAL ORIGIN, MARITAL STATUS, RELIGION, VETERAN STATUS, DISABILITY, SEXUAL ORIENTATION, MEDICAL CONDITION OR OTHER ANTI-DISCRIMINATION LAWS, INCLUDING, WITHOUT LIMITATION, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE EQUAL PAY ACT, THE AMERICANS WITH DISABILITIES ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, THE CALIFORNIA FAMILY RIGHTS ACT, CALIFORNIA LABOR CODE SECTION 970, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT, THE WORKER ADJUSTMENT AND RETRAINING ACT, THE FAIR LABOR STANDARDS ACT, AND ANY OTHER SECTION OF THE CALIFORNIA LABOR OR GOVERNMENT CODE, ALL AS AMENDED, WHETHER SUCH CLAIM BE BASED UPON AN ACTION FILED BY EMPLOYEE OR BY A GOVERNMENTAL AGENCY. This release does not release claims that cannot be released as a matter of law.

7. Employee agrees and understands as follows: It is the intention of Employee in executing this instrument that it shall be effective as a bar to each and every claim, demand, grievance and cause of action hereinabove specified. In furtherance of this intention, Employee hereby expressly waives any and all rights and benefits conferred upon Employee by the provisions of Section 1542 of the California Civil Code and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. Section 1542 provides:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing

*Exhibit A-2*

the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Having been so apprised, Employee nevertheless hereby voluntarily elects to and does waive the rights described in Civil Code section 1542 and elects to assume all risks for claims that now exist in Employee’s favor, known or unknown, that are released under this Agreement.

8. Employee agrees: (1) the fact of and the terms and conditions of this Agreement; and (2) any and all actions by Releasees taken in accordance herewith, are confidential, and shall not be disclosed, discussed, publicized or revealed by the parties or their attorneys to any other person or entity, including but not limited to radio, television, press media, newspapers, magazines, professional journals and professional reports, excepting only the Parties’ accountants, lawyers, immediate family members (mother, father, brother, sister, child, spouse), the persons necessary to carry out the terms of this Agreement or as required by law. Should Employee be asked about the Disputes or this Agreement, Employee shall limit Employee’s response, if any, by stating that the matters have been amicably resolved.

9. In the event a government agency files or pursues a charge or complaint relating to Employee’s employment with the Company and/or the Disputes, Employee agrees not to accept any monetary or other benefits arising out of the charge or complaint.

10. Employee agrees not to make any derogatory, disparaging or negative comments about the Company, its products, officers, directors, or employees.

11. If any provision of this Agreement or application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provision or application. To this end, the provisions of this Agreement are severable.

12. Employee agrees and understands that this Agreement may be treated as a complete defense to any legal, equitable, or administrative action that may be brought, instituted, or taken by Employee, or on Employee’s behalf, against the Company or the Releasees, and shall forever be a complete bar to the commencement or prosecution of any claim, demand, lawsuit, charge, or other legal proceeding of any kind against the Company and the Releasees.

13. This Agreement and all covenants and releases set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their legal successors, heirs, assigns, partners, representatives, parent companies, subsidiary companies, agents, attorneys, officers, employees, directors and shareholders.

14. The Parties hereto acknowledge each has read this Agreement, that each fully understands its rights, privileges and duties under the Agreement, that each has had an opportunity to consult with an attorney of its choice and that each enters this Agreement freely and voluntarily.

15. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed by Employee and an officer of the Company. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed as a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

*Exhibit A-3*

16. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because that party drafted or caused that party's legal representative to draft any of its provisions.

17. In the event of litigation arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

18. Employee acknowledges Employee may hereafter discover facts different from, or in addition to, those Employee now knows or believes to be true with respect to the claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, wages, obligations, debts, expenses, damages, judgments, orders and liabilities herein released, and agrees the release herein shall be and remain in effect in all respects as a complete and general release as to all matters released herein, notwithstanding any such different or additional facts.

19. The undersigned each acknowledge and represent that no promise or representation not contained in this Agreement has been made to them and acknowledge and represent that this Agreement and the Severance Agreement contains the entire understanding between the Parties and contains all terms and conditions pertaining to the compromise and settlement of the subjects referenced herein. The undersigned further acknowledge that the terms of this Agreement are contractual and not a mere recital.

20. Employee expressly acknowledges, understands and agrees that this Agreement includes a waiver and release of all claims which Employee has or may have under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §621, et seq. ("**ADEA**"). The terms and conditions of Paragraphs 20 through 22 apply to and are part of the waiver and release of ADEA claims under this Agreement. Company hereby advises Employee in writing to discuss this Agreement with an attorney before signing it. Employee acknowledges the Company has provided Employee at least forty-five days within which to review and consider this Agreement before signing it. If Employee elects not to use all forty-five days, then Employee knowingly and voluntarily waives any claim that Employee was not in fact given that period of time or did not use the entire forty-five days to consult an attorney and/or consider this Agreement.

21. Within three calendar days of signing and dating this Agreement, Employee shall deliver the signed original of this Agreement to [ ] of the Company. However, the Parties acknowledge and agree that Employee may revoke this Agreement for up to seven calendar days following Employee's execution of this Agreement and that it shall not become effective or enforceable until the revocation period has expired without revocation. The Parties further acknowledge and agree that such revocation must be in writing addressed to and received by [ ] of the Company not later than midnight on the seventh day following execution of this Agreement by Employee. If Employee revokes this Agreement under this Paragraph, this Agreement shall not be effective or enforceable and Employee will not receive the benefits described above, including those described in Paragraph 5.

22. If Employee does not revoke this Agreement in the timeframe specified in Paragraph 21 above, the Agreement shall be effective at 12:00:01 a.m. on the eighth day after it is signed by Employee (the "**Effective Date**").

23. This Agreement is intended to be exempt from or comply with the requirements of section 409A of the Internal Revenue Code of 1986 as amended ("**Section 409A**") and will be interpreted accordingly. While it is intended that all payments and benefits provided under this Agreement to Employee or on behalf of Employee will be exempt from or comply with Section 409A, the

*Exhibit A-4*

Company makes no representation or covenant to ensure that such payments and benefits are exempt from or compliant with Section 409A. The Company will have no liability to Employee or any other party if a payment or benefit under this Agreement is challenged by any taxing authority or is ultimately determined not to be exempt from or compliant with Section 409A.

24. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute one and the same Agreement.

25. This Agreement shall be construed in accordance with, and be deemed governed by, the Employee Retirement Income Security Act of 1974, as amended, and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

*Exhibit A-5*

I have read the foregoing Separation Agreement and General Release of All Claims, consisting of [    ] pages, and I accept and agree to the provisions contained therein and hereby execute it voluntarily and with full understanding of its consequences.

**PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

Dated: 08.25.14

\_\_\_\_\_  
Thomas Dubensky

**Aduro BioTech, Inc.**

Dated: 08.25.14

\_\_\_\_\_  
Name: Thomas Dubensky  
Title: CSO

*[Signature Page to Separation Agreement and General Release of All Claims]*

CONFIDENTIAL

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RESEARCH AND LICENSE AGREEMENT

between

*Janssen Biotech, Inc.*

and

*Aduro Biotech, Inc.*

May 27, 2014

This Research and License Agreement (the “**Agreement**”) is made on the 27<sup>th</sup> day of May 2014 (the “**Effective Date**”) by and between **Aduro Biotech, Inc.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, 3C, Berkeley, CA 94710 (hereinafter “**Aduro**”) and **Janssen Biotech, Inc.**, a Pennsylvania corporation, 800 Ridgeview Drive, Horsham, PA 19044 (hereinafter “**JB**”). Aduro and JBI may be referred to individually herein as a “**Party**” or together as the “**Parties**”.

# WITNESSETH

WHEREAS Aduro possesses expertise and resources related to the research and discovery of therapeutic cancer immunotherapeutics based on, inter alia, attenuated strains of *Listeria monocytogenes*; and

WHEREAS JBI possesses expertise and resources relating to the discovery, development, manufacture, marketing and sale of ethical pharmaceutical products for therapeutic, prophylactic, and diagnostic uses in humans and animals; and

WHEREAS JBI wishes to obtain and Aduro is willing to grant a worldwide, exclusive license to Aduro’s rights to its patents and know-how to Exploit (as defined below) the Licensed Immunotherapeutics (as defined below) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and herein contained, Aduro and JBI have agreed as follows:

## 1 DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings unless the context clearly requires otherwise, and the singular shall include the plural and vice versa:

1.1 “**741 Immunotherapeutic**” means a *Listeria* strain engineered to express: [\*]. For the avoidance of doubt, 741 Immunotherapeutic includes Modifications thereto.

1.2 “**Achieved Milestone**” shall have the meaning ascribed thereto in Section 7.4.3.

1.3 “**Act**” shall have the meaning ascribed thereto in Section 11.4.

1.4 “**Action**” shall have the meaning ascribed thereto in Section 11.6.1.

1.5 “**Active Development**” means that, at any given time, a Party, its Affiliates, or Sublicensees are [\*], directly or through a Third-Party contractor, in one or more of the following development activities: formulation development, study/protocol design activity, awaiting protocol approval from the applicable institutional review board or FDA, patient recruitment, patient treatment, data analysis, report writing for any clinical trial, regulatory file(s) being drafted or pending, pricing or marketing approvals pending, manufacturing investment work, synthetic process development, drug synthesis, packaging development, manufacturing scale-up and validation, preclinical or in vitro characterization and go/no go decision awaited from a formal research and development committee of a Party, its Affiliates or Sublicensees to initiate any of the preceding activities.

1.6 “**Aduro**” shall have the meaning ascribed thereto in the Preamble.

1.7 “**Aduro Core Patents**” means all of the Aduro Patents other than those that are Licensed Immunotherapeutic Specific Patents.

[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

- 1.8 “Aduro Core Technology”** means Aduro Intellectual Property that is specifically directed to Aduro’s Listeria platform technology, including the Aduro Core Patents. Aduro Core Technology excludes (i) Licensed Immunotherapeutic Specific Patents and (ii) Aduro Know-How referencing Licensed Immunotherapeutics and not generally applicable to Aduro’s Listeria platform.
- 1.9 “Aduro Immunotherapeutic”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.10 “Aduro Immunotherapeutic Antigen”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.11 “Aduro Intellectual Property”** means: (i) the Aduro Know-How; (ii) the Aduro Patents; and (iii) any other intellectual property Controlled by Aduro that relates to the Licensed Immunotherapeutic Materials.
- 1.12 “Aduro Know-How”** means Information that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.13 “Aduro Patent(s)”** means any Patent that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic. A list of patents known to be Aduro Patents existing as of the Effective Date is appended hereto as the Aduro Patent Schedule and shall be updated by Aduro annually, or otherwise upon reasonable request by JBI, to reflect appropriate additions and revisions thereto during the course of this Agreement.
- 1.14 “Aduro Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.15 “Affiliate”** with respect to any Party, any corporation or other business entity, that directly or indirectly controls, is controlled by, or is under common control with such Party. For the purposes of this definition, the term “control” (including, with correlative meanings, the term “controlled by” and “under common control with”) as used with respect to any Party, shall mean the possession of at least 50% of the voting stock or other ownership interest of the other corporation or entity, or the power to direct or cause the direction of the management and policies of the corporation or other entity or the power to elect or appoint at least 50% of the members of the governing body of the corporation or other entity through the ownership of the outstanding voting securities or by contract or otherwise. “Affiliate” of, or an entity “Affiliated” with, a specified entity, means an entity that directly or indirectly controls, is controlled by, or is under common control with, the entity specified. Notwithstanding the foregoing and for purposes of clarity, none of Morningside Venture (VI) Investments Limited, Gerald Chan and Stephanie O’Brien shall be deemed an Affiliate of Aduro.
- 1.16 “Agreement”** shall have the meaning ascribed thereto in the Preamble.
- 1.17 “Antigen”** means any substance intended to evoke an active immune response.
- 1.18 “Antigen Change”** means the addition of, substitution for, or removal of an Antigen from the existing Antigens that are part of the Lead 741 Immunotherapeutic, any other 741 Immunotherapeutic, or any previously created Permitted Derivative Immunotherapeutic. For clarity, the addition, subtraction, or substitution of an Antigen in a Licensed Immunotherapeutic is an Antigen Change and not a Modification.

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**



- 1.19 **“Antigen Exception”** shall have the meaning ascribed thereto in Section 2.5.3
- 1.20 **“Antigen Variation”** means a Modification to an Antigen whereby the as-Modified Antigen is a Variant of such Antigen.
- 1.21 **“Applicable Law”** means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any applicable government authority, court, tribunal, agency, legislative body, commission or other instrumentality of: (i) any government of any country; (ii) any state, province, county, city or other political subdivision thereof; or (iii) any supranational body.
- 1.22 **“Available Antigen”** means an Antigen or Antigens proposed for inclusion in a Permitted Derivative Immunotherapeutic, set forth in the Permitted Derivative Notice and determined to be available pursuant to Section 2.5.3.
- 1.23 **“Base Strain”** means the Listeria strain described in the IND and Manufacturing Plan. Such Base Strain may be modified by Aduro pursuant to Section 2.5.2.
- 1.24 **“Base Strain Modification”** means [\*] to the Base Strain. For clarity, neither (i) the [\*] in a Licensed Immunotherapeutic as part of developing the 741 Immunotherapeutic or a Permitted Derivative Immunotherapeutic; (ii) the development or implementation of [\*]; nor (iii) the development or implementation of a [\*], constitute a Base Strain Modification.
- 1.25 **“BLA”** means a Biological License application filed pursuant to 42 USC §262 et seq including all documents, data and other information concerning a Licensed Immunotherapeutic that are necessary for, or included in, FDA approval to market a Licensed Immunotherapeutic and all supplements and amendments, including supplemental biological license applications, that may be filed with respect to the foregoing as more fully defined in 21 C.F.R. §600 et seq. or an equivalent application filed with any equivalent Regulatory Authority in any jurisdiction in the Territory other than the United States.
- 1.26 **“BPCIA”** shall have the meaning ascribed thereto in Section 11.4.2.
- 1.27 **“Bundled Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.28 **“Calendar Month”** means a calendar month based on the JBI Universal Calendar.
- 1.29 **“Calendar Quarter”** means a calendar quarter based on the JBI Universal Calendar.
- 1.30 **“Calendar Year”** means a period of twelve (12) consecutive months based on the JBI Universal Calendar for that year.
- 1.31 **“Cancer Type”** means [\*]. For example, [\*]. Each of: (i) [\*]; (ii) and (iii) [\*] would (for the purposes of this Agreement), respectively, be considered a [\*]. For the avoidance of doubt, all [\*] cancer type.
- 1.32 **“Claims”** shall have the meaning ascribed thereto in Section 14.1.
- 1.33 **“Collaboration Term”** means the period starting on the Effective Date and expiring on the date that Aduro has completed all its activities under the IND and Manufacturing Plan.

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- 1.34 **“Combination Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.35 **“Commercialize” or “Commercialization”** means any and all activities directed to marketing, promoting, manufacturing, packaging, distributing, offering for sale, selling of a product or service, or importing a product for sale.
- 1.36 **“Commercially Reasonable Efforts”** means, as to a Party, the level of effort normally used by a pharmaceutical or biotechnology company, as applicable, of comparable size and resources of such Party, consistent with the efforts such Party would commonly devote with the exercise of prudent scientific and business judgment relating to the research, development or commercialization of a biotechnology product with similar product characteristics, that is of similar market potential at a similar stage in its development or product life, resulting from its own research efforts or that the Party has otherwise acquired or exclusively licensed (with the right to sublicense) taking into account issues of patent coverage, safety and efficacy, product profile, competitiveness of the marketplace, intellectual property position, regulatory structure and likelihood of approval, anticipated profitability (including cost of goods and pricing and reimbursement status achieved or anticipated), alternative products and product candidates, and other factors.
- 1.37 **“Compulsory License”** means a patent license that is granted or ordered to be granted by a government of a country to an individual or entity to perform (or have performed) activities for the Development or Commercialization of a pharmaceutical product that is Covered by the claims of a patent in that country, with the ultimate purpose of enabling an entity to market and sell such product for the benefit of public health or for public policy reasons.
- 1.38 **“Confidential Information”** shall have the meaning ascribed thereto in Section 12.1.
- 1.39 **“Control(s)” or “Controlled”** means, possession by a Party of the legal right, power and authority (whether by ownership, license or otherwise) to grant a license or sublicense of intellectual property rights or otherwise disclose or use proprietary or trade secret information to such other Party without violating the terms of any agreement with any Third-Party.
- 1.40 **“Controlling Party”** shall have the meaning ascribed thereto in Section 11.6.1.
- 1.41 **“Cover,” “Covering” or “Covered”** means, with respect to a Licensed Immunotherapeutic, or with respect to the practice of any technology, that, in the absence of a license granted under a Valid Claim of a given Patent, the manufacture, use, offer for sale, sale, or importation of such Licensed Immunotherapeutic or the practice of such technology would infringe such Valid Claim.
- 1.42 **“CPI”** shall have the meaning ascribed thereto in the definition of FTE Rate.
- 1.43 **“CPR”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.44 **“CPR Accelerated Rules”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.45 **“CPR Rules”** shall have the meaning ascribed thereto in Section 16.2.1.
- 1.46 **“Currency Hedge Rate(s)”** is calculated as a weighted average hedge rate of the outstanding external foreign currency forward hedge contract(s) of Johnson & Johnson’s global treasury services center (“GTSC”) and its Affiliates with third party banks. The

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hedge contract(s) is entered into to protect the transactional foreign exchange risk exposures of JBI by reducing the impact of foreign currency volatility through a systematic build-up of a yearly currency hedge rate(s).

- 1.47 “Data Exclusivity Right”** means the right or protection, granted by a Regulatory Authority in a jurisdiction, providing with respect to a drug product: (i) marketing exclusivity that prevents the Regulatory Authority from accepting or approving an application for Regulatory Approval such as a New Drug Application (whether new or abbreviated), a BLA or an application relating to a biosimilar product submitted by a party, for a pharmaceutical product (including a generic, biosimilar, similar medicinal product or generic or competing version of a pharmaceutical product) that is the same or a bioequivalent of the drug product, such as through new molecular entity or biological product or orphan drug or pediatric exclusivity designation by the applicable Regulatory Authority, or an exclusive right to sell pursuant to the data exclusivity provisions such as those under EC Directives 2004/27/EC and 2001/83/EC and Regulation 726/2004/EC; or (ii) data protection for regulatory data relating to the drug product against unfair commercial use or public release consistent with, or no less stringent than, Article 39.3 of the TRIPS Agreement.
- 1.48 “Development”** (including variations such as “Develop” and “Developing”) means preclinical and clinical drug development activities, including, among other things: test method development and stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, quality assurance/quality control development, statistical analysis and report writing, clinical studies and regulatory affairs, product approval and registration. For the purposes of this Agreement, Development shall include, without limitation, Phase I, Phase II, Phase III, and post-Phase III Clinical Trials.
- 1.49 “Disclosing Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.50 “Disclosure”** shall have the meaning ascribed thereto in Section 11.9.
- 1.51 “Dispute”** shall have the meaning ascribed thereto in Section 16.1.
- 1.52 “Effective Date”** shall have the meaning ascribed thereto in the Preamble.
- 1.53 “EMA”** means the European Medicines Agency, or any successor agency thereto.
- 1.54 “EU Major Markets”** means France, Germany, Italy, Spain and the United Kingdom.
- 1.55 “Exploitation”** (including variations such as “Exploit”) means the research, development, manufacture, having manufactured, use, having used, sale, offer for sale, importation or other exploitation of a product or service.
- 1.56 “FDA”** means the United States Food and Drug Administration, or any successor agency thereto.
- 1.57 “Field”** means any and all uses.
- 1.58 “First Commercial Sale”** means, with respect to a Licensed Immunotherapeutic, the first sale in an arms-length transaction of such Licensed Immunotherapeutic to a Third-Party by JBI, its Affiliates or a Sublicensee in a country following [\*]. Licensed Immunotherapeutic provided for: (i) [\*]; (ii) [\*]; (iii) [\*]; and (iv) [\*]; shall not constitute a First Commercial Sale. In addition, [\*], shall not constitute a First Commercial Sale.

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- 1.59 “Force Majeure”** shall have the meaning ascribed thereto in Section 18.1.
- 1.60 “FTE”** means a full-time equivalent person year consisting of a total of [\*] hours per year of scientific, technical, regulatory or professional work undertaken by Aduro’s or its Affiliates’ employees, not including standard time off pursuant to Aduro’s or its Affiliates’ company policy for vacations, holidays, sick time and the like.
- 1.61 “FTE Cost”** means, for any period, the product of: (i) the actual total FTEs used by Aduro to perform development or manufacturing activities pursuant to Development work under Section 2.5, Other Development and the Technology Transfer Plan during such period; and (ii) the FTE Rate. For the avoidance of doubt, no individual may record more than 1.0 FTE in a given Calendar Year (or the pro-rated amount in any portion thereof).
- 1.62 “FTE Rate”** means [\*] per FTE. The FTE Rate [\*].
- 1.63 “GMPs”** shall mean all good manufacturing practices under Title 21 of the United States Code of Federal Regulations, as amended from time to time.
- 1.64 “GTSC”** shall have the meaning ascribed thereto in the definition of Currency Hedge Rate.
- 1.65 “IND”** means an investigational new drug application as more fully defined in 21 C.F.R. §312.3, as amended from time to time, that is filed with the FDA or any equivalent filing made with any Regulatory Authority in another country in the Territory other than the United States. For purposes of this part, “IND” is synonymous with “Notice of Claim Investigational Exemption for a New Drug”.
- 1.66 “IND Approval”** means the expiration of the thirty-day waiting period for IND effectiveness, or earlier approval to proceed with clinical trial(s) under the IND, or, if a clinical hold is imposed, notification from a Division Director that the clinical trial may proceed.
- 1.67 “IND and Manufacturing Plan”** means the activities specified in the IND and Manufacturing Plan Schedule attached hereto as may be modified by the JSC in accordance with Section 4.5
- 1.68 “Indemnification Claim”** shall have the meaning ascribed thereto in Section 14.3.
- 1.69 “Indemnified Party”** shall have the meaning ascribed thereto in Section 14.3.
- 1.70 “Indemnifying Party”** shall have the meaning ascribed thereto in Section 14.3.
- 1.71 “Information”** means all information not generally known to the public including screens, models, inventions, practices, methods, knowledge, know-how, skill, experience, test data including pharmacological, toxicological and clinical test data, analytical and quality control data, marketing, pricing, distribution, costs, sales, manufacturing data, manufacturing secrets and procedures, secret processes, reports, plans, designs, prototypes, test results, working drawings, methods including testing methods, formulas, recipes, material and performance specifications and current accumulated experience acquired as a result of technical research or otherwise, and patent and legal data related to chemical, biological and other tangible materials.
- 1.72 “Initiation of Phase I Trial”** means the first dosing of the [\*] patient in a Phase I Clinical Trial. If there are intended to be fewer than [\*] patients to be enrolled in the trial, then initiation shall be deemed to be the first dosing of the last patient enrolled.

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- 1.73 **“Initiation of Phase II Trial”** means the first dosing of the [\*] patient in a Phase II Clinical Trial.
- 1.74 **“Initiation of Phase III Trial”** means the first dosing of the [\*] patient in a Phase III Clinical Trial.
- 1.75 **“JBI”** shall have the meaning ascribed thereto in the Preamble.
- 1.76 **“JBI Improvements to Aduro Core Technology”** shall mean any enhancement, improvement or modification to the Aduro Core Technology that is developed, conceived or reduced to practice by or on behalf of JBI or its Affiliates in connection with the Exploitation of any Licensed Immunotherapeutic.
- 1.77 **“JBI Know-How”** means Information that: is (i) under the Control of JBI or its Affiliates during the Term and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.78 **“JBI Patent(s)”** means any Patent that: (i) is Controlled by JBI or its Affiliates during the Term, and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic.
- 1.79 **“JBI Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.80 **“JBI Universal Calendar”** means the calendar attached hereto for 2014 as the Calendar Year Schedule and as shall be updated by JBI for each subsequent Calendar Year consistent with that used for JBI’s internal business purposes.
- 1.81 **“Joint Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.82 **“Joint Steering Committee”** or **“JSC”** means the committee established pursuant to Section 4.3.
- 1.83 **“Lead 741 Immunotherapeutic”** means the 741 Immunotherapeutic [\*].
- 1.84 **“Licensed Immunotherapeutics”** means 741 Immunotherapeutics and any Permitted Derivative Immunotherapeutics.
- 1.85 **“Licensed Immunotherapeutic Materials”** means the Master Cell Bank and such other tangible items useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics, including those set forth in the Technology Transfer Plan Schedule.
- 1.86 **“Licensed Immunotherapeutic Specific Patents”** means Patents, the claims of which contain [\*]. For the sake of clarity, Licensed Immunotherapeutic Specific Patents do not include any Patents, the claims of which [\*], but Patents that contain claims that contain [\*] would be included in Licensed Immunotherapeutic Specific Patents.
- 1.87 **“Losses”** shall have the meaning ascribed thereto in Section 14.1.
- 1.88 **“Manufacturing”** (including variations such as **“Manufacture”**) means the performance of any and all activities directed to producing, manufacturing, processing, filling, finishing, packaging, labelling, quality control, quality assurance, testing and

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release, shipping and storage of Licensed Immunotherapeutics, including a Licensed Immunotherapeutic in Development (e.g. Manufacturing of clinical supplies), but excluding Commercialization and Development activities.

- 1.89 “Master Cell Bank”** means the Master Cell Bank described in the IND and Manufacturing Plan Schedule for the Lead 741 Immunotherapeutic and any other Master Cell Bank prepared by Aduro for JBI in connection with any other Licensed Immunotherapeutic.
- 1.90 “Modification”** (including variants such as “**Modify**” and “**Modified**”) means any adaptation, enhancement, redesign, or other change to a product or process.
- 1.91 “Net Sales”** means the gross amounts [\*] on sales of a Licensed Immunotherapeutic by JBI or any of its Affiliates or Sublicensees to a Third-Party purchaser in an arms-length transaction, less the following deductions[\*] in the gross sales price with respect to such sales:

(i) normal and customary trade, cash and quantity discounts, allowances, deductions, fees and credits, in the form of deductions actually allowed with respect to sales of such Licensed Immunotherapeutic (to the extent not already reflected in the amount invoiced), excluding commissions for commercialization;

(ii) excise taxes, use taxes, tariffs, sales taxes and customs duties, and other government charges imposed on the sale of such Licensed Immunotherapeutic to the extent separately itemized on the invoice (but specifically excluding, for clarity, any income taxes assessed against the income arising from such sale);

(iii) outbound freight, shipment and insurance costs to the extent separately itemized on the invoice;

(iv) compulsory payments and cash rebates related to the sales of such Licensed Immunotherapeutics paid to a governmental authority (or agent thereof) pursuant to governmental regulations, including government levied fees as a result of healthcare reform policies;

(v) retroactive price reductions, credits or allowances for rejections or returns of such Licensed Immunotherapeutic including for recalls, damaged goods and billing errors;

(vi) rebates, chargebacks, and discounts (or the equivalent thereof) to managed health care organizations, pharmacy benefit managers (or the equivalent thereof), federal, state, provincial, local or other governments, or their agencies or purchasers, reimbursers, or trade customers; and

(vii) an amount equal to [\*] percent [\*] of such gross amounts to cover items not set forth above.

The foregoing deductions shall be [\*]. All such discounts, allowances, credits, rebates, and other deductions shall be [\*]. Sales of a Licensed Immunotherapeutic by and between JBI and its Affiliates and Sublicensees are not sales to Third Parties and shall be excluded from Net Sales calculations for all purposes; provided that any resale by the purchaser to a Third-Party distributor or to a Third-Party for end use, shall be included in Net Sales. [\*] shall be excluded from Net Sales calculations for all purposes.

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In the event a Licensed Immunotherapeutic is sold in combination with other products by JBI, its Affiliates or Sublicensees and the Third-Party customer receives a discount for such “bundling” of products (for clarity, this situation describes bundling of two or more separate products, each in finished dosage form, and not a fixed combination of two or more active ingredients in a single finished product) (a “**Bundled Product**”), the Net Sales of such Licensed Immunotherapeutic, for the purposes of determining royalty and sales-based milestone payments, shall be determined [\*]. In the event that [\*], then, for purposes of determining the royalty payments due in respect of such Licensed Immunotherapeutic, the [\*].

If a Licensed Immunotherapeutic is sold in the form of a fixed combination in a single finished product containing both such Licensed Immunotherapeutic and one or more other active ingredient(s) as separate molecular entity(ies) that are not Licensed Immunotherapeutics (a “**Combination Product**”), the Net Sales of such Licensed Immunotherapeutic, for the purpose of calculating royalty and sales-based milestone payments owed under this Agreement for sales of such Licensed Immunotherapeutic, shall be determined as follows: first, [\*]. If any other active ingredient(s) in the Combination Product is not sold separately, Net Sales shall be calculated by [\*]. If neither such Licensed Immunotherapeutic nor any other active ingredient in the Combination Product is sold separately, [\*].

**1.92** “[\*] **Antigen**” means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.

**1.93** “**Other Development**” shall have the meaning ascribed thereto in Section 3.2.

**1.94** “**Out-of-Pocket Expenses**” means expenses actually paid (with no mark-up) to any Third-Party that is either: (i) not an Affiliate of a Party claiming such expenses, or (ii) is an Affiliate of that Party where such payment is limited to reimbursing such Affiliate for expenses actually paid by such Affiliate to a Third-Party that is not an Affiliate of the Party claiming such expenses.

**1.95** “**Overlapping Product**” shall have the meaning ascribed thereto in Section 2.6.3.

**1.96** “[\*] **Antigen**” means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.

**1.97** “**Party**” or “**Parties**” shall have the meaning ascribed thereto in the Preamble.

**1.98** “**Patent(s)**” means all patents and patent applications, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications claiming priority to such patents and patent applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

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- 1.99** “**Permitted Derivative Notice**” shall have the meaning ascribed thereto in Section 2.5.3.
- 1.100** “**Permitted Derivative Immunotherapeutic(s)**” means a *Listeria* strain: [\*] and is permitted to be developed under the terms of Section 2.5.3. Any combination of (i) and (ii) that meets the definition of a 741 Immunotherapeutic shall not be a “Permitted Derivative Immunotherapeutic” but rather a 741 Immunotherapeutic for all purposes under this Agreement. For the avoidance of doubt, “Permitted Derivative Immunotherapeutics” includes Modifications thereto.
- 1.101** “**Phase I Clinical Trial**” means studies in humans to obtain initial data regarding the safety, tolerability, pharmacological activity or pharmacokinetics of a research and development candidate alone or in combination with another active agent, as more fully defined in 21 C.F.R. § 312.21(a).
- 1.102** “**Phase II Clinical Trial**” means a human clinical trial conducted for inclusion in that portion of the FDA submission and approval process that provides for trials on a limited number of patients for the purposes of collecting data on dosage, evaluating side effects and safety, and collecting preliminary information regarding efficacy in the proposed therapeutic indication, as more fully defined in 21 C.F.R. § 312.21(b), as amended from time to time, and equivalent submissions with similar requirements in other countries in the Territory.
- 1.103** “**Phase III Clinical Trial**” means a study in humans of the efficacy and safety of a research and development candidate alone or in combination with another active agent, that is prospectively designed to demonstrate statistically whether the research and development candidate, alone or in combination with another active agent, is safe and effective for use in a particular indication, as more fully defined in 21 C.F.R. § 312.21(c), as amended from time to time, and equivalent submissions with similar requirements in other countries in the Territory in a manner intended to be sufficient to obtain Regulatory Approval to market that research and development candidate.
- 1.104** “**Platform Update**” shall have the meaning ascribed thereto in Section 5.7.
- 1.105** “**Platform Early Update Period**” shall have the meaning ascribed thereto in Section 7.2.
- 1.106** “**Price and Reimbursement Approval**” means any approvals, licenses, registrations or authorizations of any supranational, national, regional, state or local Regulatory Authority or other regulatory agency, department, bureau or governmental entity, necessary to determine or set the pricing of a Licensed Immunotherapeutic, and/or its reimbursement level by the relevant health authorities, providers or other funding institutions, at supranational, national, regional, state or local level.
- 1.107** “**Process Modification**” means a change related to the Exploitation of a Licensed Immunotherapeutic that is intended to enhance JBI’s ability to effectively Exploit the Licensed Immunotherapeutic but that does not constitute either a Base Strain Modification or an Antigen Change. Examples of a Process Modification would include Modifications that improve Licensed Immunotherapeutic stability, delivery, packaging, storage, shelf life, dosage or other similar matters.
- 1.108** “**Protocol**” shall have the meaning ascribed thereto in Section 16.2.5.
- 1.109** “[\*]**Antigen**” means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.

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- 1.110 **“Receiving Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.111 **“Regulatory Approval”** means all approvals, licenses, registrations or authorizations (excluding Price and Reimbursement Approvals) by Regulatory Authorities in a country (or supra-national organizations, such as the EMA) that are required for the marketing or sale of a Licensed Immunotherapeutic in such country or the conduct of clinical studies in such country.
- 1.112 **“Regulatory Authority”** means any regulatory agency, ministry, department or other governmental body having authority in any country to control development, manufacture, marketing or sale of pharmaceutical or biologic products, including the FDA and the EMA.
- 1.113 **“Remediation Plan”** means the plan attached hereto as the Remediation Schedule describing changes to be made in manufacturing at [\*].
- 1.114 **“Royalty Term”** shall have the meaning ascribed thereto in Section 8.3.
- 1.115 **“Skipped Milestone”** shall have the meaning ascribed thereto in Section 7.4.3.
- 1.116 **“[\*] Antigen”** means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.
- 1.117 **“Sublicensee”** means, with respect to a particular Licensed Immunotherapeutic, a Third-Party to whom JBI has granted a license or sublicense under any Aduro Patents or Aduro Know-How to make, use or sell such Licensed Immunotherapeutic to the extent permitted under Section 2.2 hereof.
- 1.118 **“Technology Transfer Plan”** shall have the meaning ascribed thereto in Section 5.1.
- 1.119 **“Technology Transfer Completion Plan”** shall have the meaning ascribed thereto in Section 5.2
- 1.120 **“Term”** shall have the meaning ascribed thereto in Section 15.1.
- 1.121 **“Territory”** means the entire world.
- 1.122 **“Third-Party”** means an individual, corporation, or any other entity other than JBI, Aduro, and Affiliates of either Party.
- 1.123 **“Third-Party Antigen”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.124 **“Third-Party License”** means a Third-Party license taken by JBI, its Affiliates or Sublicensees wherein the licensed intellectual property thereof Covers the Development, Manufacturing and/or Commercialization of a Licensed Immunotherapeutic, as contemplated under Section 8.5.2 of this Agreement.
- 1.125 **“[\*] Agreement”** means the Exclusive License between [\*] for [\*] effective as of [\*], as may be amended in accordance with its terms.
- 1.126 **“Valid Claim”** means a claim in any Aduro Patent, which claim has not expired or been held invalid by a non-appealed or unappealable decision by a court or other appropriate body of competent jurisdiction. For the purpose of royalty determination and payment, [\*].

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**1.127** “**Variant**” means, with respect to any protein or peptide: (i) any other protein or peptide of identical sequence to such protein or peptide, regardless of post-translational modifications, including modifications to glycosylation, fucosylation, phosphorylation, or methylation; (ii) all other proteins or peptides translated from mRNA splice variants transcribed from the same human gene that encodes such protein or peptide; (iii) any protein or peptide having at least [\*] homology to such protein or peptide; and (iv) any truncated forms (including fragments thereof) of the foregoing that are intended to elicit an immune response to such protein or peptide.

## **2 LICENSE GRANTS**

### **2.1 Licenses.**

**2.1.1 License for Licensed Immunotherapeutics.** Subject to the terms and conditions of this Agreement Aduro hereby grants to JBI an exclusive license (even as to Aduro) under the Aduro Intellectual Property that is owned by Aduro or its Affiliates solely to Exploit Licensed Immunotherapeutics in the Field (including: (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 741 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2.

#### **2.1.2 Sublicense for Licensed Immunotherapeutics.**

(i) In addition, subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under the Aduro Intellectual Property that is Controlled but not owned by Aduro and/or its Affiliates on the Effective Date, including the Aduro Intellectual Property Controlled by Aduro pursuant to the [\*] Agreement, solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 741 Immunotherapeutics) with the right to sublicense as permitted in Section 2.2.

(ii) In addition, subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under any Aduro Intellectual Property that becomes Controlled by Aduro subsequent to the Effective Date solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 741 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2, if no material additional payment would be required by Aduro to sublicense the same to JBI. Aduro shall give JBI prompt written notice of any such Aduro Intellectual Property.

(iii) With respect to Aduro Intellectual Property that is not owned by Aduro and becomes Controlled by Aduro subsequent to the Effective Date, if any material additional payment (including any royalty) would be required by Aduro to sublicense the same to JBI, then Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under such Aduro Intellectual Property solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 741 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2, provided that JBI agrees in writing to reimburse such amount to Aduro (or to pay such amount directly). Aduro shall promptly notify JBI of such necessary payment and the amount thereof. The Parties shall then [\*].

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2.1.3 **License to Improvements to Aduro Core Technology.** JBI hereby grants to Aduro a non-exclusive[\*] license, including the right to grant sublicenses together with a license to the Aduro Core Technology to which it specifically relates, in JBI Improvements to Aduro Core Technology Controlled by JBI solely to Exploit [\*].

2.2 **Sublicensing.** JBI may sublicense its rights to Licensed Immunotherapeutics to its Affiliates without Aduro's approval. In addition, [\*], JBI may sublicense its rights to one or more Licensed Immunotherapeutics to one or more Third-Parties without Aduro's approval. JBI shall use its [\*] efforts to provide Aduro no less than [\*] days prior written notice of such sublicense, and shall promptly respond in good faith to any reasonable inquiries by Aduro with respect thereto. Such Third-Party Sublicensee must be reasonably capable of exploiting the market opportunity in the Territory for the Licensed Immunotherapeutic based on the likely development planned for the Licensed Immunotherapeutic at the time of sublicense and must agree in writing to assume JBI's obligations with respect to the Licensed Immunotherapeutic hereunder. In addition, and notwithstanding the foregoing, JBI may, without the need for approval by Aduro, distribute Licensed Immunotherapeutics through one or more Third-Parties, granting any necessary and permissible licenses or sublicenses to any such Third-Party distributors. All such licenses or sublicenses shall contain terms consistent in all material respects with this Agreement including without limitation Sections 9, 11, 12, 14 and 16 hereof. JBI shall be responsible for the performance of its Sublicensees and for any failure by its Sublicensees to comply with the applicable terms and conditions of this Agreement. Sublicensees shall [\*].

2.3 **Performance by Affiliates.** The Parties agree that any Affiliate of either Party may perform any of that Party's obligations under this Agreement for or on behalf of that Party provided that a Party shall be fully responsible and liable for the actions of such Affiliates in the performance of such obligations and shall ensure that such Affiliates comply with the terms of this Agreement. Nothing in this Section 2.3 shall relieve either Party of any of its obligations under any provision of this Agreement to the extent that such obligation is not satisfied by performance thereof by such Affiliate of that Party.

2.4 **Retained Rights.** Subject to Section 2.6, notwithstanding anything that may be construed to the contrary herein, Aduro retains the right to use the Aduro Intellectual Property in order to Exploit products other than the Licensed Immunotherapeutics, on its own or with any other party throughout the world. For the avoidance of doubt, and without prejudice to the rights granted herein to Exploit Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 741 Immunotherapeutics), no license is granted in this Agreement to JBI to sell any Aduro product or Aduro product platform technology (including any small molecule, biomarker, diagnostic or the like) other than the Licensed Immunotherapeutics, whether alone or in combination with Licensed Immunotherapeutics and regardless of whether the Licensed Immunotherapeutics are sold under labelling for use in combination with any Aduro product or Aduro product platform technology.

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## 2.5 Development Work.

2.5.1 Process Modifications. JBI may make Process Modifications to any 741 Immunotherapeutic or Permitted Derivative Immunotherapeutic independently of Aduro, and without Aduro's consent. Any Process Modifications developed independently by Aduro shall constitute Aduro Intellectual Property and will be disclosed to JBI by Aduro.

### 2.5.2 Base Strain Modifications and Antigen Variations.

(i) By JBI and Aduro. Upon the request of JBI, Aduro shall [\*] Base Strain Modification or Antigen Variation. If, [\*] JBI desires Aduro's assistance with respect to a Base Strain Modification or Antigen Variation, it shall request the same in writing. If any such Base Strain Modification or Antigen Variation is requested by JBI[\*]. Such [\*]. Aduro shall [\*], and JBI shall [\*] as described in Section 2.5.4. For clarity, Base Strain Modifications and Antigen Variations shall [\*].

(ii) By Aduro. Any Base Strain Modifications or Antigen Variations developed independently by Aduro constitute Aduro Intellectual Property licensed hereunder and will be disclosed to JBI by Aduro.

(iii) Completed Modifications. Any 741 Immunotherapeutic or Permitted Derivative Immunotherapeutics Modified pursuant to this Section 2.5.2 shall thereafter be a 741 Immunotherapeutic or Permitted Derivative Immunotherapeutic, as the case may be, for all purposes of this Agreement.

### 2.5.3 Permitted Derivative Immunotherapeutics.

(i) An “**Available Antigen**” means:

(A) [\*]; and

(B) [\*]; and

(C) [\*]; and

(D) [\*]; and

(E) any Antigen that is not subject to an agreement [\*] with respect thereto is given, which agreement would not permit [\*] (a “**Third-Party Antigen**”), and that is not an Aduro Immunotherapeutic Antigen unless it falls within the Antigen Exception.

(ii) “**Aduro Immunotherapeutic Antigen**” means any Antigen [\*] (an “**Aduro Immunotherapeutic**”), provided that JBI may use Antigens from an Aduro Immunotherapeutic in a proposed Permitted Derivative Immunotherapeutic so long as the Antigen(s) chosen [\*] (an “**Antigen Exception**”). For the purposes of the forgoing calculation, an Antigen, any copies of the same Antigen, and Variants of an Antigen part of an Aduro Immunotherapeutic shall be deemed to be a single Antigen. The following chart is for illustrative purposes:

[\*]

(iii) Should JBI wish to develop a Permitted Derivative Immunotherapeutic then JBI shall send Aduro written notice of the same (each a “**Permitted Derivative Notice**”) and Aduro shall [\*]. If[\*] any of the Antigens in the Permitted Derivative Notice [\*], then [\*].

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(iv) If, following such consultation the relevant Antigens are Available Antigens, and JBI desires an Antigen Change that meets the requirements herein, it shall request the same in writing [\*]. Such [\*]. Aduro shall perform the activities specified in such plan and JBI shall reimburse Aduro as specified in Section 2.5.4. JBI shall be permitted [\*] during the Term for [\*] after the Effective Date, and [\*].

(v) If JBI [\*], it may [\*].

(vi) With respect to any Permitted Derivative Immunotherapeutic developed pursuant to this Section 2.5.3, JBI agrees that, except as may be agreed to in writing otherwise by Aduro, it shall [\*] any such Permitted Derivative Immunotherapeutic other than [\*]. For the avoidance of doubt, the foregoing limitation on [\*] shall not limit [\*] performed by Third-Parties provided that neither JBI nor its Affiliates provides [\*] to such Third-Party other than [\*]. JBI shall not have any obligation pursuant to this Section 2.5.3 [\*].

**2.5.4 Out-of-Pocket-Expenses and FTE Costs.** All Out-of-Pocket Expenses and FTE Costs incurred on a Calendar Quarter basis in accordance with the specified activities set forth in the plans agreed by the Parties pursuant to Sections 2.5.2, 2.5.3, 3.2 and 5.6 shall be reimbursed to Aduro by JBI up to a total of [\*] of the budget corresponding to the specified activities for such Calendar Quarter; provided that the costs of activities outsourced to Third Parties shall be indicated to be estimates, ranges, per unit or per hour costs, as the case may be, in the applicable plan and budget and treated accordingly. Within [\*] calendar days of the end of each Calendar Month, Aduro shall submit an invoice to JBI in accordance with the invoice procedure set forth in the Invoice Procedure Schedule for the FTE Costs and Out-of-Pocket Expenses it incurred during such Calendar Month, together with a written report setting forth in reasonable detail such costs and expenses. Reimbursements shall be made within [\*] days after receipt of valid invoice as set forth in the Invoice Procedure Schedule.

## **2.6 Exclusivity.**

2.6.1 During the Term, Aduro, its Affiliates and its and their respective Sublicensees shall [\*]. For the avoidance of doubt, the foregoing limitation on [\*] shall not limit [\*] performed by Third-Parties provided that neither Aduro nor its Affiliates provides [\*] to such Third-Party other than provision of [\*]. Aduro shall [\*].

2.6.2 During the Term, Aduro, its Affiliates, and its and their respective Sublicensees shall also not grant any Third-Party a right or license to any Aduro Intellectual Property to Exploit any [\*].

2.6.3 During the Term, Aduro, its Affiliates and its and their respective Sublicensees shall not Develop, Manufacture or Commercialize, for their own account or on behalf of or in collaboration with any Third-Party, [\*] (each, an “**Overlapping Product**”). Both Parties understand and acknowledge that the other Party may have present or future initiatives or opportunities, including initiatives or opportunities with a Third-Party, involving similar products, programs, technologies or processes (other than Overlapping Products) that may compete with a product, program, technology or process covered by this Agreement. Each Party acknowledges and agrees that nothing in this Agreement will be construed as a representation, warranty, covenant or inference that the other Party or its Affiliates will not itself develop, manufacture or market or enter into business relationships with one or more Third-Parties to develop, manufacture or market products, programs, technologies or processes (other than Overlapping Products) that [\*] covered by this Agreement.

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### 3 IND AND MANUFACTURING PLAN

- 3.1 IND and Manufacturing Plan.** The IND and Manufacturing Plan is attached hereto as the IND and Manufacturing Plan Schedule. The Parties shall each perform the activities specified in and allocated to it in the IND and Manufacturing Plan in the time frames set forth therein.
- 3.2 Other Development Agreed in Writing by the Parties.** Should Aduro and JBI agree to perform together Development or Manufacturing of Licensed Immunotherapeutics other than as set forth in the IND and Manufacturing Plan (each an “**Other Development**”), then such Other Development, along with relevant timelines and budgets (and any terms and conditions particular to such Other Development), shall be set forth in a plan for such Other Development that is agreed and executed by the Parties. The cost to JBI for such Other Development shall be Aduro’s FTE Costs and Out-of-Pocket Expenses, unless otherwise agreed by the Parties, and reimbursed as described in Section 2.5.4 above.
- 3.3 Subcontracting.** Each Party may perform any activities in support of its activities under this Agreement through subcontracting to a Third-Party contractor or contract service organization; provided that: (i) none of the rights of the other Party hereunder are materially adversely affected as a result of such subcontracting; (ii) any such Third-Party subcontractor shall enter into an appropriate written agreement obligating such Third-Party to be bound by obligations of confidentiality and restrictions on use that are no less restrictive than set forth herein; (iii) such Party will obligate such Third-Party to agree in writing to assign or license (with the right to grant sublicenses) to such Party any inventions (and Patents covering such inventions) invented or otherwise discovered or generated by such Third-Party, and know-how generated by such Third-Party, in performing such services for such Party that are necessary for such Party to meet its ownership and license obligations under this Agreement; and (iv) such Party shall be responsible for appropriately monitoring, directing, managing and supervising such subcontractor and, if it fails to do so, shall be responsible for the acts and omissions of such subcontractor. Notwithstanding the foregoing, except as expressly set forth otherwise in the IND and Manufacturing Plan, Aduro shall not sub-contract any of the activities set forth therein to a Third-Party without JBI’s prior written consent, which consent shall not be unreasonably withheld, delayed or conditional.
- 3.4 Limitation of Development and Manufacturing Obligations.** This Article 3, together with Sections 2.5 and 2.6, sets out the Development and Manufacturing obligations of Aduro under this Agreement. All additional activities requested by JBI shall be subject to the written agreement of Aduro in its sole discretion.

### 4 OVERSIGHT OF THE IND AND MANUFACTURING PLAN

- 4.1 General.** Aduro shall conduct the activities performed under the IND and Manufacturing Plan in cooperation with JBI (and excluding any activities to be conducted by JBI as expressly set forth therein).
- 4.2 IND and Manufacturing Plan and Technology Transfer Plan Managers.** Promptly following the Effective Date, each Party shall nominate managers to act as the respective points of contact for that Party for each of the IND and Manufacturing Plan and Technology Transfer Plan with respect to development, manufacturing, regulatory, and other collaborative activities hereunder, which managers will coordinate each Party’s respective tasks and ensure that queries and comments are directed within his/her organisation appropriately to ensure efficient communication and cooperation

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between the Parties. Either Party may replace its managers at any time upon written notice to the other Party. Managers would be expected to attend meetings of the JSC at either Party's request.

**4.3 Joint Steering Committee.** Promptly after the Effective Date, the Parties shall establish a committee (the “**Joint Steering Committee**” or “**JSC**”) as more fully described below. The JSC shall review and oversee the activities performed under the IND and Manufacturing Plan and Technology Transfer Plan; provided, however, that the JSC shall have no authority to amend this Agreement.

**4.4 Membership and Meetings of the JSC.**

4.4.1 The JSC shall comprise an equal number of representatives from each of JBI and Aduro. The exact number of such representatives shall be up to two (2) for each Party, or such other number as the Parties may agree. Each Party shall provide the other with a list of its initial members of the JSC within [\*] days after the Effective Date. Notwithstanding that each Party shall use reasonable endeavours to maintain the continuity of its representation, each Party may replace any or all of its representatives and/or appoint a proxy at any time by giving prior written notification to the other. Each Party may, in its reasonable discretion, invite up to two (2) other employees of such Party to attend meetings of the JSC. Additional attendees shall be subject to the prior consent of the other Party. Each Party will provide advance notice of any additional attendees it will include without limitation at a meeting of the JSC. Each Party shall designate one (1) of its JSC members as co-chair.

4.4.2 Until such time as the IND and Manufacturing Plan has been completed, the JSC shall meet at least four (4) times per year in a manner, time and place as the Parties shall agree. Meetings of the JSC that are held in person shall alternate between the offices of the Parties, or such other place as the Parties may agree. Each Party will be responsible for its members expenses incurred in attending all JSC meetings.

4.4.3 The chairpersons of the JSC shall be responsible for calling each meeting, setting and distributing agenda items in advance of the meeting and issuing appropriate minutes of each meeting of the JSC within [\*] days of the date of such meeting and shall allocate such responsibilities between themselves. The minutes shall be considered as accepted if, within [\*] days from receipt, no one has objected in a traceable form to the chairpersons.

**4.5 JSC Responsibilities.** The JSC shall oversee the conduct of the IND and Manufacturing Plan and Technology Transfer Plan. To that end, the JSC shall be responsible, without limitation, for the following:

- The review of the progress of, and approval of any modifications to, the IND and Manufacturing Plan and Technology Transfer Plan, including modifications to the associated budgets subject to the penultimate sentence of this Section 4.5;
- The formation of sub-committees for development, regulatory, manufacturing or otherwise as appropriate, which sub-committees shall report their progress to the JSC at each regularly scheduled JSC meeting, with any dispute among the sub-committee members referred to the JSC for resolution; and
- Any other responsibilities as may be assigned to the JSC pursuant to this Agreement or as may be mutually agreed upon by the Parties in writing from time to time.

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Where any decision of the JSC would alter or increase Aduro's contractual obligations or financial obligations under this Agreement, including the IND and Manufacturing Plan, then the JSC's role shall be limited to making recommendations to the Parties as to the proposed decision. Any such decision shall not take effect unless and until agreed by the Parties in writing in an amendment to this Agreement.

- 4.6 Quorum and Decision Making.** A meeting of the JSC shall be considered to have a quorum provided that the co-chairperson from each Party is in attendance and a majority of the JSC is present at such meeting. In the event the JSC members are unable to agree on a particular decision, the issue in question shall be referred to the management of JBI and Aduro, as designated in Article 16, for further deliberation. In the event that JBI and Aduro do not reach consensus on a matter within the purview of the JSC, then except as set forth in Section 4.5 above, JBI shall have the final decision. Any decision required or permitted to be taken by the JSC may be taken in accordance with the above without a meeting taking place, if a consent in writing including electronic mail, setting forth the decision so taken, is approved by the chairpersons.
- 4.7 Termination.** Following completion of the activities specified in each of the IND and Manufacturing Plan and Technology Transfer Plan, either Party shall have the right to terminate the JSC by written notice to the other.

## **5 TECHNOLOGY TRANSFER; MASTER CELL BANK; MANUFACTURING; AND PLATFORM UPDATES**

- 5.1 Initial Technology Transfer.** Aduro will transfer or arrange to have transferred to JBI, in accordance with the plan set forth as the Technology Transfer Plan Schedule (the "**Technology Transfer Plan**"): (i) a copy of all Aduro Know-How useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics; (ii) all materials useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics (in quantities set out in the IND and Manufacturing Plan or if not set forth therein in reasonable quantities to be mutually agreed upon); (iii) a copy of all preclinical and clinical analytical or other assays useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics in an orderly fashion including those specifically set forth in the Technology Transfer Schedule; and (iv) any other items set forth therein. Aduro shall use its commercially reasonable best efforts to complete such transfer within [\*] days following the Effective Date.
- 5.2 Technology Transfer Completion Plan.** With respect to any Aduro Know-How or materials not already transferred pursuant to Section 5.1 above prior to the first meeting of the JSC, the JSC shall develop procedures and make such plan (a "**Technology Transfer Completion Plan**") as the JSC deems necessary. If any such Aduro Know-How already exists in electronic form, then it shall be transferred in electronic rather than paper form.
- 5.3 Transfer of Additional Aduro Know-How.** If either JBI or Aduro discovers any Aduro Know-How or materials that have not been transferred to JBI pursuant to Sections 5.1 and 5.2 above and that is useful or reasonably necessary for the Development and Commercialization of a Licensed Immunotherapeutic, including any which arises pursuant to the activities conducted under the IND and Manufacturing Plan, then Aduro shall promptly transfer to JBI, such materials or a copy of such Aduro Know-How. If such Aduro Know-How already exists in electronic form, then it shall be transferred in electronic rather than paper form.

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- 5.4 Master Cell Bank and Manufacturing pursuant to the IND and Manufacturing Plan.** The Master Cell Bank and clinical supplies of the Lead 741 Immunotherapeutic shall be prepared as described in the IND and Manufacturing Plan. Title to the Master Cell Bank and the clinical supplies shall vest with JBI, and Aduro may not use them for any purpose other than to satisfy its obligations under this Agreement. Aduro shall ensure that clinical supplies supplied to JBI under the IND and Manufacturing Plan shall meet the release specifications mutually agreed to by Aduro and JBI and be manufactured in accordance with GMPs. Without limiting the foregoing, Aduro shall cooperate with JBI such that [\*] specifically as set forth in the Remediation Schedule. In addition, Aduro and the Janssen Supply Chain quality organization shall promptly following the Effective Date negotiate in good faith and execute a mutually acceptable quality agreement wherein JBI will have direct oversight of Aduro's quality control and quality assurance with respect to [\*]. The quality agreement shall include, among other provisions, [\*] Manufacturing facilities and of data, review of documents and reports prior to issuance, and access to manufacturing facilities by JBI to observe critical manufacturing events.
- 5.5 Manufacturing of Licensed Immunotherapeutics Subsequent to IND and Manufacturing Plan Activity.** Upon JBI's request, Aduro shall provide reasonable cooperation to JBI to assist JBI in establishing its own manufacturing relationships or agreements with any Third-Party to manufacture Licensed Immunotherapeutics or any components thereof, including technology transfer activities from Aduro's Third-Party manufacturers to manufacturers selected by JBI, provided that all costs incurred with respect to any such agreements and relationships with Third Parties shall be borne solely by JBI.
- 5.6 Technology Transfer Costs.** The cost to JBI for such Technology Transfer activities shall be [\*]. Other than the Technology Transfer activities contemplated in the Technology Transfer Plan, the Parties shall agree in writing on plans and budgets necessary to implement Technology Transfer activities contemplated by this Section 5.6 taking into account the reasonable availability of Aduro's resources.
- 5.7 Platform Updates.** Commencing on the second year anniversary of the Effective Date, Aduro shall provide to JBI within [\*] days of each such anniversary, at no charge, but subject to Section 7.2, an annual update on Aduro's *Listeria monocytogenes*-based technology platform (each a "Platform Update") consisting of the information set forth in the Platform Update Schedule.

## **6 RESEARCH, DEVELOPMENT AND COMMERCIALIZATION OF LICENSED IMMUNOTHERAPEUTICS**

- 6.1 General.** Except as otherwise expressly provided for in this Agreement (including the IND and Manufacturing Plan), JBI shall have sole discretion, control and responsibility with respect to all Development, Manufacturing and Commercialization of Licensed Immunotherapeutics.
- 6.2 Commercially Reasonable Efforts.**

6.2.1 JBI will use Commercially Reasonable Efforts to Develop in order to seek approval for and, where approved, Commercialize one Licensed Immunotherapeutic in: [\*], except in those situations where JBI can demonstrate failure to perform such Development or to seek approval is due to circumstances beyond JBI's reasonable control. JBI will send Aduro a written status report on its activities with respect to its Development and Commercialization of Licensed Immunotherapeutics every twelve (12) months. The report will summarize material Development and Commercialization efforts and expected Commercialization timelines on a country-by-country basis (to the extent JBI prepares such reports on a country-by-country basis

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for its own use). Aduro shall have the right to inquire of JBI following each Calendar Quarter whether any material changes in its Development and Commercialization effort have occurred since the last annual report, and JBI will use commercially reasonable efforts to provide to Aduro an oral or written summary promptly thereafter.

6.2.2 If Aduro believes that JBI is not complying with its obligations under Section 6.2.1 above, it shall send a written notice to JBI stating the same and detailing what specific steps Aduro believes would be necessary for JBI to remedy such deficiency. Within [\*] days thereafter, Aduro and JBI shall meet and discuss in good faith an appropriate solution. Should the Parties be unable to agree on an appropriate solution, a progressive escalation process may be instituted by Aduro up to and including a meeting between the CEO of Aduro and the head of oncology research, development, and/or commercialization (as relevant) of JBI or its Affiliates and non-binding mediation in accordance with Section 16.1.

6.2.3 Should Aduro and JBI be unable to agree after use of the escalation process, Aduro shall have the right to trigger arbitration as contemplated in Section 6.2.4 below.

6.2.4 All issues under Section 6.2.1 remaining unresolved after escalation as described above shall be resolved by binding arbitration pursuant to the CPR Global Rules for Accelerated Commercial Arbitration (“**CPR Accelerated Rules**”), except where that procedure conflicts with these provisions, in which case these provisions shall control. The arbitration shall be conducted by a single neutral, mutually agreed arbitrator with at least ten (10) years’ experience in the life sciences industry and with appropriate expertise in the area in which the subject dispute arose; provided that if the Parties are unable to agree as to appropriate arbitrator, such arbitrator shall be appointed by CPR Institute for Dispute Resolution (“**CPR**”) from its Health Care & Life Sciences Panel of Distinguished Neutrals or other Panel provided such arbitrator has the credentials referenced above. The expert arbitrator shall be impartial and independent of the Parties and shall abide by the Code of Ethics for Arbitrators in Commercial Disputes (available at <http://www.adr.org/EthicsAndStandards>). Each Party shall provide the arbitrator and the other Party with a written report setting forth its position with respect to the substance of the dispute within [\*] days after the Initial Conference (as defined by the CPR Accelerated Rules). Each Party may submit a revised report and position to the arbitrator within [\*] days of receiving the other Party’s report. If so requested by the arbitrator, each Party shall make oral and/or other written submissions to the arbitrator in accordance with the CPR Accelerated Rules; provided that the other Party shall have the right to be present during any oral submissions. In any arbitration under this Section 6.2.4, the arbitrator and the Parties shall use their diligent efforts to resolve such dispute within [\*] days after the selection of the arbitrator. The arbitrator’s ruling shall be final and binding upon the Parties; provided that a Party may challenge such ruling solely in the event of misconduct by the arbitrator.

6.2.5 In rendering a decision the arbitrator shall specify what, if any, obligations JBI failed to perform and specify those actions which JBI should undertake to satisfy the obligations set forth in Section 6.2.1. If the arbitrator determines that JBI has not met its obligations under Section 6.2.1, JBI shall then have the option of: (i) agreeing to use reasonable efforts to perform the specified steps as set forth by the arbitrator; (ii) revising the definition of Territory herein to exclude some or all of such country(ies) from this Agreement; or (iii) seeking a Sublicensee, either globally or on a country specific basis as necessary to perform the specified steps in some or all of such country(ies). Except as expressly provided herein, there shall be no obligations of Development, Commercialization or other diligence, either implied or construed, upon a Party.

## 7 FINANCIALS

**7.1 License Fee.** As consideration for the rights and obligations as set forth herein, JBI shall pay Aduro a non-refundable license fee of twelve million US dollars (US\$12,000,000). Aduro shall invoice JBI promptly after the Effective Date, and JBI shall make such payment within [\*] business days of receipt thereof.

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- 7.2 Early Platform Update Payment.** Aduro shall have the right, at its sole option, to provide a Platform Update described in Section 5.7 to JBI no sooner than [\*] following the Effective Date and no later than [\*] following the Effective Date (the “**Platform Early Update Period**”). If Aduro does provide a Platform Update during the Platform Early Update Period, so long as such early Platform Update meets the criteria set forth on the Platform Update Schedule, JBI will pay Aduro a non-refundable early platform update payment of [\*]. Aduro shall invoice JBI promptly after delivery of the Platform Update, and JBI shall make such payment within [\*] days of receipt thereof in accordance with the Invoice Procedure Schedule. Notwithstanding the foregoing, JBI shall have the right to accelerate the window for such early Platform Update upon [\*] days written notice to Aduro, in which case the early Platform Early Update Period shall be reset to extend from [\*] days following the date of Aduro’s receipt of such notice until the date that is [\*] days following the date of Aduro’s receipt of such notice, inclusive. In the event Aduro confirms in writing that it will not provide such early Platform Update during the applicable period, whether or not accelerated pursuant to the previous sentence: (i) Aduro shall not be deemed to be in breach of the Agreement on the account of such omission; and (ii) JBI shall have no obligation to make such payment, regardless of any later Platform Update(s). The Parties shall meet in person or via teleconference during the first week of the Platform Early Update Period (whether accelerated or not) to discuss plans for the early Platform Update.
- 7.3 IND and Manufacturing Plan Payments.** Subject to the terms and conditions of this Agreement, in consideration of Aduro’s performance of the IND and Manufacturing Plan, JBI shall pay, or cause to be paid, to Aduro each of the following non-refundable, non-creditable payments upon the achievement of each of the following events.

Payments for Performance of the IND and Manufacturing Plan and Development Work	Payment
[*]	\$ [*]
[*]	\$ [*]
[*]	\$ [*]
[*]	\$ [*]
[*]	\$ [*]

The achievement of any event set forth above shall accelerate all other events that proceed such event, and in such case, the event not previously achieved will be deemed to have been achieved for all purposes under this Agreement at the time of achievement of any subsequent event; provided however that notwithstanding the foregoing “Completion of the Remediation Schedule” shall not be accelerated without being achieved under any circumstances.

**7.4 Milestone Payments.**

7.4.1 Subject to the terms and conditions of this Agreement, in partial consideration for the rights and licenses granted by Aduro to JBI hereunder, JBI shall pay, or cause to be paid, to Aduro each of the following non-refundable, non-creditable milestone payments upon the achievement of each of the following milestone events by JBI, its Affiliates or its Sublicensees with respect to Licensed Immunotherapeutics. For the avoidance of doubt, each milestone payment listed below shall be payable only once, and shall not be paid on any subsequent occurrence of the same event with respect to any subsequent Licensed Immunotherapeutic.

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<u>Milestone Events for the first Licensed Immunotherapeutic to achieve such Milestone Event</u>	<u>Milestone payment</u>	
(1) [*]	\$	[*]
(2) [*]	\$	[*]
(3) [*]	\$	[*]
(4) [*]	\$	[*]
(5) [*]	\$	[*]
(6) [*]	\$	[*]
(7) [*]	\$	[*]
(8) [*]	\$	[*]
(9) [*]	\$	[*]
(10) [*]	\$	[*]
(11) [*]	\$	[*]
(12) [*]	\$	[*]
(13) [*]	\$	[*]
(14) [*]	\$	[*]
(15) [*]	\$	[*]
(16) [*]	\$	[*]
(17) [*]	\$	[*]
(18) [*]	\$	[*]
(19) [*]	\$	[*]
(20) [*]	\$	[*]
(21) [*]	\$	[*]
(22) [*]	\$	[*]
(23) [*]	\$	[*]
(24) [*]	\$	[*]

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7.4.2 JBI shall notify Aduro promptly in writing (and in any event within [\*] days of the achievement of any milestone event). Aduro shall invoice JBI promptly upon receipt of such notice and JBI shall make the applicable non-refundable milestone payments set forth above within [\*] days of receipt thereof.

7.4.3 The achievement of certain milestones set forth above (an “**Achieved Milestone**”) shall accelerate certain specified other milestones that would usually (but not always) be achieved in advance of such Achieved Milestone (a “**Skipped Milestone**”). In such case, the associated Skipped Milestone not previously or concurrently achieved will be deemed to have been achieved for all purposes under this Agreement at the time of achievement of the Achieved Milestone. Only Skipped Milestones set forth in the below table for each Achieved Milestone will be so accelerated or deemed to have been achieved without actually being achieved.

<u>Achieved Milestone</u>	<u>Associated Skipped Milestones</u>
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

## 8 ROYALTIES RELATING TO LICENSED IMMUNOTHERAPEUTICS

**8.1 Royalty Amount.** As partial consideration for the exclusive licenses provided herein, and subject to the limitations below, JBI shall pay to Aduro royalties on aggregate Net Sales of Licensed Immunotherapeutics for each Calendar Year during the Royalty Term, applicable on a Licensed Immunotherapeutic by Licensed Immunotherapeutic basis, as follows:

(i) for Net Sales of a Licensed Immunotherapeutic in a Calendar Year of less than an aggregate of [\*] worldwide, [\*] of that portion of such Net Sales as occurred in the United States and [\*] of that portion of such Net Sales as occurred outside of the United States (in each case, as determined in accordance with Section 8.2 below);

(ii) for Net Sales of a Licensed Immunotherapeutic in a Calendar Year of between an aggregate [\*] and [\*] worldwide, [\*] of that portion of such Net Sales as occurred in the United States and [\*] of that portion of such Net Sales as occurred outside of the United States (in each case, as determined in accordance with Section 8.2 below); and

(iii) for Net Sales of a Licensed Immunotherapeutic in a Calendar Year of greater than an aggregate of [\*] worldwide, [\*] of that portion of such Net Sales as occurred in the United States and [\*] of that portion of such Net Sales as occurred outside of the United States (in each case, as determined in accordance with Section 8.2 below).

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Notwithstanding the foregoing, during the three year period commencing with the First Commercial Sale of a Licensed Immunotherapeutic, the royalty rate under subsection (i) above shall be [\*] for sales in the United States and [\*] for sales outside the United States during such period.

- 8.2 Territorial Pro Ration.** In order to determine what amount of Net Sales in each tier shall be applied to Net Sales within the United States versus outside of the United States, such tier shall be pro-rated in a ratio in which global Net Sales for the applicable Calendar Quarter are divided between Net Sales in the United States and Net Sales outside of the United States. For example if, in a given Calendar Quarter, \$[\*] of Net Sales were made globally, and [\*] of such Net Sales occurred in the United States, then JBI would pay royalties under the tier described in Section 8.1(i) on \$[\*] at the rate set forth for the United States and on \$[\*] at the rate set forth for outside of the United States. With respect to the remaining \$[\*] JBI would pay royalties under the tier described in Section 8.1(ii) on [\*] of such Net Sales at the rate set forth for the United States (e.g. \$[\*]) and on [\*] of such Net Sales (e.g. \$[\*]) at the rate set forth for outside of the United States.
- 8.3 Royalty Term.** The royalty amounts set forth above shall be payable for each Licensed Immunotherapeutic on a product-by-product and country-by-country basis from the date of First Commercial Sale of such Licensed Immunotherapeutic in such country until the later of: (a) twelve (12) years from the date of First Commercial Sale of such Licensed Immunotherapeutic in such country; (b) until the last to expire of any Valid Claim of an Aduro Patent that Covers the composition of matter of such Licensed Immunotherapeutic or the only approved method(s) of use of such Licensed Immunotherapeutic in such country; or (c) expiry of all Data Exclusivity Rights with respect to such Licensed Immunotherapeutic in such country (the “**Royalty Term**”).
- 8.4 Period Pro Ration.** If an event that results in a change to the royalty rate payable occurs during a Calendar Quarter (such as a patent expiry or the third anniversary of the First Commercial Sale of a Licensed Immunotherapeutic) and it is not practical to determine with certainty which relevant Net Sales took place before and which Net Sales took place after such event, then the Net Sales for such Calendar Quarter affected by such change shall be pro-rated over such Calendar Quarter based upon the number of business days in the relevant country or countries in the Territory in such Calendar Quarter before the occurrence of such event as compared to the total business days in such country or countries in such Calendar Quarter.
- 8.5 Royalty Rate Adjustments.**

8.5.1 Valid Claim. On a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic and country-by-country basis, the royalty rates specified in Section 8.1 above shall be reduced by (x) [\*] (i.e. to [\*] and [\*]) of the applicable royalties payable by JBI, its Affiliates or Sublicensees pursuant to Section 8.1(i) and (y) [\*] of the applicable royalties payable by JBI, its Affiliates or Sublicensees pursuant to Sections 8.1(ii) and 8.1(iii), in each case with respect to Net Sales of a Licensed Immunotherapeutic in a country in which there is no Valid Claim [\*] of such Licensed Immunotherapeutic in such country.

8.5.2 Third-Party Licenses. The Parties acknowledge and agree that JBI may enter into Third-Party Licenses reasonably useful or necessary for the Exploitation of Licensed Immunotherapeutics. In such event, JBI shall, subject to Section 8.5.4 below, be entitled to deduct from royalties otherwise payable to Aduro in respect of Net Sales in the country or countries in respect of which it has obtained such a license, [\*] of the applicable royalty payments actually paid by JBI, its Affiliates or Sublicensees to such Third-Party pursuant to such Third-Party License in the relevant period in respect of sales of such Licensed Immunotherapeutic in such country or countries. Notwithstanding the foregoing, no deduction may be taken for any Third-Party License in respect of [\*].

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8.5.3 Compulsory License. If at any time a Third-Party in any country shall, under the right of a Compulsory License manufacture, use, sell, offer to sell, or import any Licensed Immunotherapeutic, then with respect to the royalties that would be payable hereunder JBI may reduce the royalty rate on sales in such country of such Licensed Immunotherapeutic to the compulsory royalty rate.

8.5.4 Cumulative Adjustments; Exclusions. Notwithstanding anything to the contrary herein, under no circumstances will aggregate royalties due to Aduro in any Calendar Year in any country with respect to a given Licensed Immunotherapeutic be reduced by the application of the reductions and offsets set forth in this Section 8.5: (i) with respect to royalty amounts due under Section 8.1(i), by an aggregate amount greater than the reduction permitted under Section 8.5.1(x) and (ii) with respect to royalty amounts due under Sections 8.1(ii) and 8.1(iii), by an aggregate amount greater than **[\*]** of the royalty amount that would otherwise be payable (assuming no deductions) to Aduro pursuant to Sections 8.1(ii) and 8.1(iii).

## 9 PAYMENT TERMS

### 9.1 Currency of Payment and Related Matters.

9.1.1 All payments under this Agreement will be made in United States dollars.

9.1.2 For purposes of computing royalty payments for Net Sales made in currencies other than United States Dollars, such Net Sales shall be converted into United States dollars using the Currency Hedge Rate(s).

9.1.3 For the upcoming calendar year, JBI shall provide in writing to Aduro not later than **[\*]** business days after the Currency Hedge Rate(s) are available from the GTSC (which is customarily at the end of October): (i) a Currency Hedge Rate(s) to be used for the local currency of each country of the Territory; and (ii) the details of such Currency Hedge Rate(s).

9.1.4 The Currency Hedge Rate(s) will remain constant throughout the upcoming Calendar Year and JBI shall use the Currency Hedge Rate(s) to convert Net Sales to the Dollars for the purpose of calculating royalties.

9.1.5 All royalties shall be paid through wire transfer at the bank(s) and to the account(s) designated by Aduro.

9.2 **Late Payments.** If JBI fails to pay a sum payable by it under this Agreement within **[\*]** business days after the due date for payment, JBI shall pay interest on such sum for the period from and including the due date up to the date of actual payment at the rate that is **[\*]**. The interest will accrue from day to day on the basis of the actual number of days elapsed and a 365-day year and shall be payable on demand and compounded quarterly in arrears.

9.3 **Reports and Payments.** JBI shall make all royalty payments due within **[\*]** days following the end of each Calendar Quarter. Furthermore, each royalty payment due shall be accompanied by a written report showing the Net Sales and the royalty amount payable during the relevant Calendar Quarter. At the end of each Calendar Year, the Parties shall calculate whether there has been any underpayment or overpayment by JBI during the course of that Calendar Year. In the event that an overpayment has occurred, JBI shall be entitled to offset such overpayment against royalties payable to Aduro in the first Calendar Quarter of the subsequent Calendar Year and in the event that an

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underpayment has occurred, JBI shall pay a sum equal to such underpayment to Aduro in addition to the royalties paid in the first Calendar Quarter of the subsequent Calendar Year. If prepared by JBI for its own internal purposes, JBI will provide Aduro [\*] within the first [\*] days of the end of the applicable Calendar Quarter. Such [\*] shall be reasonably based on information then-currently available and is non-binding [\*]. JBI will not be responsible for Aduro's use of [\*] and shall have no liability with respect thereto. Aduro acknowledges that [\*] is being provided solely for Aduro's convenience.

**9.4 Records.** Each Party shall keep and cause its Affiliates and Sublicensees to keep true and accurate books and records, consistent with relevant accounting standards in sufficient detail to enable the payments due or subject to reimbursement to be determined, until the end of the third Calendar Year following the Calendar Year to which such books and records pertain or, if longer, as required by Applicable Law. Upon the request of a Party, but not more often than once per Calendar Year, such Party may, at its expense (except as otherwise provided herein), designate an independent public accountant acceptable to the other Party (such acceptance not to be unreasonably withheld, conditioned or delayed) to review such books and records to verify the accuracy of the payments made or payable hereunder during the preceding three (3) Calendar Years. The report of the independent public accountant may be provided with the other Party prior to distribution to the auditing Party such that the other Party can provide the independent public accountant with justifying remarks for inclusion in the report prior to sharing the conclusions of such independent public audit. The final audit report will be shared with JBI and Aduro at the same time and specify whether the amounts paid to a Party pursuant thereto were correct or, if incorrect, the amount of any underpayment or overpayment. The non-auditing Party shall promptly pay any underpayment to the auditing Party, together with interest calculated in the manner provided in Section 9.2. If the independent accountant discovers any inaccuracy that has caused any underpayments to the auditing Party by the non-auditing Party of [\*] or more in the relevant audit period, the expenses of the accountant shall be borne by non-auditing Party.

**9.5 No Further Payment Obligations.** JBI shall have no payment obligations to Aduro except as expressly set forth in this Agreement. Except as may otherwise be expressly agreed to in writing by JBI, Aduro is solely responsible for any royalties, milestones, or any other payment or consideration due to any Third-Party as a result of JBI's Development or Commercialization of the Licensed Immunotherapeutics, including any consideration due to The [\*] pursuant to the [\*] Agreement.

## **10 TAXES**

**10.1** JBI will make all payments to Aduro under this Agreement without deduction or withholding for taxes except to the extent that any such deduction or withholding is required by law in effect at the time of payment.

**10.2** Any tax required to be withheld on amounts payable under this Agreement will promptly be paid by JBI on behalf of Aduro to the appropriate governmental authority, and JBI will furnish Aduro with proof of payment of such tax. Any such tax required to be withheld will be an expense of and borne by Aduro.

**10.3** JBI and Aduro will cooperate with respect to all documentation required by any taxing authority or reasonably requested by the other to secure a reduction or exemption in the rate of applicable withholding taxes.

**10.4** If JBI had a duty to withhold taxes in connection with any payment it made to Aduro under this Agreement but JBI failed to withhold, and such taxes were assessed against

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and paid by JBI, then Aduro will indemnify and hold harmless JBI from and against such taxes (including interest and penalties). If JBI makes a claim with respect to the foregoing, it will comply with the obligations imposed by 10.2 above as if JBI had withheld taxes from a payment to Aduro.

## 11 INTELLECTUAL PROPERTY AND MATERIALS

### 11.1 Ownership and Inventorship.

11.1.1 **No Licenses.** Other than as expressly provided in this Agreement, neither Party grants any right, title, or interest in any Information, Patent, or other intellectual property right Controlled by such Party or its Affiliates to the other Party or its Affiliates.

#### 11.1.2 Ownership of Technology.

(i) As between the Parties, Aduro shall own and retain all right, title and interest in and to the Aduro Intellectual Property.

(ii) As between the Parties, Aduro shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of Aduro or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that does not name any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Aduro Project IP**”).

(iii) Except as set forth in subsection (ii) above, as between the Parties, JBI shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of JBI or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that does not name any inventors having an obligation of assignment to Aduro at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**JBI Project IP**”).

(iv) The Parties shall jointly own any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that names any inventors having an obligation of assignment to Aduro and any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Joint Project IP**”).

(v) For the avoidance of doubt, Aduro Project IP and Aduro’s rights in and to any Joint Project IP shall be treated as Aduro Intellectual Property under this Agreement to the extent such Aduro Project IP and Joint Project IP relates to the Licensed Immunotherapeutic Materials. Likewise, JBI Project IP and JBI’s rights in and to any Joint Project IP shall be treated as JBI Know-How or a JBI Patent as appropriate under this Agreement to the extent such JBI Project IP and Joint Project IP is useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic; and JBI Project IP and JBI’s rights in and to any Joint Project IP shall be treated as JBI Improvements to Aduro Core Technology under this Agreement to the extent it is an enhancement, improvement or modification to the Aduro Core Technology.

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(vi) For purposes of this Section 11, inventorship shall be determined in accordance with applicable United States intellectual property laws, regardless of the country in which such intellectual property is conceived, discovered, developed or otherwise made.

(vii) With regard to intellectual property conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics, each Party shall promptly notify the other Party of any such intellectual property of which it becomes aware, and the Parties shall confer in a timely manner in order to take such actions as may be reasonably necessary to protect such intellectual property, including but not limited to filing for patent protection.

## **11.2 Filing, Prosecution, Maintenance and Defense of Aduro Core Patents.**

11.2.1 Aduro shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the Aduro Core Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is an Aduro Core Patent, at its sole cost and with commercially reasonable diligence. Aduro shall provide JBI with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the Aduro Core Patents, provide JBI the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with Aduro about, and consider in good faith the requests and suggestions of JBI concerning, such prosecution.

11.2.2 At least **[\*]** calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is an Aduro Core Patent, Aduro shall provide JBI with a list of countries and regions into which Aduro intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). JBI may request that Aduro file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at JBI's expense. Except as provided in Section 11.2.5, Aduro shall retain the sole right and responsibility for prosecuting, maintaining and defending the Aduro Core Patents filed under this Section 11.2.2.

11.2.3 If either Party learns of: (i) any actual or suspected commercially material infringement of an Aduro Core Patent Covering a Licensed Immunotherapeutic by a Third-Party; or (ii) any unauthorised commercially material use by a Third-Party of Aduro Know-How relating to a Licensed Immunotherapeutic; it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.4 Upon notice that a Third Party has commenced any action to oppose, revoke, cancel or invalidate an Aduro Core Patent Covering a Licensed Immunotherapeutic, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.5 In the event that Aduro decides with respect to any country not to file or prosecute, or to abandon or let lapse, any Aduro Core Patent during the Term, Aduro shall notify JBI of such decision at least **[\*]** calendar days prior to the expiration of any deadline relating to such activities. JBI shall have the option, but not the obligation, to assume responsibility in writing within **[\*]** days of such notice for prosecuting, maintaining, and

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defending such Aduro Core Patent, at JBI's sole expense. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate. Assuming JBI exercises its option, JBI shall keep Aduro informed of all direct costs incurred by JBI in prosecuting, maintaining and defending such Aduro Core Patent, [\*].

### **11.3 Filing, Prosecution, Maintenance and Defense of Licensed Immunotherapeutic Specific Patents.**

11.3.1 JBI shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the Licensed Immunotherapeutic Specific Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is a Licensed Immunotherapeutic Specific Patent, at its sole cost and with commercially reasonable diligence. JBI shall provide Aduro with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the Licensed Immunotherapeutic Specific Patents, provide Aduro the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with JBI about, and consider in good faith the requests and suggestions of Aduro concerning, such prosecution.

11.3.2 At least [\*] calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is a Licensed Immunotherapeutic Specific Patent, JBI shall provide Aduro with a list of countries and regions into which JBI intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). Aduro may request that JBI file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at Aduro's expense. Except as provided in Section 11.3.5, JBI shall retain the sole right and responsibility for prosecuting, maintaining and defending the Licensed Immunotherapeutic Specific Patents filed under this Section 11.3.2.

11.3.3 If either Party learns of: (i) any actual or suspected commercially material infringement of Licensed Immunotherapeutic Specific Patents by a Third-Party, it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce such intellectual property rights in accordance with Section 11.6.

11.3.4 Upon notice that a Third-Party has commenced any action to oppose, revoke, cancel or invalidate any Licensed Immunotherapeutic Specific Patents, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.3.5 In the event that JBI decides with respect to any country not to prosecute or to abandon or let lapse any Licensed Immunotherapeutic Specific Patents during the Term, JBI shall notify Aduro of such decision at least [\*] calendar days prior to the expiration of any deadline relating to such activities. Aduro shall have the right, but not the obligation, to assume responsibility for prosecuting, maintaining, and defending such Licensed Immunotherapeutic Specific Patents, at Aduro's sole expense. JBI hereby grants, and Aduro accepts, a fully paid up, non-royalty bearing, exclusive (even as to JBI), sublicensable license under JBI's rights to any Licensed Immunotherapeutic Specific Patents for which Aduro assumes responsibility under this Section 11.3.5.

### **11.4 Patent Term Extensions, Patent Certification and Notices.**

11.4.1 JBI shall be responsible for determining the strategy for applying for the extension of the term of any patents for which it has responsibility to prosecute, maintain and

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defend under this Section 11, such as under the “U.S. Drug Price Competition and Patent Term Restoration Act of 1984” (hereinafter the “**Act**”), the Supplementary Certificate of Protection of the Member States of the European Union and other similar measures in any other country. If requested by JBI, Aduro shall apply for and use its reasonable efforts to obtain such an extension or, should the law require JBI or one of its Sublicensees hereunder to so apply, Aduro hereby gives permission to JBI to do so (in which case Aduro agrees to cooperate with JBI or its Sublicensee, as applicable, in the exercise of such authorization and shall execute such documents and take such additional action as JBI may reasonably request in connection therewith). JBI and Aduro agree to cooperate with one another in obtaining any patent extension hereunder as directed by JBI.

11.4.2 JBI shall be responsible for determining the strategy with respect to certifications, notices and patent enforcement procedures regarding patents for which it has responsibility to prosecute, maintain and defend under this Section 11 under the Act and the Biologics Price Competition and Innovation Act of 2009 (hereinafter the “**BPCIA**”). Aduro shall cooperate, as reasonably requested by JBI, in a manner consistent with Section 11.4.1 and this Section 11.4.2. Aduro hereby authorizes JBI to: (i) provide in any BLA or in connection with the BPCIA, a list of patents that may include Aduro Core Patents that are applicable to the Licensed Immunotherapeutics under the BPCIA (ii) except as otherwise provided in this Agreement, exercise any rights exercisable by JBI as patent owner under the Act or the BPCIA; and (iii) exercise any rights that may be exercisable by JBI as reference product sponsor under the BPCIA, including, (a) providing a list of patents that relate to the Licensed Immunotherapeutics including Aduro Core Patents, (b) engaging in the patent resolution provisions of the BPCIA with regard to Licensed Immunotherapeutic Specific Patents; and (c) determining which Licensed Immunotherapeutic Specific Patents will be the subject of immediate patent infringement action under §351(l)(6) of the BPCIA; provided that with respect to JBI’s exercise of rights under the BPCIA, JBI shall consult with a representative of Aduro designated by Aduro in writing and qualified to receive confidential information pursuant to §365(l) of the BPCIA with respect to JBI’s exercise of any rights exercisable as reference product sponsor including providing such representative with timely copies of material correspondence relating to such matters, providing such representative the opportunity, reasonably in advance of any related JBI action, to comment thereon and to consult with and consider in good faith the requests and suggestions of Aduro with respect to such matters.

11.4.3 In the event that JBI desires to apply for an extension of any patents for which Aduro has responsibility to prosecute, maintain and defend under this Section 11 under the Act, the Supplementary Certificate of Protection of the Member States of the European Union or any other similar measures in any other country; or utilize any such patent for purposes of engaging in the patent resolution provisions or bringing a patent infringement action under the BPCIA; the Parties shall meet in good faith to discuss strategy for such activity, provided that Aduro shall not be obligated to agree to the use of any such patent for any such activity.

**11.5 Separation of Aduro Core Patents and Licensed Immunotherapeutic Specific Patents.** The Parties acknowledge that certain patent applications owned by Aduro, JBI, or jointly by Aduro and JBI and that are the subject of this Section 11 may contain a specification that supports claims that fall within the definition of Aduro Core Patents, as well as claims that fall within the definition of Licensed Immunotherapeutic Specific Patents. To the extent possible, the Parties shall cooperate to divide such applications into separate daughter patent applications that may claim common priority, such that daughter patent applications that fall within the Aduro Core Patents will not contain any claims falling within the Licensed Immunotherapeutic Specific Patents, and daughter patent applications that fall within the Licensed Immunotherapeutic Specific Patents will not contain any claims falling within the Aduro Core Patents. Aduro shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are Aduro Core Patents in accordance with Section 11.2, and JBI

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shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are Licensed Immunotherapeutic Specific Patents in accordance with Section 11.3.

#### **11.6 Mechanism for Enforcement and Defense.**

11.6.1 A Party asserting its right to enforce or defend any Aduro Core Patent or Licensed Immunotherapeutic Specific Patent under this Agreement (the “**Controlling Party**”) shall keep the other Party reasonably informed during the course of any legal action related to such enforcement or defense (an “**Action**”), and shall consult with such other Party before taking any major steps during the conduct of such Action. The other Party shall provide all reasonable cooperation to the Controlling Party in connection with such Action, including being named as a party to such Action if required for standing purposes.

11.6.2 The Controlling Party in an Action shall not take any position with respect to, or compromise or settle, such Action in any way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Aduro Core Patent or Licensed Immunotherapeutic Specific Patent without the other Party’s prior written consent (not to be unreasonably withheld, conditioned, or delayed).

11.6.3 A Party having the right to be the Controlling Party in an Action shall provide prompt written notice to the other Party (in a sufficiently timely manner that such Action will not be prejudiced) if

(i) it does not intend to pursue the Action pursuant to this Section 11 or take such other action as is required or permitted under the Act or BPCIA to preserve its ability to prosecute a potential Action (including such actions as contemplated under Section 11.4; or

(ii) it has not commenced such Action within the earlier of: (a) [\*] calendar days after notice of infringement, or (b) [\*] calendar days prior to the time limit, if any, set forth under Applicable Law for filing such Action or taken such other action; or

(iii) it has ceased or intends to cease to diligently pursue such Action or such other action.

Upon receipt of such written notice, the other Party shall have the option to become the Controlling Party. The other Party shall respond with written notice within [\*] business days indicating if it intends to exercise such option, upon which such other Party shall become the Controlling Party, and may take its own action (at its own expense) to enforce, or take such other action with respect to, such Action, including initiating its own Action or taking over prosecution of any such Action initiated previously. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate.

11.6.4 Any recovery from an Action shall be [\*].

#### **11.7 Infringement Claims by Third Parties.**

11.7.1 If the Manufacture, Development or Commercialization of any Licensed Immunotherapeutic results in a claim or a threatened claim by a Third-Party against a Party hereto for patent infringement or other violation of its intellectual property rights, the Party first having notice thereof shall promptly notify the other in writing. The notice shall set forth the facts of the claim in reasonable detail.

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11.7.2 JBI, its Affiliates or Sublicensees shall have the right, but not the obligation, to defend any suit claiming that the Development, Manufacture or Commercialization of a Licensed Immunotherapeutic infringes any patents or other intellectual property rights of a Third-Party. Aduro will cooperate and assist JBI in any such litigation at JBI's expense. Without prejudice to JBI's right to pursue an indemnity claim in lieu of defending a suit as provided in this Section 11.4.2, all costs and any and all damages awarded to any Third-Party pursuant to such suits shall be borne or retained, as the case may be, solely by JBI. Aduro shall, on JBI's reasonable request and at JBI's sole expense, assist in the defense to such action, and all costs incurred by Aduro in providing assistance to JBI, its Affiliates or Sublicensees shall be borne solely by JBI.

**11.8 Licensed Immunotherapeutic Materials.** In connection with Aduro's transfer to JBI of the Licensed Immunotherapeutic Materials, JBI agrees that the Licensed Immunotherapeutic Materials will not be used other than in connection with this Agreement. Such Licensed Immunotherapeutic Materials shall not be modified or changed in any manner to create products other than the Licensed Immunotherapeutics. To the extent practicable, JBI shall secure and record the identity of persons given access to the Licensed Immunotherapeutic Materials, reasonably track the location of Master Cell Banks, and promptly report to Aduro any unauthorized use that is discovered by JBI. JBI shall ensure that all Third Parties given access to the Licensed Immunotherapeutic Materials shall agree to be bound in writing to terms no less onerous those herein.

**11.9 Notice of Challenge to Aduro Patents.** In the event JBI or any of its Affiliates intends to assert in any forum that any Aduro Patent is invalid, JBI or its Affiliate, as applicable, will not less than [\*] days prior to making any such assertion, provide to Aduro a summary written disclosure of the grounds then known to JBI or its Affiliate, as applicable (the "**Disclosure**"), for such assertion and, with such disclosure, will provide Aduro with a copy of any publicly available document or publication upon which JBI or its Affiliate, as applicable, intends to rely in support of such assertion. Within [\*] days of Aduro's receipt of the Disclosure, at Aduro's request, JBI and Aduro shall meet to discuss the Disclosure. Any such Disclosure and the discussions thereof shall be without prejudice and shall be treated as settlement discussions under Rule 408 of the Federal Rules of Evidence. No Disclosure made under this Section 11.9, nor any discussion between the Parties hereunder, shall be construed as an admission of any kind. Neither the Disclosure, nor any of the Parties' discussions or exchanges of information hereunder, shall be used by Aduro as a basis for the assertion of any declaratory judgment action or other cause of action, and Aduro agrees not to assert any cause of action against JBI, its Affiliates or Sublicensees relating to such Aduro Patent, other than to enforce the terms hereof until at least [\*] days following the conclusion of any such discussions.

## 12 CONFIDENTIALITY

**12.1 Confidentiality Obligations.** The Parties agree that, for the term of this Agreement and for [\*] years thereafter, either Party that receives (a "**Receiving Party**") from the other Party (a "**Disclosing Party**") proprietary Information pursuant to this Agreement (collectively "**Confidential Information**"), shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose (except as expressly permitted by this Agreement) such Confidential Information, except to the extent that it can be established by the Receiving Party that such Confidential Information: (i) was already known to the Receiving Party, other than under an obligation of confidentiality from the Disclosing Party; (ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (iii) became generally available to the public or otherwise part of the public domain after its disclosure that was

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other than through any act or omission of the Receiving Party in breach of this Agreement; (iv) was subsequently lawfully disclosed to the Receiving Party by a Third-Party; (v) can be shown by competent evidence to have been independently developed by the Receiving Party without reference to the Confidential Information received from the Disclosing Party and without breach of any of the provisions of this Agreement; or (vi) is information that the Disclosing Party has specifically agreed in writing that the Receiving Party may disclose.

## **12.2 Authorized Uses and Disclosures of Confidential Information.**

12.2.1 The Receiving Party may disclose Confidential Information to the extent the Receiving Party is compelled to disclose such information by a court or other tribunal of competent jurisdiction, provided, however, that in such case the Receiving Party shall, except where impracticable, give prompt notice to the Disclosing Party so that the Disclosing Party may seek a protective order or other remedy. Upon the Disclosing Party's request and at its sole expense, the Receiving Party shall provide reasonable assistance to the Disclosing Party in seeking such protective order or other remedy. In any event, the Receiving Party shall disclose only that portion of the Confidential Information that, in the opinion of its legal counsel, is legally required to be disclosed and will exercise reasonable efforts to ensure that any such information so disclosed will be accorded confidential treatment.

12.2.2 To the extent it is reasonably necessary to fulfil its obligations and exercise its rights under this Agreement, either Party may disclose Confidential Information (i) to its Affiliates, consultants, advisors and agents on a need-to-know basis on condition that such Affiliates, advisors, consultants, and agents are bound by obligations of confidentiality and non-use substantially similar to those set forth herein, and (ii) to the extent reasonably necessary to obtain Regulatory Approval for Licensed Immunotherapeutics in the Field and in the Territory.

12.2.3 Notwithstanding the above obligations of confidentiality and non-use, a Party may disclose information to the extent that such disclosure is necessary in connection with:

- (i) filing or prosecuting patent applications;
- (ii) prosecuting or defending litigation;
- (iii) seeking Regulatory Approval of a Licensed Immunotherapeutic, including Regulatory Approval of a Manufacturing facility for a Licensed Immunotherapeutic; or
- (iv) subject to Section 12.3 below, complying with Applicable Laws.

In making any disclosures set forth above, the Disclosing Party shall, except where impracticable, give such advance notice to the other Party of such disclosure requirement as is reasonable under the circumstances and, except to the extent inappropriate (as in the case of patent applications), will use its reasonable efforts to co-operate with the other Party in order to secure confidential treatment of such Confidential Information.

**12.3 Required Securities Filings.** In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document that describes or refers to the terms and conditions of this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other Applicable Law, such Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of drafts of the proposed filing as soon as reasonably practicable, but in no event less than [\*] business days prior to such filing.

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The Party making such filing shall use reasonable efforts to obtain confidential treatment of the terms and conditions of this Agreement that such other Party requests be kept confidential (and in any event the financial terms), and shall only disclose Confidential Information that it is advised by counsel is legally required to be disclosed or required to be disclosed. No such notice shall be required under this Section 12.3 if the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the either Party hereunder or otherwise approved by the other Party.

- 12.4 Publications.** Subject to the terms and conditions in this Section 12.4, JBI (but not, for the avoidance of doubt, Aduro) may publish or present data and/or results generated during the Collaboration Term and relating to the activities conducted under the IND and Manufacturing Plan in scientific journals and/or at scientific conferences, subject to the prior review and comment by Aduro if such publication includes any Aduro Confidential Information as follows. JBI shall provide Aduro with the opportunity to review any such proposed abstract, manuscript or presentation by delivering a copy thereof to Aduro no less than [\*] days before its intended submission for publication or presentation. Aduro shall have [\*] days after its receipt of any such abstract, manuscript or presentation in which to notify JBI in writing of any specific objections to the disclosure of Confidential Information of Aduro. In the event that Aduro objects to the disclosure in writing within such [\*] day period, JBI agrees not to submit the publication or abstract or make the presentation containing the objected-to information until the Parties have agreed to modify such information, and JBI shall delete from the proposed disclosure any Aduro Confidential Information upon the reasonable request of Aduro. Once any such abstract or manuscript is accepted for publication, JBI will provide Aduro with a copy of the final version of the manuscript or abstract. For the avoidance of doubt, data and results specific to the Licensed Immunotherapeutics shall be deemed JBI Confidential Information, and any publications with respect thereto shall be in the sole discretion of JBI. In addition, with respect to activities conducted outside of the IND and Manufacturing Plan, any publications relating to Licensed Immunotherapeutics submitted for publication by JBI or its Affiliates for clinical or other activities are not subject to this Section 12.4 except and to the extent that Aduro Confidential Information related to the Aduro platform technologies is incorporated therein.
- 12.5 Public Announcements.** A press release or press releases deemed agreed upon by the Parties is/are attached to this Agreement as the Press Release Schedule. Neither Party shall originate any other publicity, news release or public announcements, written or oral, whether to the public or press, stockholders or otherwise, relating to this Agreement, including its existence, the subject matter to which it relates, performance under it or any of its terms, or to any amendment hereto or performances hereunder without the prior written consent of the other Party, save only such announcements that are otherwise agreed to by the Parties. Such announcements shall be brief and factual. Except as otherwise provided herein, if a Party decides to make an announcement required by Applicable Law, it shall use reasonable efforts to give the other Party at least [\*] business days advance notice, where possible, of the text of the announcement so that the other Party shall have an opportunity to comment upon the announcement. To the extent that the receiving Party reasonably requests the deletion of any Confidential Information in the materials, the disclosing Party shall delete such information unless, in the opinion of the disclosing Party's legal counsel, such Confidential Information is legally required to be disclosed.
- 12.6 Publication of Clinical Trial Results.** Unless otherwise agreed in writing, the Parties agree that JBI shall have the right to disclose: (i) each clinical trial conducted pursuant to the IND and Manufacturing Plan on clinicaltrials.gov or any other similar registry, and (ii) all results of such clinical trial on clinicalstudyresults.org and on any other registry with requirements consistent with the registration and publication guidelines of the International Committee of Medical Journal Editors, to the extent required.

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**12.7 Adverse Event Reporting.**

**12.7.1 Reporting.** The Parties recognize that JBI or its designee as the holder of all Regulatory Approval applications (except as contemplated by the IND and Manufacturing Plan) and Regulatory Approvals in the Territory for Licensed Immunotherapeutics may be required to submit information and file reports to Regulatory Authorities on Licensed Immunotherapeutics which are under clinical investigation, proposed for marketing, or marketed in the Territory. The Parties also recognize that Aduro or its designee as the holder of all Regulatory Approval applications and Regulatory Approvals in the Territory for other products based on Aduro's live-attenuated double-deleted (LADD) *Listeria monocytogenes* strain(s) may be required to submit information and file reports to Regulatory Authorities on such other products which are under clinical investigation, proposed for marketing, or marketed in the Territory. Each Party will, and will require its Affiliates and Sublicensees to, report adverse events with respect to their respective products to the extent required by and in accordance with Applicable Law.

**12.7.2 Safety Agreement.** Each Party shall assign a representative, and such representatives shall have a first meeting within [\*] days of the Effective Date, to agree on a process and procedure for sharing adverse event information, which shall be documented in a pharmacovigilance agreement. Within the time period agreed to in writing by the Parties during that first meeting, the Parties shall negotiate in good faith and enter into a pharmacovigilance agreement governing safety data exchange procedures regarding the coordination of collection, investigation, reporting, and exchange of information concerning adverse events to comply with Applicable Law, including with respect to clinical trials conducted by or on behalf of each Party, its Affiliates and Sublicensees.

**12.7.3 Safety Liaison.** During the first meeting of the Parties set forth in Section 12.7.2 above, the Parties shall designate a safety liaison to be responsible for communicating with the other Party regarding the reporting of adverse events, to the extent required or as agreed in the pharmacovigilance agreement, with respect to their respective products.

**13 REPRESENTATIONS AND WARRANTIES****13.1 Representations, Warranties and Covenants of both Parties.**

Each Party represents and warrants to the other Party, as of the Effective Date, that:

13.1.1 such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

13.1.2 such Party has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

13.1.3 this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against it in accordance with the terms hereof;

13.1.4 the execution, delivery and performance of this Agreement by such Party, including the grant of rights to the other Party pursuant to this Agreement, does not to the best of the knowledge of such Party: (i) conflict with, nor result in any violation of or default under any agreement, instrument or understanding, oral or written, to which it or any Affiliate is a party or

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by which it or any Affiliate is bound; (ii) conflict with any rights granted by such Party to any Third-Party or breach any obligation that such Party has to any Third-Party; nor (iii) violate any Applicable Law of any court, governmental body or administrative or other agency having jurisdiction over such Party;

13.1.5 no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any Applicable Laws, rules or regulations currently in effect is necessary for, or in connection with, the transaction contemplated by this Agreement or for the performance by it of its obligations under this Agreement;

13.1.6 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to the Licensed Immunotherapeutics either (i) have executed agreements requiring assignment to such Party of all right, title and interest in and to their inventions and discoveries they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party, whether or not patentable, if any, to such Party as the sole owner thereof; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement: (a) are subject to legal requirements to assign all right, title and interest in and to all inventions they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party to such Party; or (ii) assignment by such employee, officer, contractor, and consultant of such inventions to such Party occurs by operation of law;

13.1.7 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to the Licensed Immunotherapeutics either (i) have executed agreements obligating each such employee, officer, contractor, and consultant to maintain as confidential the Confidential Information of such Party; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement, such employees, officers, contractors, and consultants are subject by operation of law or applicable professional requirements to maintain as confidential the Confidential Information of such Party;

13.1.8 neither such Party, nor any of its employees, officers, or to the best of its knowledge, any subcontractors, or consultants who have rendered or will render services relating to the Licensed Immunotherapeutics: (a) has ever been debarred or is subject or debarment or convicted of a crime for which an entity or person could be debarred by the FDA under 21 U.S.C. §335a (or subject to a similar sanction of the EMA) or (b) to the knowledge of a Party has ever been under indictment for a crime for which a person or entity could be so debarred; and

13.1.9 such Party shall conduct its activities hereunder in accordance with Applicable Law.

## **13.2 Representations, warranties, and covenants of Aduro.**

Aduro represents and warrants to JBI, as of the Effective Date, that:

13.2.1 Aduro owns or otherwise Controls the Aduro Patents set forth on the Aduro Patent Schedule (which schedule differentiates as between Aduro Patents that are owned by Aduro or its Affiliates and Aduro Patents that are Controlled by Aduro through licenses or otherwise);

13.2.2(i) the Aduro Patents are not the subject of any interference or opposition proceedings; and (ii) there is no pending or threatened action, suit proceeding or claim by a Third-Party challenging the ownership rights in, validity or scope of such Aduro Patents;

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13.2.3 (i) Aduro has not received any written notice from any Third-Party asserting any ownership rights to any of the Aduro Know-How; and (ii) Aduro is not aware of any pending or threatened action, suit, proceeding or claim by a Third-Party asserting that Aduro is infringing or otherwise is violating any patents, trade secret or other proprietary right of any Third-Party in connection with the Licensed Immunotherapeutics;

13.2.4 there are no agreements between Aduro and any Third-Party that would result in any royalties, milestones, or any other payment or consideration being due from JBI to such Third-Party as a result of JBI's Development or Commercialization of the Licensed Immunotherapeutics;

13.2.5 Aduro has not granted any right or license to a Third-Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder (or that result in the narrowing of the definition of "Aduro Intellectual Property" due to the "Control" limitation) and Aduro will not in the future grant any right or license to any Third-Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder without JBI's express written consent; and

13.2.6 except as set forth on the Third-Party Patent Schedule, to Aduro's knowledge, the practice of Aduro Know-How or Aduro Patents included among the Aduro Core Technology, by either Party is not Covered by a Third-Party Patent, does not involve the misappropriation of any Third-Party Information, or otherwise violate any Third-Party intellectual property right.

13.2.7 Reference to "knowledge" in any of the above provisions of this Article means [\*].

## 14 INDEMNIFICATION AND INSURANCE

**14.1 Indemnification by JBI.** JBI shall indemnify, defend and hold harmless Aduro and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all damages, losses, liabilities, costs (including reasonable legal expenses, costs of litigation and reasonable attorney's fees) or judgments, whether for money or equitable relief, of any kind ("**Losses**"), with respect to Third-Party claims, suits, or proceedings ("**Claims**") to the extent arising out of: (i) [\*]; (ii) [\*]; or (iii) [\*]; in each case except to the extent such Losses and Claims are subject to Aduro's indemnity obligations set forth in Section 14.2.

**14.2 Indemnification by Aduro.** Aduro shall indemnify, defend and hold harmless JBI and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all Losses with respect to Claims, to the extent arising out of: (i) [\*]; (ii) [\*]; (iii) [\*]; in each case except to the extent such Losses and Claims are subject to JBI's indemnity obligations set forth in Section 14.1.

**14.3 Process for Indemnification.** A claim to which indemnification applies hereunder shall be referred to herein as an "**Indemnification Claim**". Upon the occurrence of an event for which indemnification is available as set forth above, any person or persons (collectively, the "**Indemnified Party**") that intend to claim indemnification under this Article 14, shall give prompt written notice to the other Party (the "**Indemnifying Party**") providing reasonable details of the nature of the event and basis of the Indemnification Claim and further expressly stating therein that it is seeking indemnity pursuant to this Agreement. For the avoidance of doubt, and without prejudice to the Indemnified Party's obligation to give prompt written notice, an Indemnifying Party's

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knowledge of events or circumstances pursuant to which an Indemnified Party might seek indemnification, including correspondence between the Parties regarding a matter for which indemnity is not expressly sought, shall not constitute the notice required by this provision, and any attorneys, experts or consultant fees or expenses incurred by an Indemnified Party prior to proper notice shall be the sole responsibility of such Party; provided however that the failure of such timely notice shall not bar any Indemnification Claim unless the Indemnifying Party is materially prejudiced by failure to receive such timely notice. The Indemnifying Party will have the right, at its expense and with counsel of its choice, to defend, contest, or otherwise protect against any Claim. The Indemnified Party will also have the right, but not the obligation, to participate, at its own expense, in the defense thereof with counsel of its choice. The Indemnified Party shall cooperate to the extent reasonably necessary to assist the Indemnifying Party in defending, contesting or otherwise protesting against any Claim, and shall make available to the Indemnifying Party all pertinent information under the control of the Indemnified Party, which information shall be subject to Article 12, provided that the reasonable cost in doing so is paid for by the Indemnifying Party. If the Indemnifying Party fails within [\*] days after receipt of notice (i) to notify the Indemnified Party of its intent to defend, or (ii) to defend, contest or otherwise protect against any Claim or fails to diligently continue to provide the defense after undertaking to do so, the Indemnified Party will have the right, but no obligation, upon [\*] days prior written notice to the Indemnifying Party to defend, settle and satisfy any Claim and recover the costs of the same from the Indemnifying Party. The Indemnified Party shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnifying Party, and the Indemnifying Party shall not settle or compromise the Indemnification Claim in any manner that would have an adverse effect on the Indemnified Party's interests (including any rights under this Agreement or the scope or enforceability of Intellectual Property Controlled by such Party, or Confidential Information or Patent or other rights licensed hereunder), without the prior written consent of the Indemnified Party, which consent, in each case, shall not be unreasonably withheld, conditioned or delayed.

- 14.4 Insurance.** During the term of this Agreement and [\*] after the expiration of this Agreement or earlier termination, each Party shall obtain and/or maintain, respectively, at its sole cost and expense, clinical trial insurance and product liability insurance in amounts, respectively, that are reasonable and customary in the pharmaceutical industry for companies of comparable size and activities at the respective place of business of each Party. A Party (or its Affiliated group) with at least \$[\*] in market capitalization with annual sales in the latest calendar year of at least \$[\*] may maintain such insurance through a self-insurance program. Such clinical trial insurance and product liability insurance shall insure against all liability, including liability for personal injury, physical injury and property damage. Each Party shall provide written proof of the existence of such insurance to the other Party upon request.

## **15 TERM AND TERMINATION**

- 15.1 Term.** This Agreement shall come into force and effect on the Effective Date and shall, unless terminated earlier in accordance with its terms, continue in force and effect until all the Aduro Patents have expired and thereafter on a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic and country-by-country basis until the end of the last-to-expire Royalty Term in each such country with respect to each such Licensed Immunotherapeutic (the period during which this Agreement is in force, hereinafter the “**Term**”).
- 15.2 Termination in the Event of Material Breach.** Subject to Article 6 and except as provided in Section 15.6, in the event of material uncured breach by the other Party, the

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non-breaching Party may terminate (or, in the case of JBI, modify as permitted under Section 15.7.3) this Agreement, and the rights and licenses granted hereunder, by providing sixty (60) calendar days' prior written notice to the other Party detailing the specific obligation under this Agreement alleged to have been breached; the manner of such alleged breach; and the steps that need to be taken in order to remedy such breach, unless the other Party cures such breach or grounds for termination within the period of such notice, provided that if there is a good-faith dispute with respect to the existence of such material breach, the time for cure will be extended until such time as the dispute is resolved pursuant to Article 16.

- 15.3 Termination of Agreement for Insolvency.** Either Party may, in addition to any other remedies available to it by law or in equity, terminate (or, in the case of JBI, modify in accordance with Section 15.7.3) this Agreement in its entirety, by notice to the other Party in the event: (i) the other Party shall have become bankrupt or shall have made an assignment for the benefit of its creditors; (ii) there shall have been appointed a trustee or receiver for the other Party for all or a substantial part of its property; or (iii) any case or proceeding not covered by clause (i) shall have been commenced or other action taken by or against the other Party in bankruptcy or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation or other similar act or law of any jurisdiction now or hereafter in effect, and any such event shall have continued for sixty (60) calendar days undismissed, unbonded and undischarged.
- 15.4 Termination by JBI at Will.** JBI may terminate this Agreement in its entirety or on a country-by-country or Licensed Immunotherapeutic-by-Licensed Immunotherapeutic basis at any time after [\*] of the Effective Date by providing ninety (90) days' prior written notice to Aduro. Following any delivery by JBI of a notice of termination pursuant to this Section 15.4, from the provision of notice through the effective date of termination, JBI shall perform its obligations hereunder regarding the Manufacture, Development and Commercialization of the affected Licensed Immunotherapeutic, including the payment of milestones, royalties and costs incurred in connection with the IND and Manufacturing Plan and any other payments owed to Aduro for other Development work completed pursuant to Section 2.5 during such period, but shall not be required to initiate any new clinical studies or non-clinical studies, make any further filings for Regulatory Approvals other than as related to the initiation of the transfer of Regulatory Approvals and development and commercial rights to Aduro, or launch any impacted Licensed Immunotherapeutic in any impacted countries, except, in each case, as required by Applicable Law.
- 15.5 Cumulative Rights and Remedies.** Any right to terminate this Agreement shall be in addition to and not in lieu of all other rights or remedies that the Party giving notice of termination may have at law, in equity or otherwise.
- 15.6 Effect of Expiration.** If this Agreement is not terminated at an earlier date, then upon its expiration in accordance with its terms in a given country or the entire Territory (as applicable), JBI shall have an irrevocable, perpetual, fully paid-up, royalty-free, non-exclusive license in the Field in such country or the Territory (as applicable) under the Aduro Know-How, with the right to sublicense, to make, have made, import, use, offer to sell and sell Licensed Immunotherapeutics in the Field.
- 15.7 Effect of Termination.**

15.7.1 Termination on Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by JBI or Aduro are, and shall otherwise be deemed to be, for purposes of §365(n) of Title 11, U.S. Code (the "**Bankruptcy Code**"), licenses of right to "Intellectual

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Property” as defined under §101(35A) of the Bankruptcy Code and case law interpreting §365(n). The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections they would have in the case of a licensor bankruptcy under the Bankruptcy Code. Each Party agrees during the term of this Agreement to create or maintain current copies, or if not amenable to copying, detailed descriptions or other appropriate embodiments, of all such intellectual property licensed to the other Party. Regardless of any choice of law provision contained in this Agreement, the Parties expressly agree to the application of the laws of the United States, and in particular to the application of the provisions of the Bankruptcy Code as to the rights and elections of the Parties regarding Intellectual Property in the case of licensor bankruptcy. Specifically as to rights and elections under the Bankruptcy Code regarding Intellectual Property existing outside the jurisdiction of licensor Bankruptcy and more specifically as to such rights and elections regarding Intellectual Property existing in the United States, the Parties expressly submit themselves to the jurisdiction of the courts of the United States for the enforcement of such rights and elections. The Parties anticipate that substantial work under this Agreement will be conducted in the United States and that substantial value under this Agreement will be generated in the United States.

15.7.2 Termination by Aduro Due to JBI’s Material Breach, JBI Bankruptcy, or by JBI at Will. Upon any termination of a Licensed Immunotherapeutic on a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic basis or a country-by-country basis or this Agreement in its entirety by JBI pursuant to Section 15.4 or upon termination of this Agreement by Aduro pursuant to Sections 15.2 or 15.3:

(i) JBI, its Affiliates and its Sublicensees shall immediately cease to use and thereafter refrain from using the Aduro Intellectual Property anywhere in the Territory (or, where JBI terminates the Agreement under Section 15.4 in relation to a given country, in the terminated country) in relation to the terminated Licensed Immunotherapeutics (provided however that in order to effect an orderly transition in any country where a Licensed Immunotherapeutic is on the market, the Parties shall cooperate with respect to sales of existing inventory and JBI, its Affiliates and its Sublicensees shall retain those rights necessary to do so);

(ii) except as may be necessary to comply with any pre-existing obligations, including any initiated clinical trial, JBI shall promptly return to Aduro or destroy (at Aduro’s discretion) all Licensed Immunotherapeutic Materials in JBI’s, its Affiliates’ or its Sublicensees’ possession or control and, in the event of such destruction, provide Aduro with written confirmation thereof;

(iii) save as expressly provided herein, all rights of JBI hereunder relating to the Territory or (where JBI terminates the Agreement under Section 15.4 in relation to a given country) to the terminated country or terminated Licensed Immunotherapeutic, and all licenses granted to JBI by this Agreement in respect of any terminated Licensed Immunotherapeutic or country in the Territory shall cease and terminate;

(iv) on written request by Aduro, JBI shall provide to Aduro a copy of, and shall transfer, or cause to be transferred, to Aduro, at JBI’s expense, [\*]. Until such transfer is effected or if such transfer is not possible for legal [\*], Aduro shall [\*]. JBI shall consent and, where necessary, cause its Affiliates and its Sublicensees to consent, for any relevant [\*]; and

(v) Aduro shall have an [\*] license, with the right to sublicense, under any [\*] in existence as of the effective date of termination to the extent useful or reasonably necessary to Exploit, make, have made, import, use, have used, offer to sell, sell, and export the terminated Licensed Immunotherapeutics solely for the purpose of

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Developing and/or Commercialising such Licensed Immunotherapeutics in the Field in the Territory or terminated country (as applicable). Such licence shall be [\*]. Otherwise, Aduro shall pay to JBI a royalty of [\*] except that if [\*], then Aduro shall pay to JBI a royalty of [\*], and if [\*], then Aduro shall pay to JBI a royalty of [\*], in each case on Net Sales of Licensed Immunotherapeutics by Aduro, its Affiliates or Sublicenses for a period of [\*] from First Commercial Sale of the Licensed Immunotherapeutic in the Territory, and the provisions of Section 8.5 shall apply *mutatis mutandis*. On the request of Aduro, JBI will perform a technology transfer of all materials and information covered by the forgoing licenses and rights which shall be completed not less than [\*] days after the relevant termination. Notwithstanding the foregoing, JBI shall have no obligation to provide, and Aduro shall have no right to use, any materials bearing any trademarks or trade names of JBI or its Affiliates or Sublicensees.

15.7.3 Termination or Modification by JBI due to Aduro's material breach or Aduro's bankruptcy. Upon a possible termination event by JBI pursuant to Section 15.2 and 15.3, JBI may elect, in lieu of terminating this Agreement, by written notice to Aduro, to modify the terms of this Agreement as (and only to the extent) provided below. In the event JBI gives such notice, then the following provisions will apply:

- (i) At JBI's election the [\*];
- (ii) At JBI's election Aduro shall [\*];
- (iii) JBI shall be [\*]; and
- (iv) Except as otherwise agreed to by the Parties, all other terms and conditions of this Agreement shall continue in full force and effect.

If, on the other hand, JBI gives Aduro notice of termination (rather than modification) under this Section 15.7.3 hereunder, then the provisions of Section 15.7.2 shall apply.

**15.8 Accrued Rights and Obligations upon Expiration and Termination.** Expiration and termination of this Agreement for any reason shall be without prejudice to either Party's right or obligations accrued prior to the effective date of termination or expiration and shall not deprive either Party from any rights that the Agreement provides shall survive termination.

**15.9 Survival.** Except as expressly provided herein, Sections 2.1.3, 2.3, 9, 10, 12, 14, 15, 16, and 19 and all other provisions contained in this Agreement that by their explicit terms survive expiration or termination of this Agreement, and any accrued rights to payment shall survive any expiration or early termination of this Agreement. Except as set forth in this Section 15.9, upon termination or expiration of this Agreement all other rights and obligations of the Parties under this Agreement terminate.

## **16 DISPUTE RESOLUTION AND GOVERNING LAW**

**16.1 Disputes.** Aduro and JBI shall devote reasonable efforts to amicably resolve any disputes between them concerning their respective rights and obligations under the Agreement (each, a "**Dispute**"). If the Parties or the JSC (for matters within its jurisdiction) are initially unable to resolve a dispute, despite using reasonable efforts to do so, either Party may, by written notice to the other, have such dispute referred to their respective senior management designated below or their respective successors, for attempted resolution by negotiation in good faith. Such attempted resolution shall take place no later than [\*] days following receipt of such notice. The designated management for JBI is the head of oncology research and development and/or

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commercialization (as applicable) and for Aduro is the CEO. Any Dispute that senior management has not resolved shall, upon the request of a Party given not later than [\*] days after the initial discussion, be mediated through non-binding mediation in accordance with The CPR Mediation Procedure for Business Disputes then in effect of the CPR, except where that procedure conflicts with these provisions, in which case these provisions shall prevail. The mediation shall be conducted in San Francisco, CA and shall be attended by a senior executive with authority to resolve the dispute from each Party. The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than [\*] calendar days after initiation. Under no circumstances may the commencement of arbitration be delayed more than [\*] calendar days by the mediation process specified herein absent contrary agreement of the Parties. No statements made by either Party during the mediation may be used by the other or referred to during any subsequent proceedings.

## 16.2 Arbitration.

16.2.1 Binding Resolution. Any Dispute that has been referred to senior management for resolution and that has not been resolved within [\*] days after the initial discussion of such matter by senior management, shall, upon referral or submission by either Party, be submitted for final, binding resolution by arbitration in accordance with the then current CPR *Non-Administered Arbitration Rules* (“**CPR Rules**”) ([www.cpradr.org](http://www.cpradr.org)), except where those rules conflict with these provisions, in which case these provisions control. The arbitration shall be held in San Francisco, California.

16.2.2 Panel. The panel shall consist of three arbitrators chosen from the CPR Panel of Distinguished Neutrals in accordance with the CPR Rules (unless the Parties otherwise agree on the selection of the arbitrators) each of whom shall be a lawyer with at least fifteen (15) years’ experience with a law firm or corporate law department, each of which shall have had over twenty five (25) lawyers or who was a judge of a court of general jurisdiction. In the event the aggregate damages sought by the claimant are stated to be less than \$[\*], and the aggregate damages sought by the counterclaimant are stated to be less than \$[\*], and neither side seeks equitable relief, then a single arbitrator shall be chosen, having the same qualifications and experience specified above. Each arbitrator shall be impartial and independent of the Parties and shall abide by the *Code of Ethics for Arbitrators in Commercial Disputes* (available at <http://www.adr.org/EthicsAndStandards>).

16.2.3 Procedures if Arbitrator(s) Not Agreed. In the event the Parties cannot agree upon selection of the arbitrator(s), CPR will select arbitrator(s) as follows: CPR shall provide the Parties with a list of no less than twenty-five (25) proposed arbitrators (fifteen (15) if a single arbitrator is to be selected) having the credentials referenced above. Within [\*] days of receiving such list, the Parties shall rank at least 65% of the proposed arbitrators remaining on the initial CPR list after exercising cause challenges. If the Parties do not agree on an arbitrator following such ranking, the Parties may then jointly interview the five (5) candidates (three (3) if a single arbitrator is to be selected) with the highest combined rankings for no more than one hour each and, following the interviews, may exercise one peremptory challenge each. The panel will consist of the remaining three candidates (or one, if one arbitrator is to be selected) with the highest combined rankings. In the event these procedures fail to result in selection of the required number of arbitrators, the CPR shall appoint the appropriate remaining number of arbitrators having the credentials referenced in Section 16.2.2 above. Notwithstanding the foregoing, the arbitrators shall be finally selected by the Parties (or the CPR, if required) no later than [\*] days prior to the commencement of the arbitration proceedings.

16.2.4 Timing. The Parties agree to cooperate (i) to attempt to select the arbitrator(s) by agreement within [\*] days of initiation of the arbitration, including jointly interviewing any candidates pursuant to Section 16.2.3; (ii) to meet with the arbitrator(s) within [\*] days of

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selection; and (iii) to agree at that meeting or before upon procedures for discovery, if any, and as to the conduct of the hearing that will result in the hearing being concluded within no more than [\*] months after selection of the arbitrator(s) and in the award being rendered within [\*] days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides within [\*] days after the conclusion of the hearings.

16.2.5 Discovery. The arbitrator(s) shall be guided, but not bound, by the *CPR Protocol on Disclosure of Documents and Presentation of Witnesses in Commercial Arbitration* ([www.cpradr.org](http://www.cpradr.org)) (“**Protocol**”). The Parties will attempt to agree on modes of document disclosure, electronic discovery, witness presentation, etc. within the parameters of the Protocol. If the parties cannot agree on discovery and presentation issues, the arbitrator(s) shall decide on presentation modes and provide for discovery within the Protocol, understanding that the Parties contemplate reasonable discovery; provided that such discovery will be limited so that the schedule set forth in Section 16.2.4 may be met without undue burden. The Parties agree that discovery shall be permitted in order to permit a Party to obtain documents and in formats that are in the possession, custody or Control of the other Party, to the extent not already in the possession of such Party. The arbitrator(s) shall determine what discovery will be permitted, consistent with the goal of limiting the cost and time that the Parties must expend for discovery; provided that the arbitrator(s) shall permit such discovery as the arbitrator(s) deem necessary to permit an equitable resolution of the dispute, which may in the arbitrator(s)’ discretion include requests for admission or interrogatories. The arbitrator(s) shall not order or require discovery against either Party of a type or scope that is not permitted against the other Party. The arbitrator(s) may require a Party seeking the production of documents to pay all the costs associated with the collection, review and production of the documents. Any written evidence originally in a language other than English shall be translated to English and accompanied by (a) an original or true copy of the source document, (b) an original or true copy of the translation, and (c) a statement signed by the translator or translation company representative, with his or her signature notarized by a Notary Public, attesting that the translator or translation company representative believes the English language text to be an accurate and complete translation of the source-language text. The arbitrator(s) shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy or irrelevance and no award shall be overturned by reason of any ruling on evidence, except to the extent that such exclusion constitutes manifest disregard of the law. A transcript of the testimony adduced at the hearing shall be made and shall, upon request, be made available to either Party.

16.2.6 Motions; Independent Expert. The arbitrator(s) are expressly empowered to decide dispositive motions in advance of any hearing, including motions to dismiss and motions for summary judgment, and shall endeavor to decide such motions as would a Federal District Judge sitting in the jurisdiction whose substantive Law governs as set forth in Section 16.3 below. The arbitrator(s) may engage an independent expert with experience in the subject matter of the dispute to advise the arbitrator(s), but final decision making authority shall remain in the arbitrator(s).

16.2.7 Decision of the Arbitrator(s). The arbitrator(s) shall decide the issues presented in accordance with the substantive Law of the State of New York (without reference to conflicts of laws principles) and may not apply principles such as “amiable compositeur” or “natural justice and equity.” The arbitrator(s) shall render a written opinion stating the reasons upon which the award is based.

16.2.8 Confidentiality; Costs. The Parties agree that the decision of the arbitrator(s) shall be the sole, exclusive and binding remedy between them regarding any and all disputes, controversies, claims and counterclaims presented to the arbitrator(s). The arbitration hearings and award shall not be made public by either Party without the joint consent of the Parties, except to the extent either Party is required to disclose such information by applicable Laws (or applicable rules of a public stock exchange) or to enforce the award in accordance with Section

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16.2.9, and except as may be required by law, neither a Party nor its representatives, nor a witness nor an arbitrator may disclose the existence, content or result of any arbitration hereunder without the prior written consent of both parties. The costs of such arbitration, including administrative and arbitrator(s)' fees and the fees of any expert retained by the arbitrator(s), shall be shared equally by the Parties, and each Party shall bear its own expenses and attorneys' fees incurred in connection with the arbitration.

16.2.9 Courts. Any award of the arbitrator(s) may be entered in any court of competent jurisdiction for a judicial recognition of the decision and applicable orders of enforcement, and each Party may apply to any court of competent jurisdiction for appropriate temporary injunctive relief to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, in each case pending resolution of any arbitration proceeding. Rule 14 of the CPR Rules does not apply to this Agreement. Without limiting the foregoing, the Parties consent to the jurisdiction of the Federal District Court for the district in which the arbitration is held for the enforcement of these provisions and the entry of judgment on any award rendered hereunder.

16.2.10 EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL BY JURY OF ANY ISSUE WITHIN THE SCOPE OF THE AGREEMENT TO ARBITRATE AS SET FORTH HEREIN.

16.2.11 EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE, EXEMPLARY OR MULTIPLIED DAMAGES FROM THE OTHER (EXCEPT AS SET FORTH IN SECTION 19.3).

16.2.12 EACH PARTY HERETO WAIVES ANY CLAIM OF CONSEQUENTIAL DAMAGES FROM THE OTHER (EXCEPT AS SET FORTH IN SECTION 19.3).

**16.3 Governing Law.** The Agreement shall be construed and the respective rights of the parties hereto determined according to the substantive laws of the State of New York and the patent laws of the United States, without regard to conflicts of laws principles.

## **17 [\*] AGREEMENT**

**17.1 Compliance with [\*] Agreement.** Aduro represents that it has provided JBI a true, complete and correct copy of the [\*]Agreement as it exists of the Effective Date (including any amendments thereto) and represents and warrants that said [\*]Agreement is in full force and effect as of the date hereof and that Aduro shall use reasonable efforts to maintain said [\*]Agreement in full force and effect. With respect to the [\*]Agreement: (i) Aduro's [\*] under the [\*]Agreement shall expire as of [\*]; (ii) with respect to the [\*] (as such term is defined in the [\*]Agreement), the grants herein are subject to the rights of the [\*] and Aduro shall perform those obligations due thereunder; (iii) the Parties agree that this Agreement contains a provision requiring payment of royalties to Aduro sufficient to permit Aduro to meet its royalty obligations to the [\*]; and (iv) with respect to the exercise of the sublicense, in furtherance of Aduro's [\*] in Section 19.1 of the [\*]Agreement as set forth therein, [\*]. Aduro shall inform JBI of any written notice received by Aduro that: (a) such [\*]Agreement is not then in full force and effect; (b) that [\*]; or (c) Aduro is in default of said [\*]Agreement. In the event Aduro receives notice from [\*]that Aduro is in default of such [\*]Agreement, it shall [\*].

## **18 FORCE MAJEURE**

**18.1 Force Majeure.** No failure or omission by a Party or its Affiliates and/or Sublicensees in the performance of any obligation under this Agreement shall be deemed a breach of the Agreement or create any liability if the same shall arise in whole or in part from any

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cause or causes beyond the reasonable control of the Party or its Affiliates and/or Sublicensees, including acts of God; acts or omissions of any government; any rules, regulations or orders issued by any governmental authority or by any officer, department, agency or instrumentality thereof; fire; storm; flood; earthquake; accident; war; terrorism; rebellion; insurrection; riot; invasion; strike; lockout, or other kind of force majeure (each, a “**Force Majeure**”). Each Party shall notify the other Party promptly in writing following the occurrence or after becoming aware of the occurrence of any Force Majeure whereupon the Parties shall promptly co-operate so as to mitigate the effects of such Force Majeure and the Party suffering Force Majeure shall be obliged to use reasonable efforts to overcome the circumstances thereof. In the event a Party suspends its performance for a period of three (3) or more months due to a Force Majeure, the Parties shall consult in good faith to develop and implement a plan for mitigating the same.

## 19 MISCELLANEOUS

**19.1 Notices.** Any notice or report required or permitted to be given or made under the Agreement by one of the Parties to the other shall be in writing and delivered to the other Party at its address indicated below, or to such other address as the addressee shall have theretofore furnished in writing to the addressor, by hand, by courier or by registered or certified airmail (postage prepaid) or by reputable overnight courier:

If to Aduro:

Aduro Biotech, Inc.  
626 Bancroft Way, 3C  
Berkeley, California 94710  
Attention: CEO and President

With copy to: Sheppard, Mullin, Richter & Hampton LLP  
30 Rockefeller Plaza  
New York, New York 10121  
Attention: Blaine Templeman

If to JBI:

Janssen Biotech, Inc.  
800 Ridgeview Drive  
Horsham, Pennsylvania 19044  
Attention: President

With copy to: Chief Intellectual Property Counsel  
Office of General Counsel  
Johnson & Johnson  
One Johnson & Johnson Plaza  
New Brunswick, New Jersey 08933  
United States of America

All notices shall be effective as of the date received by the addressee or as certified delivery by a reputable delivery service, whichever is earlier.

**19.2 Non-waiver.** The waiver by either of the Parties of any breach of any provision hereof by the other Party shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

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- 19.3 SPECIAL, INDIRECT AND OTHER LOSSES.** NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OR FOR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY (EVEN IF DETERMINED TO BE DIRECT DAMAGES), EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD-PARTY IN CONNECTION WITH A JUDGMENT OR SETTLEMENT FOR WHICH A PARTY IS RESPONSIBLE PURSUANT TO AND IN ACCORDANCE WITH ARTICLE 14 HEREUNDER.
- 19.4 Severability.** Should any section, or portion thereof, of the Agreement be held invalid by reason of any law, statute or regulation existing now or in the future in any jurisdiction by any court of competent jurisdiction or by a legally enforceable directive of any governmental body, such section or portion thereof shall be validly reformed so as to approximate the intent of the parties as nearly as possible and, if unreformable, shall be divisible and deleted in such jurisdiction; the Agreement shall not otherwise be affected.
- 19.5 No Agency.** The relationship of the Parties under the Agreement is that of independent contractors. Neither Party shall be deemed to be the agent of the other and neither Party is authorized to take any action binding upon the other.
- 19.6 Assignment.** This Agreement shall be binding upon the Parties and their respective permitted successors and assigns. Neither Party may, without the prior written consent of the other Party, assign all or any part of its rights and benefits under this Agreement, provided that such consent shall not be required for an assignment to: (i) any Affiliate of either Party provided that such Party shall guarantee the performance of all assigned obligations by such Affiliate; or (ii) to a Third-Party successor or purchaser of all or substantially all of its business or assets to which this Agreement relates, whether in a merger, sale of stock, sale of assets or other similar transaction, provided that, the Third-Party successor or purchaser provides written notice to the other Party that such Third-Party agrees to be bound by the terms of this Agreement. Any attempted assignment, delegation or transfer in contravention of this Agreement shall be null and void *ab initio*.
- 19.7 Counterparts.** The Agreement may be executed in counterparts, each of which shall be deemed to be an original and both together shall be deemed to be one and the same agreement.
- 19.8 Construction.** This Agreement shall be deemed to have been jointly drafted by the Parties, and no rule of strict construction shall apply against either. All headings and the cover page are inserted for convenience of reference only and shall not affect their meaning or interpretation. As used in this Agreement, unless the context otherwise requires, (a) words of any gender include each other gender, (b) words such as “herein”, “hereof” or “hereunder” refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (c) words using the singular shall include the plural, and vice versa and (d) the word “including” means “including without limitation”.
- 19.9 Further Assurances.** Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further ministerial, administrative or similar acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto the other Party its rights and remedies under this Agreement.

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**19.10 Entire Agreement.** The terms and provisions contained in the Agreement, constitute the entire agreement between the parties and shall supersede all previous communications, representations, agreements or understandings, either oral or written, between the parties with respect to the subject matter hereof, and no agreement or understanding varying or extending the Agreement shall be binding upon either Party hereto, unless in writing that specifically refers to the Agreement, signed by duly authorized officers or representatives of the respective parties and the provisions of the Agreement not specifically amended thereby shall remain in full force and effect.

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In witness whereof, Aduro and JBI have executed this Agreement effective as of the date set forth above.

Aduro Biotech, Inc.

Janssen Biotech, Inc.

/s/ Stephen T. Isaacs

/s/ Michael Yang

Stephen T. Isaacs  
Chairman, President and CEO

Michael Yang  
President

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**ADURO PATENT SCHEDULE**

[\*]  
\_]

**Patents and Patent Applications**

[\*]

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CONFIDENTIAL

**[\*] ANTIGEN SCHEDULE**

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**[\*] ANTIGEN SCHEDULE**

The following is the full length amino acid sequence of this antigen, [\*]. This schedule will be amended following final determination of an amino acid sequence to be used as the corresponding Antigen.

[\*]

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CONFIDENTIAL

**[\*] ANTIGEN SCHEDULE**

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**[\*] ANTIGEN SCHEDULE**

The following is the full length amino acid sequence of this antigen, [\*]. This schedule will be amended following final determination of an amino acid sequence to be used as the corresponding Antigen.

[\*]

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CONFIDENTIAL

**[\*] ANTIGEN SCHEDULE**

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**[\*] ANTIGEN SCHEDULE**

The following is the full length amino acid sequence of this antigen, [\*]. This schedule will be amended following final determination of an amino acid sequence to be used as the corresponding Antigen.

[\*]

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**[\*] ANTIGEN SCHEDULE**

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**[\*] ANTIGEN SCHEDULE**

The following is the full length amino acid sequence of this antigen, [\*]. This schedule will be amended following final determination of an amino acid sequence to be used as the corresponding Antigen.

[\*]

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IND AND MANUFACTURING PLAN SCHEDULE

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**IND AND MANUFACTURING PLAN (“PLAN”) SCHEDULE**

<9 pages omitted>

[\*]

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TECHNOLOGY TRANSFER PLAN SCHEDULE

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TECHNOLOGY TRANSFER PLAN SCHEDULE

< 2 pages omitted>

[\*]

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**REMEDIATION SCHEDULE**

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CONFIDENTIAL  
REMEDIATION SCHEDULE

< 3 pages omitted >

[\*]

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**PLATFORM UPDATE SCHEDULE**

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**PLATFORM UPDATE SCHEDULE**

This schedule defines the information that will be provided as the Platform Update from Aduro annually on their *Listeria monocytogenes* based technology platforms.

Should the following events happen in the prior year related to the *Listeria monocytogenes* based technology platform, summaries of the events will be included in the report.

[\*]

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## PRESS RELEASE SCHEDULE



May 29, 2014 12:00 UTC

**Aduro Announces License Agreement with Johnson & Johnson  
Innovation for Novel Immunotherapies for Prostate Cancer**

BERKELEY, Calif.—(BUSINESS WIRE)— Aduro BioTech, Inc., a clinical-stage biotechnology company, today announced that it has entered into an agreement granting Janssen Biotech, Inc. (Janssen) an exclusive, worldwide license to certain product candidates specifically engineered for the treatment of prostate cancer based on its novel LADD immunotherapy platform. Under the agreement, facilitated by the Johnson & Johnson Innovation center in California, Aduro is eligible to receive up to \$365 million in upfront license fees and milestone payments upon achievement of defined development, regulatory and commercialization milestones, if multiple programs advance to commercialization, as well as tiered royalties on worldwide net sales.

Janssen will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products. Under a separate agreement, Aduro has granted Janssen exclusive rights to Aduro's GVAX technology for prostate cancer.

"We are pleased to provide Janssen with novel immunotherapies engineered specifically for this indication," said Stephen T. Isaacs, chairman, president and chief executive officer of Aduro. "We believe this is an important validation of our platform strategy and we are excited to have the Janssen development team taking the lead in advancing the prostate cancer program. Separately, we look forward to continued progress with our LADD platform in a broad array of other oncology indications, including pancreatic cancer, mesothelioma, non-small cell lung cancer and glioblastoma among others."

**About LADD**

LADD is Aduro's proprietary platform of live-attenuated double-deleted *Listeria monocytogenes* strains that have been engineered to induce a potent innate immune response and to express tumor-associated antigens to induce tumor-specific T cell-mediated immunity.

**About GVAX**

GVAX is a family of vaccines derived from human cancer cell lines, which are genetically modified to secrete granulocyte-macrophage colony-stimulating factor (GM-CSF), an immune-stimulatory cytokine. Aduro's GVAX portfolio includes vaccines for pancreatic, prostate, colon and breast cancers as well as multiple myeloma.

**About Aduro BioTech, Inc.**

Aduro BioTech, Inc. is a private, clinical-stage biotechnology company focused on immunotherapy for cancer. Aduro has ongoing clinical trials with its LADD platform in pancreatic cancer, mesothelioma and glioblastoma and development programs in non-small cell lung cancer, ovarian cancer and prostate cancer. The company is also developing clinical candidates using novel small molecules that activate the intracellular STING receptor, a central mediator of the innate immune response. For more information, please visit [www.adurobiotech.com](http://www.adurobiotech.com).

**Contacts**

Aduro BioTech, Inc.  
Greg W. Schafer, 510-809-4801  
Chief Operating Officer  
or  
Media Contact:  
Angela Bitting, 925-202-6211  
[a.bitting@comcast.net](mailto:a.bitting@comcast.net)

Source: Aduro BioTech, Inc.



View this news release online at:  
<http://www.businesswire.com/news/home/20140529005343/en>

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**THIRD-PARTY PATENT SCHEDULE**

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**THIRD-PARTY PATENT SCHEDULE**

[\*]

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## CALENDAR YEAR SCHEDULE

## UNIVERSAL FINANCIAL CALENDAR

## 2014 UNIVERSAL CALENDAR

	M	T	W	T	F	S	S		M	T	W	T	F	S	S
	30	31							30						
JAN			1	2	3	4	5	JUL		1	2	3	4	5	6
(4 Weeks)	6	7	8	9	10	11	12	(4 Weeks)	7	8	9	10	11	12	13
	13	14	15	16	17	18	19		14	15	16	17	18	19	20
	20	21	22	23	24	25	26		21	22	23	24	25	26	27
	27	28	29	30	31				28	29	30	31			
FEB						1	2	AUG					1	2	3
(4 Weeks)	3	4	5	6	7	8	9	(4 Weeks)	4	5	6	7	8	9	10
	10	11	12	13	14	15	16		11	12	13	14	15	16	17
	17	18	19	20	21	22	23		18	19	20	21	22	23	24
	24	25	26	27	28				25	26	27	28	29	30	31
						1	2								
MAR	3	4	5	6	7	8	9	SEP	1	2	3	4	5	6	7
(5 Weeks)	10	11	12	13	14	15	16	(5 Weeks)	8	9	10	11	12	13	14
	17	18	19	20	21	22	23		15	16	17	18	19	20	21
	24	25	26	27	28	29	30		22	23	24	25	26	27	28
	31								29	30					
APR		1	2	3	4	5	6	OCT			1	2	3	4	5
(4 Weeks)	7	8	9	10	11	12	13	(4 Weeks)	6	7	8	9	10	11	12
	14	15	16	17	18	19	20		13	14	15	16	17	18	19
	21	22	23	24	25	26	27		20	21	22	23	24	25	26
	28	29	30						27	28	29	30	31		
MAY				1	2	3	4	NOV						1	2
(4 Weeks)	5	6	7	8	9	10	11	(4 Weeks)	3	4	5	6	7	8	9
	12	13	14	15	16	17	18		10	11	12	13	14	15	16
	19	20	21	22	23	24	25		17	18	19	20	21	22	23
	26	27	28	29	30	31			24	25	26	27	28	29	30
							1								
JUN	2	3	4	5	6	7	8	DEC	1	2	3	4	5	6	7
(5 Weeks)	9	10	11	12	13	14	15	(5 Weeks)	8	9	10	11	12	13	14
	16	17	18	19	20	21	22		15	16	17	18	19	20	21
	23	24	25	26	27	28	29		22	23	24	25	26	27	28

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**INVOICING PROCEDURE SCHEDULE**

**Invoicing Process for Development Work, Other Development and Technology Transfer Plan Payments**

Any costs or payments to be invoiced to JBI by Aduro pursuant to Development Work, Other Development, and the Technology Transfer Plan shall be payable to Aduro within [\*] calendar days from the date an invoice in respect of the same is received by JBI, and JBI shall pay, or cause to be paid, to Aduro, by wire transfer or electronic fund transfer to the credit of the bank account to be designated in writing by Aduro.

All such invoices must reference a valid Purchase Order (PO) Number which JBI shall provide to Aduro within [\*] calendar days after the Effective Date and invoices shall include the nature and amount of services rendered, deliverables provided, or other basis for the payment. Aduro shall provide proper support for expenses included on the invoice. Reasonable support documents for Out-of-Pocket Expenses include invoice or pro forma invoice from the Third-Party vendors. For FTE reimbursement, proper support includes an FTE time report break down by function.

Invoices must be sent to the Johnson & Johnson Accounts Payable Department via: [\*] if Aduro establishes a web invoice account or sent by postal mail to the following address:

[\*]

Aduro can contact the Johnson & Johnson Accounts Payable Hotline at [\*] in the United States with any questions related to the status of payments on invoices. Copies of all invoices shall be sent concurrently to the Finance Director, Johnson & Johnson Innovation at [\*]. JBI reserves the right to return to Aduro unprocessed and unpaid those invoices that do not reference the applicable PO Number. Janssen Research & Development, L.L.C. may act as paying agent for JBI under this Agreement.

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CONFIDENTIAL

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GVAX PROSTATE LICENSE

AGREEMENT

between

*Janssen Biotech, Inc.*

and

*Aduro Biotech, Inc.*

May 27, 2014

This GVAX Prostate License Agreement (the “**Agreement**”) is made on the 27<sup>th</sup> day of May 2014 (the “**Effective Date**”) by and between **Aduro Biotech, Inc.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, 3C, Berkeley, CA 94710 (hereinafter “**Aduro**”) and **Janssen Biotech, Inc.**, a Pennsylvania corporation, 800 Ridgeview Drive, Horsham, PA 19044 (hereinafter “**JB**”). Aduro and JBI may be referred to individually herein as a “Party” or together as the “Parties”.

WITNESSETH

WHEREAS Aduro possesses expertise and resources related to the research and discovery of immunotherapeutics based on allogeneic tumor cell lines derived from malignancies that have been engineered to recruit dendritic cells; and

WHEREAS JBI possesses expertise and resources relating to the discovery, development, manufacture, marketing and sale of ethical pharmaceutical products for therapeutic, prophylactic, and diagnostic uses in humans and animals; and

WHEREAS JBI wishes to obtain and Aduro is willing to grant a worldwide, exclusive license to Aduro’s rights to its patents and know-how to Exploit GVAX Licensed Therapeutic (as defined below) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and herein contained, Aduro and JBI have agreed as follows:

**1 DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings unless the context clearly requires otherwise, and the singular shall include the plural and vice versa:

- 1.1 “**Act**” shall have the meaning ascribed thereto in Section 11.4.
- 1.2 “**Action**” shall have the meaning ascribed thereto in Section 11.6.1.
- 1.3 “**Aduro**” shall have the meaning ascribed thereto in the Preamble.
- 1.4 “**Aduro Core Technology**” means Aduro Intellectual Property that is specifically directed to Aduro’s GVAX platform technology. Aduro Core Technology excludes (i) GVAX Specific Patents and (ii) Aduro Know-How referencing a GVAX Licensed Therapeutic and not generally applicable to Aduro’s GVAX platform.
- 1.5 “**Aduro Intellectual Property**” means (i) Aduro Know-How, (ii) the Aduro Patents and (iii) any other intellectual property Controlled by Aduro that relates to the GVAX Materials.
- 1.6 “**Aduro Know-How**” means Information that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a GVAX Licensed Therapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.7 “**Aduro Patent(s)**” means any Patent that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a GVAX Licensed Therapeutic. A list of patents known to be Aduro Patents existing as of the Effective Date is appended hereto as the Aduro Patent Schedule and shall be updated by Aduro annually, or otherwise upon reasonable request by JBI, to reflect appropriate additions and revisions thereto during the course of this Agreement.

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- 1.8 **“Aduro Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.9 **“Affiliate”** with respect to any Party, any corporation or other business entity, that directly or indirectly controls, is controlled by, or is under common control with such Party. For the purposes of this definition, the term “control” (including, with correlative meanings, the term “controlled by” and “under common control with”) as used with respect to any Party, shall mean the possession of at least 50% of the voting stock or other ownership interest of the other corporation or entity, or the power to direct or cause the direction of the management and policies of the corporation or other entity or the power to elect or appoint at least 50% of the members of the governing body of the corporation or other entity through the ownership of the outstanding voting securities or by contract or otherwise. “Affiliate” of, or an entity “Affiliated” with, a specified entity, means an entity that directly or indirectly controls, is controlled by, or is under common control with, the entity specified. Notwithstanding the foregoing and for purposes of clarity, none of Morningside Venture (VI) Investments Limited, Gerald Chan and Stephanie O’Brien shall be deemed an Affiliate of Aduro.
- 1.10 **“Agreement”** shall have the meaning ascribed thereto in the Preamble.
- 1.11 **“Antigen Discovery License”** means that certain License Agreement between [\*], dated [\*], as amended March 27, 2008.
- 1.12 **“Applicable Law”** means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any applicable government authority, court, tribunal, agency, legislative body, commission or other instrumentality of: (i) any government of any country; (ii) any state, province, county, city or other political subdivision thereof; or (iii) any supranational body.
- 1.13 **“[\*] Agreement”** means that certain Asset Purchase Agreement between [\*] effective as of [\*] and the Patent Assignment of even date therewith.
- 1.14 **“BLA”** means a Biological License application filed pursuant to 42 USC §262 et seq including all documents, data and other information concerning a GVAX Licensed Therapeutic that are necessary for, or included in, FDA approval to market a GVAX Licensed Therapeutic and all supplements and amendments, including supplemental biological license applications, that may be filed with respect to the foregoing as more fully defined in 21 C.F.R. §600 et seq. or an equivalent application filed with any equivalent Regulatory Authority in any jurisdiction in the Territory other than the United States.
- 1.15 **“BPCIA”** shall have the meaning ascribed thereto in Section 11.4.2.
- 1.16 **“Bundled Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.17 **“Calendar Month”** means a calendar month based on the JBI Universal Calendar.
- 1.18 **“Calendar Quarter”** means a calendar quarter based on the JBI Universal Calendar.
- 1.19 **“Calendar Year”** means a period of twelve (12) consecutive months based on the JBI Universal Calendar for that year.

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- 1.20 **“Claims”** shall have the meaning ascribed thereto in Section 14.1.
- 1.21 **“Combination Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.22 **“Commercialize”** or **“Commercialization”** means any and all activities directed to marketing, promoting, manufacturing, packaging, distributing, offering for sale, selling of a product or service, or importing a product for sale.
- 1.23 **“Commercialization Fee”** shall have the meaning ascribed thereto in Section 7.2.
- 1.24 **“Confidential Information”** shall have the meaning ascribed thereto in Section 12.1.
- 1.25 **“Control(s)”** or **“Controlled”** means, possession by a Party of the legal right, power and authority (whether by ownership, license or otherwise) to grant a license or sublicense of intellectual property rights or otherwise disclose or use proprietary or trade secret information to such other Party without violating the terms of any agreement with any Third-Party.
- 1.26 **“Controlling Party”** shall have the meaning ascribed thereto in Section 11.6.1.
- 1.27 **“Cover,” “Covering”** or **“Covered”** means, with respect to a GVAX Licensed Therapeutic, or with respect to the practice of any technology, that, in the absence of a license granted under a Valid Claim of a given Patent, the manufacture, use, offer for sale, sale, or importation of such GVAX Licensed Therapeutic or the practice of such technology would infringe such Valid Claim.
- 1.28 **“CPI”** shall have the meaning ascribed thereto in the definition of FTE Rate.
- 1.29 **“CPR”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.30 **“CPR Accelerated Rules”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.31 **“CPR Rules”** shall have the meaning ascribed thereto in Section 16.2.1.
- 1.32 **“Currency Hedge Rate(s)”** is calculated as a weighted average hedge rate of the outstanding external foreign currency forward hedge contract(s) of Johnson & Johnson’s global treasury services center (**“GTSC”**) and its Affiliates with third party banks. The hedge contract(s) is entered into to protect the transactional foreign exchange risk exposures of JBI by reducing the impact of foreign currency volatility through a systematic build-up of a yearly currency hedge rate(s).
- 1.33 **“Development”** (including variations such as “Develop” and “Developing”) means preclinical and clinical drug development activities, including, among other things: test method development and stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, quality assurance/quality control development, statistical analysis and report writing, clinical studies and regulatory affairs, product approval and registration.
- 1.34 **“Disclosing Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.35 **“Disclosure”** shall have the meaning ascribed thereto in Section 11.9.
- 1.36 **“Dispute”** shall have the meaning ascribed thereto in Section 16.1.

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- 1.37 **“Effective Date”** shall have the meaning ascribed thereto in the Preamble.
- 1.38 **“EMA”** means the European Medicines Agency, or any successor agency thereto.
- 1.39 **“Exploitation”** (including variations such as “Exploit”) means the research, development, manufacture, having manufactured, use, having used, sale, offer for sale, importation or other exploitation of a product or service.
- 1.40 **“FDA”** means the United States Food and Drug Administration, or any successor agency thereto.
- 1.41 **“Field”** means any and all uses.
- 1.42 **“First Commercial Sale”** means, with respect to a GVAX Licensed Therapeutic, the first sale in an arms-length transaction of such GVAX Licensed Therapeutic to a Third-Party by JBI, its Affiliates or a Sublicensee in a country following [\*]. GVAX Licensed Therapeutic provided for: (i) [\*]; (ii) [\*]; (iii) [\*]; and (iv) [\*] shall not constitute a First Commercial Sale. In addition, [\*], shall not constitute a First Commercial Sale.
- 1.43 **“Force Majeure”** shall have the meaning ascribed thereto it in Section 18.1.
- 1.44 **“FTE”** means a full-time equivalent person year (consisting of a total of [\*] hours per year) of scientific, technical, regulatory or professional work undertaken by Aduro’s or its Affiliates’ employees, not including standard time off pursuant to Aduro’s or its Affiliates’ company policy for vacations, holidays, sick time and the like.
- 1.45 **“FTE Cost”** means, for any period, the product of: (i) the actual total FTEs used by Aduro to perform the Technology Transfer Plan or other services hereunder during such period; and (ii) the FTE Rate. For the avoidance of doubt, no individual may record more than 1.0 FTE in a given Calendar Year (or the pro-rated amount in any portion thereof).
- 1.46 **“FTE Rate”** means [\*] per FTE. The FTE Rate [\*].
- 1.47 **“GTSC”** shall have the meaning ascribed thereto in the definition of Currency Hedge Rate.
- 1.48 **“GVAX Licensed Therapeutic”** means an allogeneic cell-based prostate cancer immunotherapeutic composed of two irradiated cell lines (PC3 and LNCaP) that have been genetically modified to secrete granulocyte-macrophage colony-stimulating factor (GM-CSF). For the avoidance of doubt, GVAX Licensed Therapeutic includes Modifications thereto.
- 1.49 **“GVAX Materials”** means the Aduro PC3 and LNCaP cell lines and other tangible items useful or reasonably necessary for the Development and Manufacturing of GVAX Licensed Therapeutic, including those set forth in the Technology Transfer Plan Schedule.
- 1.50 **“GVAX Specific Patents”** means Patents, the claims of which contain [\*]. For the sake of clarity, GVAX Specific Patents do not include any Patents, the claims of which are directed to [\*], but Patents that contain claims that contain [\*] would be included in GVAX Specific Patents .

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- 1.51 **“IND”** means an investigational new drug application as more fully defined in 21 C.F.R. §312.3, as amended from time to time, that is filed with the FDA or any equivalent filing made with any Regulatory Authority in another country in the Territory other than the United States. For purposes of this part, **“IND”** is synonymous with **“Notice of Claim Investigational Exemption for a New Drug”**.
- 1.52 **“Indemnification Claim”** shall have the meaning ascribed thereto in Section 14.3.
- 1.53 **“Indemnified Party”** shall have the meaning ascribed thereto in Section 14.3.
- 1.54 **“Indemnifying Party”** shall have the meaning ascribed thereto in Section 14.3.
- 1.55 **“Information”** means all information not generally known to the public including screens, models, inventions, practices, methods, knowledge, know-how, skill, experience, test data including pharmacological, toxicological and clinical test data, analytical and quality control data, marketing, pricing, distribution, costs, sales, manufacturing data, manufacturing secrets and procedures, secret processes, reports, plans, designs, prototypes, test results, working drawings, methods including testing methods, formulas, recipes, material and performance specifications and current accumulated experience acquired as a result of technical research or otherwise, and patent and legal data related to chemical, biological and other tangible materials.
- 1.56 **“Initiation of Phase I Trial”** means the first dosing of the [\*] patient in a Phase I Clinical Trial. If there are intended to be fewer than [\*] patients to be enrolled in the trial, then initiation shall be deemed to be the first dosing of the last patient enrolled.
- 1.57 **“Initiation of Phase II Trial”** means the first dosing of the [\*] patient in a Phase II Clinical Trial.
- 1.58 **“Initiation of Phase III Trial”** means the first dosing of the [\*] patient in a Phase III Clinical Trial.
- 1.59 **“JBI”** shall have the meaning ascribed thereto in the Preamble.
- 1.60 **“JBI Improvements to Aduro Core Technology”** shall mean any enhancement, improvement or modification to the Aduro Core Technology that is developed, conceived or reduced to practice by or on behalf of JBI or its Affiliates in connection with the Exploitation of a GVAX Licensed Therapeutic.
- 1.61 **“JBI Know-How”** means Information that: is (i) under the Control of JBI or its Affiliates during the Term and (ii) useful or reasonably necessary for the Exploitation of a GVAX Licensed Therapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.62 **“JBI Patent(s)”** means any Patent that: (i) is Controlled by JBI or its Affiliates during the Term, and (ii) useful or reasonably necessary for the Exploitation of a GVAX Licensed Therapeutic.
- 1.63 **“JBI Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.64 **“JBI Universal Calendar”** means the calendar attached hereto for 2014 as the Calendar Year Schedule and as shall be updated by JBI for each subsequent Calendar Year consistent with that used for JBI’s internal business purposes.
- 1.65 **“[\*]”** means the [\*].

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- 1.66 “[\*] **Agreements**” means the (i) RALA; (ii) New [\*] License; and (iii) Antigen Discovery License.
- 1.67 “[\*] **Joint Project IP**” shall have the meaning ascribed thereto in Section 11.1.2.
- 1.68 “[\*] **Losses**” shall have the meaning ascribed thereto in Section 14.1.
- 1.69 “[\*] **Manufacturing**” (including variations such as “[\*] **Manufacture**”) means the performance of any and all activities directed to producing, manufacturing, processing, filling, finishing, packaging, labelling, quality control, quality assurance, testing and release, shipping and storage of a GVAX Licensed Therapeutic in Development (e.g. Manufacturing of clinical supplies), but excluding Commercialization and Development activities.
- 1.70 “[\*] **Modification**” (including variants such as “Modify” and “Modified”) means any adaptation, enhancement, redesign, or other change to a product or process.
- 1.71 “[\*] **Net Sales**” means the gross amounts [\*] on sales of a GVAX Licensed Therapeutic by JBI or any of its Affiliates or Sublicensees to a Third-Party purchaser in an arms-length transaction, less the following deductions[\*] in the gross sales price with respect to such sales:
- (i) normal and customary trade, cash and quantity discounts, allowances, deductions, fees and credits, in the form of deductions actually allowed with respect to sales of such GVAX Licensed Therapeutic (to the extent not already reflected in the amount invoiced), excluding commissions for commercialization;
  - (ii) excise taxes, use taxes, tariffs, sales taxes and customs duties, and other government charges imposed on the sale of such GVAX Licensed Therapeutic to the extent separately itemized on the invoice (but specifically excluding, for clarity, any income taxes assessed against the income arising from such sale);
  - (iii) outbound freight, shipment and insurance costs to the extent separately itemized on the invoice;
  - (iv) compulsory payments and cash rebates related to the sales of such GVAX Licensed Therapeutic paid to a governmental authority (or agent thereof) pursuant to governmental regulations, including government levied fees as a result of healthcare reform policies;
  - (v) retroactive price reductions, credits or allowances for rejections or returns of such GVAX Licensed Therapeutic including for recalls, damaged goods and billing errors;
  - (vi) rebates, chargebacks, and discounts (or the equivalent thereof) to managed health care organizations, pharmacy benefit managers (or the equivalent thereof), federal, state, provincial, local or other governments, or their agencies or purchasers, reimbursers, or trade customers; and
  - (vii) an amount equal to [\*] percent [\*] of such gross amounts to cover items not set forth above.

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The foregoing deductions shall be [\*]. All such discounts, allowances, credits, rebates, and other deductions shall be [\*]. Sales of a GVAX Licensed Therapeutic by and between JBI and its Affiliates and Sublicensees are not sales to Third Parties and shall be excluded from Net Sales calculations for all purposes; provided that any resale by the purchaser to a Third-Party distributor or to a Third-Party for end use, shall be included in Net Sales. [\*] shall be excluded from Net Sales calculations for all purposes.

In the event a GVAX Licensed Therapeutic is sold in combination with other products by JBI, its Affiliates or Sublicensees and the Third-Party customer receives a discount for such “bundling” of products (for clarity, this situation describes bundling of two or more separate products, each in finished dosage form, and not a fixed combination of two or more active ingredients in a single finished product) (a “**Bundled Product**”), the Net Sales of such GVAX Licensed Therapeutic, for the purposes of determining royalty payments, shall be determined [\*]. In the event that [\*], then, for purposes of determining the royalty payments due in respect of such GVAX Licensed Therapeutic, the [\*].

If a GVAX Licensed Therapeutic is sold in the form of a fixed combination in a single finished product containing both such GVAX Licensed Therapeutic and one or more other active ingredient(s) as separate molecular entity(ies) that are not GVAX Licensed Therapeutic (a “**Combination Product**”), the Net Sales of such GVAX Licensed Therapeutic, for the purpose of calculating royalty payments owed under this Agreement for sales of such GVAX Licensed Therapeutic, shall be determined as follows: first, [\*]. If any other active ingredient(s) in the Combination Product is not sold separately, Net Sales shall be calculated by [\*]. If neither such GVAX Licensed Therapeutic nor any other active ingredient in the Combination Product is sold separately, [\*].

- 1.72 “**New [\*] License**” means that certain Patent Technology License and Materials Transfer Agreement, dated as of [\*] by and between [\*].
- 1.73 “**Out-of-Pocket Expenses**” means expenses actually paid (with no mark-up) to any Third Party that is either: (i) not an Affiliate of a Party claiming such expenses, or (ii) is an Affiliate of that Party where such payment is limited to reimbursing such Affiliate for expenses actually paid by such Affiliate to a Third Party that is not an Affiliate of the Party claiming such expenses.
- 1.74 “**Party**” or “**Parties**” shall have the meaning ascribed thereto in the Preamble.
- 1.75 “**Patent(s)**” means all patents and patent applications, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications claiming priority to such patents and patent applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.
- 1.76 “**Price and Reimbursement Approval**” means any approvals, licenses, registrations or authorizations of any supranational, national, regional, state or local Regulatory Authority or other regulatory agency, department, bureau or governmental entity, necessary to determine or set the pricing of a GVAX Licensed Therapeutic, and/or its reimbursement level by the relevant health authorities, providers or other funding institutions, at supranational, national, regional, state or local level.
- 1.77 “**Protocol**” shall have the meaning ascribed thereto in Section 16.2.5.

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- 1.78 **“Process Modification”** means a change related to the Exploitation of a GVAX Licensed Therapeutic that is intended to enhance JBI’s ability to effectively Exploit such GVAX Licensed Therapeutic. Examples of a Process Modification would include Modifications that improve GVAX Licensed Therapeutic stability, delivery, packaging, storage, shelf life, dosage or other similar matters.
- 1.79 **“RALA”** means that certain Restated and Amended License Agreement between [\*] dated as of [\*].
- 1.80 **“Receiving Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.81 **“Regulatory Approval”** means all approvals, licenses, registrations or authorizations (excluding Price and Reimbursement Approvals) by Regulatory Authorities in a country (or supra-national organizations, such as the EMA) that are required for the marketing or sale of a GVAX Licensed Therapeutic in such country or the conduct of clinical studies in such country.
- 1.82 **“Regulatory Authority”** means any regulatory agency, ministry, department or other governmental body having authority in any country to control development, manufacture, marketing or sale of pharmaceutical or biologic products, including the FDA and the EMA.
- 1.83 **“Royalty Term”** shall have the meaning ascribed thereto in Section 8.2.
- 1.84 **“Sublicensee”** means, with respect to a particular GVAX Licensed Therapeutic, a Third-Party to whom JBI has granted a license or sublicense under any Aduro Patents or Aduro Know-How to make, use or sell such GVAX Licensed Therapeutic to the extent permitted under Section 2.2 hereof.
- 1.85 **“Technology Transfer Plan”** shall have the meaning ascribed thereto in Section 5.1.
- 1.86 **“Term”** shall have the meaning ascribed thereto in Section 15.1.
- 1.87 **“Territory”** means the entire world.
- 1.88 **“Third-Party”** means an individual, corporation, or any other entity other than JBI, Aduro, and Affiliates of either Party.
- 1.89 **“Valid Claim”** means a claim in any Aduro Patent, which claim has not expired or been held invalid by a non-appealed or unappealable decision by a court or other appropriate body of competent jurisdiction. For the purpose of royalty determination and payment, [\*].

## 2 LICENSE GRANTS

### 2.1 Licenses.

- 2.1.1 License for GVAX Licensed Therapeutic. Subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive (even as to Aduro) license under the Aduro Intellectual Property that is owned by Aduro or its Affiliates solely to Exploit GVAX Licensed Therapeutic in the Field (including for use in combination with any other product or service with respect to use in [\*]) , with the right to sublicense as permitted in Section 2.2.

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2.1.2 Sublicense for GVAX Licensed Therapeutic.

- (i) Subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive (even as to Aduro) sublicense under the Aduro Intellectual Property that is Controlled but not owned by Aduro and/or its Affiliates on the Effective Date, including the Aduro Intellectual Property Controlled by Aduro pursuant to the [\*] Agreements, solely to Exploit GVAX Licensed Therapeutic in the Field (including for use in combination with any other product or service) with the right to sublicense as permitted in Section 2.2;
- (ii) In addition, subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under any Aduro Intellectual Property that becomes Controlled by Aduro subsequent to the Effective Date solely to Exploit GVAX Licensed Therapeutic in the Field (including for use in combination with any other product or service with respect to use in [\*]), with the right to sublicense as permitted in Section 2.2, if no material additional payment would be required by Aduro to sublicense the same to JBI. Aduro shall give JBI prompt written notice of any such Aduro Intellectual Property.
- (iii) With respect to Aduro Intellectual Property that is not owned by Aduro and becomes Controlled by Aduro subsequent to the Effective Date, if any material additional payment (including any royalty) would be required by Aduro to sublicense the same to JBI, then Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under such Aduro Intellectual Property solely to Exploit GVAX Licensed Therapeutic in the Field (including for use in combination with any other product or service with respect to use in [\*]), with the right to sublicense as permitted in Section 2.2, provided that JBI agrees in writing to reimburse such amount to Aduro (or to pay such amount directly). Aduro shall promptly notify JBI of such necessary payment and the amount thereof. The Parties shall then [\*].
- (iv) JBI hereby grants to Aduro a non-exclusive,[\*] license, including the right to grant sublicenses together with a license to the Aduro Core Technology to which it specifically relates, in JBI Improvements to Aduro Core Technology Controlled by JBI solely to Exploit [\*].

2.2 **Sublicensing.** Notwithstanding anything to the contrary below, the rights granted under the [\*] Agreements may not be further sublicensed except as may be agreed to in writing by [\*]. JBI may sublicense its rights to GVAX Licensed Therapeutic to its Affiliates without Aduro's approval. In addition, [\*], JBI may sublicense its rights to one or more GVAX Licensed Therapeutic to one or more Third Parties without Aduro's approval. JBI shall use its [\*] efforts to provide Aduro no less than [\*] days' prior written notice of such sublicense, and shall promptly respond in good faith to any reasonable inquiries by Aduro with respect thereto. Such Third-Party Sublicensee must be reasonably capable of exploiting the market opportunity in the Territory for such GVAX Licensed Therapeutic based on the likely development planned for the GVAX Licensed Therapeutic at the time of sublicense and must agree in writing to assume JBI's obligations with respect to the GVAX Licensed Therapeutic hereunder. In addition, and notwithstanding the foregoing, JBI may, without the need for approval by Aduro, distribute GVAX Licensed Therapeutic through one or more Third-Parties, granting any necessary and permissible licenses or sublicenses to any such Third-Party distributors. All such licenses or sublicenses shall contain terms consistent in all material respects with this Agreement including Sections 9, 11, 12, 14 and 16 hereof. JBI shall be responsible for the performance of its Sublicensees and for any failure by its Sublicensees to comply with the applicable terms and conditions of this Agreement. Sublicensees shall [\*].

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- 2.3 **Performance by Affiliates.** The Parties agree that any Affiliate of either Party may perform any of that Party's obligations under this Agreement for or on behalf of that Party provided that a Party shall be fully responsible and liable for the actions of such Affiliates in the performance of such obligations and shall ensure that such Affiliates comply with the terms of this Agreement. Nothing in this Section 2.3 shall relieve either Party of any of its obligations under any provision of this Agreement to the extent that such obligation is not satisfied by performance thereof by such Affiliate of that Party.
- 2.4 **Retained Rights.** Subject to Article 3, notwithstanding anything that may be construed to the contrary herein, Aduro retains the right to use the Aduro Intellectual Property in order to Exploit products other than GVAX Licensed Therapeutic, on its own or with any other party throughout the world. For the avoidance of doubt, and without prejudice to the rights granted herein to Exploit GVAX Licensed Therapeutic in the Field (including for use in combination with any other product or service with respect to use in [\*]), no license is granted in this Agreement to JBI to sell any Aduro product or Aduro product platform technology (including any small molecule, adjuvant, biomarker, diagnostic or the like) other than GVAX Licensed Therapeutic, whether alone or in combination with GVAX Licensed Therapeutic and regardless of whether such GVAX Licensed Therapeutic is sold under labelling which permits its use in combination with any Aduro product or Aduro product platform technology.
- 2.5 **Process Modifications.** JBI may make Process Modifications to GVAX Licensed Therapeutic independently of Aduro, and without Aduro's consent. Any Process Modifications developed independently by Aduro shall constitute Aduro Intellectual Property and will be disclosed to JBI by Aduro.

### 3 EXCLUSIVITY

- 3.1 During the Term, Aduro, its Affiliates and its and their respective Sublicensees shall [\*]. For the avoidance of doubt, the foregoing limitation on [\*] shall not limit [\*] performed by Third-Parties provided that neither Aduro nor its Affiliates provides [\*] to such Third-Party other than provision of [\*]. Aduro shall [\*].
- 3.2 In addition, during the Term, Aduro, its Affiliates and its and their respective Sublicensees shall also not grant any Third-Party a right or license to any Aduro Intellectual Property to Exploit any [\*].

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#### 4 SUBCONTRACTING

Each Party may perform any activities in support of its activities under this Agreement through subcontracting to a Third-Party contractor or contract service organization; provided that: (i) none of the rights of the other Party hereunder are materially adversely affected as a result of such subcontracting; (ii) any such Third-Party subcontractor shall enter into an appropriate written agreement obligating such Third-Party to be bound by obligations of confidentiality and restrictions on use that are no less restrictive than set forth herein; (iii) such Party will obligate such Third-Party to agree in writing to assign or license (with the right to grant sublicenses) to such Party any inventions (and Patents covering such inventions) invented or otherwise discovered or generated by such Third-Party, and know-how generated by such Third-Party, in performing such services for such Party that are necessary for such Party to meet its ownership and license obligations under this Agreement; and (iv) such Party shall be responsible for appropriately monitoring, directing, managing and supervising such subcontractor and, if it fails to do so, shall be responsible for the acts and omissions of such subcontractor.

#### 5 TECHNOLOGY TRANSFER; CELL LINES; AND MANUFACTURING

- 5.1 **Technology Transfer Plan.** Aduro will transfer or arrange to have transferred to JBI, in accordance with the plan set forth as the Technology Transfer Plan Schedule (the “**Technology Transfer Plan**”): (i) a copy of all Aduro Know-How useful or reasonably necessary for the Development or Manufacturing of GVAX Licensed Therapeutic; and (ii) all materials, including the PC3 and LNCaP cell lines, useful or reasonably necessary for the Development or Manufacturing of GVAX Licensed Therapeutic (in quantities set out in the Technology Transfer Plan or if not set forth therein in reasonable quantities to be mutually agreed upon); (iii) a copy of all preclinical and clinical analytical or other assays useful or reasonably necessary for the Development or Manufacturing of GVAX Licensed Therapeutic in an orderly fashion including those specifically set forth in the Technology Transfer Plan Schedule; and (iv) any other items set forth therein. Aduro shall use its commercially reasonable best efforts to complete such transfer within [\*] days following the Effective Date.
- 5.2 **Transfer of Additional Aduro Know-How.** If either JBI or Aduro discovers any materials or Aduro Know-How that has not been transferred to JBI pursuant to Section 5.1 above and that is useful or reasonably necessary for the Development and Commercialization of a GVAX Licensed Therapeutic, then Aduro shall promptly transfer to JBI such material or a copy of such Aduro Know-How. If such Aduro Know-How already exists in electronic form, then it shall be transferred in electronic rather than paper form.
- 5.3 **Cell Lines.** Title to the PC3 and LNCaP cell lines shall vest with JBI, and Aduro may not use them for any purpose other than to satisfy its obligations under this Agreement.
- 5.4 **Manufacturing.** Upon JBI’s request, Aduro shall provide reasonable cooperation to JBI to assist JBI in establishing its own manufacturing relationships or agreements with any Third-Party to manufacture GVAX Licensed Therapeutic or any components thereof, including technology transfer activities from Aduro’s Third-Party manufacturers to manufacturers selected by JBI, provided that all costs incurred with respect to any such agreements and relationships with Third Parties shall be borne solely by JBI.
- 5.5 **Technology Transfer Expenses.** The cost to JBI for such Technology Transfer activities shall be Aduro’s FTE Costs (after the first 100 hours, which shall be provided at no charge) and Out-of-Pocket Expenses, unless otherwise agreed by the Parties, and reimbursed in the manner described in Section 5.6 below. Other than the Technology

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Transfer activities contemplated in the Technology Transfer Plan, the Parties shall agree in writing on plans and budgets necessary to implement Technology Transfer activities contemplated by this Section 5.5 taking into account the reasonable availability of Aduro's resources.

- 5.6 **Out-of-Pocket-Expenses and FTE Costs.** All Out-of-Pocket Expenses and FTE Costs incurred on a Calendar Quarter basis in accordance with this Article 5 shall be reimbursed to Aduro by JBI up to a total of 107.5% of the budget corresponding to the specified activities for such Calendar Quarter; provided that the costs of activities outsourced to Third Parties shall be indicated to be estimates, ranges, per unit or per hour costs, as the case may be, in the applicable plan and budget and treated accordingly. Within [\*] calendar days of the end of each Calendar Month, Aduro shall submit an invoice to JBI in accordance with the invoice procedure set forth in the Invoice Procedure Schedule for the FTE Costs and Out-of-Pocket Expenses it incurred during such Calendar Month, together with a written report setting forth in reasonable detail such costs and expenses. Reimbursements shall be made within [\*] days after receipt of valid invoice as set forth in the Invoice Procedure Schedule.

## 6 RESEARCH, DEVELOPMENT AND COMMERCIALIZATION OF GVAX LICENSED THERAPEUTIC

- 6.1 **General.** Except as otherwise expressly provided for in this Agreement, JBI shall have sole discretion, control and responsibility with respect to all Development, Manufacturing and Commercialization of GVAX Licensed Therapeutic.
- 6.2 **Reports.** JBI will send Aduro a written status report on its activities with respect to its Development and Commercialization of GVAX Licensed Therapeutic every twelve (12) months. The report will summarize material Development and Commercialization efforts and expected Commercialization timelines on a country-by-country basis (to the extent JBI prepares such reports on a country-by-country basis for its own use).

## 7 FINANCIALS

- 7.1 **Upfront Payment.** As consideration for the rights and obligations as set forth herein, JBI shall pay Aduro a non-refundable license fee of five hundred thousand US dollars (\$500,000). Aduro shall invoice JBI promptly after the Effective Date, and JBI shall make such payment within [\*] business days of receipt thereof.
- 7.2 **Commercialization Fee.** In partial consideration for the rights and licenses granted by Aduro to JBI hereunder, JBI shall pay, or cause to be paid, to Aduro a single non-refundable, non-creditable milestone payment of [\*] upon the achievement of the [\*] (the "**Commercialization Fee**"). JBI shall notify Aduro promptly in writing (and in any event within [\*] days of the achievement of such milestone event). Aduro shall invoice JBI promptly upon receipt of such notice and JBI shall make the payment within [\*] days of receipt thereof.

## 8 ROYALTIES RELATING TO GVAX LICENSED THERAPEUTIC

- 8.1 **Royalty Amount.** As partial consideration for the exclusive licenses provided herein, and subject to the limitations below, JBI shall pay to Aduro an [\*] royalty on aggregate Net Sales of GVAX Licensed Therapeutic for each Calendar Year during the Royalty Term.

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- 8.2 **Royalty Term.** The royalty amounts set forth above shall be payable for each GVAX Licensed Therapeutic on a product-by-product and country-by-country basis from the date of First Commercial Sale of such GVAX Licensed Therapeutic in such country until twelve (12) years from the date of First Commercial Sale of such GVAX Licensed Therapeutic in such country (the “**Royalty Term**”).
- 8.3 **Period Pro Ration.** If an event that results in a change to the royalty rate payable occurs during a Calendar Quarter (such as a patent expiry or the third anniversary of the First Commercial Sale of a GVAX Licensed Therapeutic) and it is not practical to determine with certainty which relevant Net Sales took place before and which Net Sales took place after such event, then the Net Sales for such Calendar Quarter affected by such change shall be pro-rated over such Calendar Quarter based upon the number of business days in the relevant country or countries in the Territory in such Calendar Quarter before the occurrence of such event as compared to the total business days in such country or countries in such Calendar Quarter.

## 9 PAYMENT TERMS

### 9.1 Currency of Payment and Related Matters.

9.1.1 All payments under this Agreement will be made in United States dollars.

9.1.2 For purposes of computing royalty payments for Net Sales made in currencies other than United States Dollars, such Net Sales shall be converted into United States dollars using the Currency Hedge Rate(s).

9.1.3 For the upcoming calendar year, JBI shall provide in writing to Aduro not later than [\*] business days after the Currency Hedge Rate(s) are available from the GTSC (which is customarily at the end of October): (i) a Currency Hedge Rate(s) to be used for the local currency of each country of the Territory; and (ii) the details of such Currency Hedge Rate(s).

9.1.4 The Currency Hedge Rate(s) will remain constant throughout the upcoming Calendar Year and JBI shall use the Currency Hedge Rate(s) to convert Net Sales to the Dollars for the purpose of calculating royalties.

9.1.5 All royalties shall be paid through wire transfer at the bank(s) and to the account(s) designated by Aduro.

9.2 **Late Payments.** If JBI fails to pay a sum payable by it under this Agreement within [\*] business days after the due date for payment, JBI shall pay interest on such sum for the period from and including the due date up to the date of actual payment at the rate that is [\*]. The interest will accrue from day to day on the basis of the actual number of days elapsed and a 365-day year and shall be payable on demand and compounded quarterly in arrears.

9.3 **Reports and Payments.** JBI shall make all royalty payments due within [\*] days following the end of each Calendar Quarter. Furthermore, each royalty payment due shall be accompanied by a written report showing the Net Sales and the royalty amount payable during the relevant Calendar Quarter. At the end of each Calendar Year, the Parties shall calculate whether there has been any underpayment or overpayment by JBI during the course of that Calendar Year. In the event that an overpayment has occurred, JBI shall be entitled to offset such overpayment against royalties payable to Aduro in the first Calendar Quarter of the subsequent Calendar Year and in the event that an underpayment has occurred, JBI shall pay a sum equal to such underpayment to Aduro.

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in addition to the royalties paid in the first Calendar Quarter of the subsequent Calendar Year. If prepared by JBI for its own internal purposes, JBI will provide Aduro [\*] within the first [\*] days of the end of the applicable Calendar Quarter. Such [\*] shall be reasonably based on information then-currently available and is non-binding [\*]. JBI will not be responsible for Aduro's use of [\*] and shall have no liability with respect thereto. Aduro acknowledges that [\*] is being provided for Aduro's convenience.

- 9.4 **Records.** Each Party shall keep and cause its Affiliates and Sublicensees to keep true and accurate books and records, consistent with relevant accounting standards in sufficient detail to enable the payments due or subject to reimbursement to be determined, until the end of the third Calendar Year following the Calendar Year to which such books and records pertain or, if longer, as required by Applicable Law. Upon the request of a Party, but not more often than once per Calendar Year, such Party may, at its expense (except as otherwise provided herein), designate an independent public accountant acceptable to the other Party (such acceptance not to be unreasonably withheld, conditioned or delayed) to review such books and records to verify the accuracy of the payments made or payable hereunder during the preceding three (3) Calendar Years. The report of the independent public accountant may be provided with the other Party prior to distribution to the auditing Party such that the other Party can provide the independent public accountant with justifying remarks for inclusion in the report prior to sharing the conclusions of such independent public audit. The final audit report will be shared with JBI and Aduro at the same time and specify whether the amounts paid to a Party pursuant thereto were correct or, if incorrect, the amount of any underpayment or overpayment. The non-auditing Party shall promptly pay any underpayment to the auditing Party, together with interest calculated in the manner provided in Section 9.2. If the independent accountant discovers any inaccuracy which has caused any underpayments to the auditing Party by the non-auditing Party of [\*] or more in the relevant audit period, the expenses of the accountant shall be borne by non-auditing Party.
- 9.5 **No Further Payment Obligations.** JBI shall have no payment obligations to Aduro except as expressly set forth in this Agreement. Except as may otherwise be expressly agreed to in writing by JBI, Aduro is solely responsible for any royalties, milestones, or any other payment or consideration due to any Third-Party as a result of JBI's Development or Commercialization of a GVAX Licensed Therapeutic, including any consideration due pursuant to the [\*] (including "Sublicensee Income" as defined therein) or [\*] Agreements.

## 10 TAXES

10.1 JBI will make all payments to Aduro under this Agreement without deduction or withholding for taxes except to the extent that any such deduction or withholding is required by law in effect at the time of payment.

10.2 Any tax required to be withheld on amounts payable under this Agreement will promptly be paid by JBI on behalf of Aduro to the appropriate governmental authority, and JBI will furnish Aduro with proof of payment of such tax. Any such tax required to be withheld will be an expense of and borne by Aduro.

10.3 JBI and Aduro will cooperate with respect to all documentation required by any taxing authority or reasonably requested by the other to secure a reduction or exemption in the rate of applicable withholding taxes.

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10.4 If JBI had a duty to withhold taxes in connection with any payment it made to Aduro under this Agreement but JBI failed to withhold, and such taxes were assessed against and paid by JBI, then Aduro will indemnify and hold harmless JBI from and against such taxes (including interest). If JBI makes a claim with respect to the foregoing, it will comply with the obligations imposed by 10.2 above as if JBI had withheld taxes from a payment to Aduro.

## 11 INTELLECTUAL PROPERTY

### 11.1 Ownership and Inventorship.

11.1.1 No Licenses. Other than as expressly provided in this Agreement, neither Party grants any right, title, or interest in any Information, Patent, or other intellectual property right Controlled by such Party or its Affiliates to the other Party or its Affiliates.

#### 11.1.2 Ownership of Technology.

(i) As between the Parties, Aduro shall own and retain all right, title and interest in and to the Aduro Intellectual Property.

(ii) As between the Parties, Aduro shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of Aduro or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of GVAX Licensed Therapeutic hereunder, and that does not name any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Aduro Project IP**”).

(iii) Except as set forth in subsection (ii) above, as between the Parties, JBI shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of JBI or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of GVAX Licensed Therapeutic hereunder, and that does not name any inventors having an obligation of assignment to Aduro at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**JBI Project IP**”).

(iv) The Parties shall jointly own any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of GVAX Licensed Therapeutic hereunder, and that names any inventors having an obligation of assignment to Aduro and any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Joint Project IP**”).

(v) For the avoidance of doubt, Aduro Project IP and Aduro’s rights in and to any Joint Project IP shall be treated as Aduro Intellectual Property under this Agreement to the extent such Aduro Project IP and Joint Project IP relates to the GVAX Materials shall be considered Aduro Intellectual Property. Likewise, JBI Project IP and JBI’s rights in and to any Joint Project IP shall be treated as JBI Know-How or a JBI Patent as appropriate under this Agreement to the extent such JBI Project IP and Joint Project IP is useful or reasonably necessary for the Exploitation of a GVAX Licensed Therapeutic; and JBI Project IP and JBI’s rights in and to any Joint Project IP shall be

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treated as JBI Improvements to Aduro Core Technology under this Agreement to the extent it is an enhancement, improvement or modification to the Aduro Core Technology.

(vi) For purposes of this Section 11, inventorship shall be determined in accordance with applicable United States intellectual property laws, regardless of the country in which such intellectual property is conceived, discovered, developed or otherwise made.

(vii) With regard to intellectual property conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of GVAX Licensed Therapeutic, each Party shall promptly notify the other Party of any such intellectual property of which it becomes aware, and the Parties shall confer in a timely manner in order to take such actions as may be reasonably necessary to protect such intellectual property, including but not limited to filing for patent protection.

## **11.2 Filing, Prosecution, Maintenance and Defense of Aduro Core Patents.**

11.2.1 Aduro shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the Aduro Core Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is an Aduro Core Patent, at its sole cost and with commercially reasonable diligence. Aduro shall provide JBI with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the Aduro Core Patents, provide JBI the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with Aduro about, and consider in good faith the requests and suggestions of JBI concerning, such prosecution.

11.2.2 At least [\*] calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is an Aduro Core Patent, Aduro shall provide JBI with a list of countries and regions into which Aduro intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). JBI may request that Aduro file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at JBI's expense. Except as provided in Section 11.2.5, Aduro shall retain the sole right and responsibility for prosecuting, maintaining and defending the Aduro Core Patents filed under this Section 11.2.2.

11.2.3 If either Party learns of: (i) any actual or suspected commercially material infringement of an Aduro Core Patent Covering a GVAX Licensed Therapeutic by a Third-Party; or (ii) any unauthorised commercially material use by a Third-Party of Aduro Know-How relating to a GVAX Licensed Therapeutic; it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.4 Upon notice that a Third Party has commenced any action to oppose, revoke, cancel or invalidate an Aduro Core Patent Covering a GVAX Licensed Therapeutic, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.5 In the event that Aduro decides with respect to any country not to file or prosecute, or to abandon or let lapse, any Aduro Core Patent during the Term, Aduro shall notify JBI of such decision at least [\*] calendar days prior to the expiration of any deadline

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relating to such activities. JBI shall have the option, but not the obligation, to assume responsibility in writing within [\*] days of such notice for prosecuting, maintaining, and defending such Aduro Core Patent, at JBI's sole expense. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate. Assuming JBI exercises its option, JBI shall keep Aduro informed of all direct costs incurred by JBI in prosecuting, maintaining and defending such Aduro Core Patent, [\*].

### **11.3 Filing, Prosecution, Maintenance and Defense of GVAX Licensed Therapeutic Specific Patents.**

11.3.1 JBI shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the GVAX Specific Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is a GVAX Specific Patent, at its sole cost and with commercially reasonable diligence. JBI shall provide Aduro with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the GVAX Specific Patents, provide Aduro the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with JBI about, and consider in good faith the requests and suggestions of Aduro concerning, such prosecution.

11.3.2 At least [\*] calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is a GVAX Specific Patent, JBI shall provide Aduro with a list of countries and regions into which JBI intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). Aduro may request that JBI file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at Aduro's expense. Except as provided in Section 11.3.5, JBI shall retain the sole right and responsibility for prosecuting, maintaining and defending the GVAX Specific Patents filed under this Section 11.3.2.

11.3.3 If either Party learns of: (i) any actual or suspected commercially material infringement of GVAX Specific Patents by a Third-Party, it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce such intellectual property rights in accordance with Section 11.6.

11.3.4 Upon notice that a Third-Party has commenced any action to oppose, revoke, cancel or invalidate any GVAX Specific Patents, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.3.5 In the event that JBI decides with respect to any country not to prosecute or to abandon or let lapse any GVAX Specific Patents during the Term, JBI shall notify Aduro of such decision at least [\*] calendar days prior to the expiration of any deadline relating to such activities. Aduro shall have the right, but not the obligation, to assume responsibility for prosecuting, maintaining, and defending GVAX Specific Patents, at Aduro's sole expense. JBI hereby grants, and Aduro accepts, a fully paid up, non-royalty bearing, exclusive (even as to JBI), sublicensable license under JBI's rights to any GVAX Specific Patents for which Aduro assumes responsibility under this Section 11.3.5.

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#### 11.4 Patent Term Extensions, Patent Certification and Notices.

11.4.1 JBI shall be responsible for determining the strategy for applying for the extension of the term of any patents for which it has responsibility to prosecute, maintain and defend under this Section 11, such as under the “U.S. Drug Price Competition and Patent Term Restoration Act of 1984” (hereinafter the “**Act**”), the Supplementary Certificate of Protection of the Member States of the European Union and other similar measures in any other country. If requested by JBI, Aduro shall apply for and use its reasonable efforts to obtain such an extension or, should the law require JBI or one of its Sublicensees hereunder to so apply, Aduro hereby gives permission to JBI to do so (in which case Aduro agrees to cooperate with JBI or its Sublicensee, as applicable, in the exercise of such authorization and shall execute such documents and take such additional action as JBI may reasonably request in connection therewith). JBI and Aduro agree to cooperate with one another in obtaining any patent extension hereunder as directed by JBI.

11.4.2 JBI shall be responsible for determining the strategy with respect to certifications, notices and patent enforcement procedures regarding patents for which it has responsibility to prosecute, maintain and defend under this Section 11 under the Act and the Biologics Price Competition and Innovation Act of 2009 (hereinafter the “**BPCIA**”). Aduro shall cooperate, as reasonably requested by JBI, in a manner consistent with Section 11.4.1 and this Section 11.4.2. Aduro hereby authorizes JBI to: (i) provide in any BLA or in connection with the BPCIA, a list of patents that may include Aduro Core Patents that are applicable to a GVAX Licensed Therapeutic under the BPCIA (ii) except as otherwise provided in this Agreement, exercise any rights exercisable by JBI as patent owner under the Act or the BPCIA; and (iii) exercise any rights that may be exercisable by JBI as reference product sponsor under the BPCIA, including, (a) providing a list of patents that relate to the GVAX Licensed Therapeutic including Aduro Core Patents, (b) engaging in the patent resolution provisions of the BPCIA with regard to GVAX Specific Patents; and (c) determining which GVAX Specific Patents will be the subject of immediate patent infringement action under §351(l)(6) of the BPCIA; provided that with respect to JBI’s exercise of rights under the BPCIA, JBI shall consult with a representative of Aduro designated by Aduro in writing and qualified to receive confidential information pursuant to §365(l) of the BPCIA with respect to JBI’s exercise of any rights exercisable as reference product sponsor including providing such representative with timely copies of material correspondence relating to such matters, providing such representative the opportunity, reasonably in advance of any related JBI action, to comment thereon and to consult with and consider in good faith the requests and suggestions of Aduro with respect to such matters.

11.4.3 In the event that JBI desires to apply for an extension of any patents for which Aduro has responsibility to prosecute, maintain and defend under this Section 11 under the Act, the Supplementary Certificate of Protection of the Member States of the European Union or any other similar measures in any other country; or utilize any such patent for purposes of engaging in the patent resolution provisions or bringing a patent infringement action under the BPCIA; the Parties shall meet in good faith to discuss strategy for such activity, provided that Aduro shall not be obligated to agree to the use of any such patent for any such activity.

11.5 **Separation of Aduro Core Patents and GVAX Specific Patents.** The Parties acknowledge that certain patent applications owned by Aduro, JBI, or jointly by Aduro and JBI and that are the subject of this Section 11 may contain a specification which supports claims that fall within the definition of Aduro Core Patents, as well as claims that fall within the definition of GVAX Specific Patents. To the extent possible, the Parties shall cooperate to divide such applications into separate daughter patent applications which may claim common priority, such that daughter patent applications that fall within the Aduro Core Patents will not contain any claims falling within the GVAX Specific Patents, and daughter patent applications that fall within the GVAX Specific Patents will not contain any claims falling within the Aduro Core Patents.

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Aduro shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are Aduro Core Patents in accordance with Section 11.2, and JBI shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are GVAX Specific Patents in accordance with Section 11.3.

#### 11.6 Mechanism for Enforcement and Defense.

11.6.1 A Party asserting its right to enforce or defend any Aduro Core Patent or GVAX Specific Patents under this Agreement (the “**Controlling Party**”) shall keep the other Party reasonably informed during the course of any legal action related to such enforcement or defense (an “**Action**”), and shall consult with such other Party before taking any major steps during the conduct of such Action. The other Party shall provide all reasonable cooperation to the Controlling Party in connection with such Action, including being named as a party to such Action if required for standing purposes.

11.6.2 The Controlling Party in an Action shall not take any position with respect to, or compromise or settle, such Action in any way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Aduro Core Patent or GVAX Specific Patents without the other Party’s prior written consent (not to be unreasonably withheld, conditioned, or delayed).

11.6.3 A Party having the right to be the Controlling Party in an Action shall provide prompt written notice to the other Party (in a sufficiently timely manner that such Action will not be prejudiced) if:

(i) it does not intend to pursue the Action pursuant to this Section 11 or take such other action as is required or permitted under the Act or BPCIA to preserve its ability to prosecute a potential Action (including such actions as contemplated under Section 11.4; or

(ii) it has not commenced such Action within the earlier of: (a) [\*] calendar days after notice of infringement, or (b) [\*] calendar days prior to the time limit, if any, set forth under Applicable Law for filing such Action or taken such other action; or

(iii) it has ceased or intends to cease to diligently pursue such Action or such other action.

Upon receipt of such written notice, the other Party shall have the option to become the Controlling Party. The other Party shall respond with written notice within [\*] business days indicating if it intends to exercise such option, upon which such other Party shall become the Controlling Party, and may take its own action (at its own expense) to enforce, or take such other action with respect to, such Action, including initiating its own Action or taking over prosecution of any such Action initiated previously. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate.

11.6.4 Any recovery from an Action shall be [\*]. Any [\*] shall [\*].

#### 11.7 Infringement Claims by Third Parties.

11.7.1 If the Manufacture, Development or Commercialization of any GVAX Licensed Therapeutic results in a claim or a threatened claim by a Third-Party against a Party hereto for patent infringement or other violation of its intellectual property rights, the Party first having notice thereof shall promptly notify the other in writing. The notice shall set forth the facts of the claim in reasonable detail.

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11.7.2 JBI, its Affiliates or Sublicensees shall have the right, but not the obligation, to defend any suit claiming that the Development, Manufacture or Commercialization of a GVAX Licensed Therapeutic infringes any patents or other intellectual property rights of a Third-Party. Aduro will cooperate and assist JBI in any such litigation at JBI's expense. Without prejudice to JBI's right to pursue an indemnity claim in lieu of defending a suit as provided in this Section 11.7.2, all costs and any and all damages awarded to any Third-Party pursuant to such suits shall be borne or retained, as the case may be, solely by JBI. Aduro shall, on JBI's reasonable request and at JBI's sole expense, assist in the defense to such action, and all costs incurred by Aduro in providing assistance to JBI, its Affiliates or Sublicensees shall be borne solely by JBI.

- 11.8 **Licensor Rights.** The foregoing rights and obligations set forth in this Article 11 shall be subject to the obligations imposed by, or rights of, the relevant licensor, if any, of the Aduro Intellectual Property.
- 11.9 **GVAX Materials.** In connection with Aduro's transfer to JBI of the GVAX Materials, JBI agrees that the GVAX Materials will not be used other than in connection with this Agreement. Such GVAX Materials shall not be modified or changed in any manner to create products other than GVAX Licensed Therapeutic. To the extent practicable, JBI shall secure and record the identity of persons given access to the PC3 and LNCaP cell lines, reasonably track the location such cell lines, and promptly report to Aduro any unauthorized use that is discovered by JBI. JBI shall ensure that all Third Parties given access to the GVAX Materials shall agree to be bound in writing to terms no less onerous those herein.
- 11.10 **Notice of Challenge to Aduro Patents.** In the event JBI or any of its Affiliates intends to assert in any forum that any Aduro Patent is invalid, JBI or its Affiliate, as applicable, will not less than [\*] days prior to making any such assertion, provide to Aduro a summary written disclosure of the grounds then known to JBI or its Affiliate, as applicable (the "**Disclosure**"), for such assertion and, with such disclosure, will provide Aduro with a copy of any publicly available document or publication upon which JBI or its Affiliate, as applicable, intends to rely in support of such assertion. Within [\*] days of Aduro's receipt of the Disclosure, at Aduro's request, JBI and Aduro shall meet to discuss the Disclosure. Any such Disclosure and the discussions thereof shall be without prejudice and shall be treated as settlement discussions under Rule 408 of the Federal Rules of Evidence. No Disclosure made under this Section 11.10, nor any discussion between the Parties hereunder, shall be construed as an admission of any kind. Neither the Disclosure, nor any of the Parties' discussions or exchanges of information hereunder, shall be used by Aduro as a basis for the assertion of any declaratory judgment action or other cause of action, and Aduro agrees not to assert any cause of action against JBI, its Affiliates or Sublicensees relating to such Aduro Patent, other than to enforce the terms hereof until at least [\*] days following the conclusion of any such discussions.

## 12 CONFIDENTIALITY

- 12.1 **Confidentiality Obligations.** The Parties agree that, for the term of this Agreement and for [\*] years thereafter, either Party that receives (a "**Receiving Party**") from the other Party (a "**Disclosing Party**") proprietary Information pursuant to this Agreement (collectively "**Confidential Information**"), shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose (except as expressly permitted by

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this Agreement) such Confidential Information, except to the extent that it can be established by the Receiving Party that such Confidential Information: (i) was already known to the Receiving Party, other than under an obligation of confidentiality from the Disclosing Party; (ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (iii) became generally available to the public or otherwise part of the public domain after its disclosure that was other than through any act or omission of the Receiving Party in breach of this Agreement; (iv) was subsequently lawfully disclosed to the Receiving Party by a Third-Party; (v) can be shown by competent evidence to have been independently developed by the Receiving Party without reference to the Confidential Information received from the Disclosing Party and without breach of any of the provisions of this Agreement; or (vi) is information that the Disclosing Party has specifically agreed in writing that the Receiving Party may disclose.

## 12.2 Authorized Uses and Disclosures of Confidential Information.

12.2.1 The Receiving Party may disclose Confidential Information to the extent the Receiving Party is compelled to disclose such information by a court or other tribunal of competent jurisdiction, provided, however, that in such case the Receiving Party shall, except where impracticable, give prompt notice to the Disclosing Party so that the Disclosing Party may seek a protective order or other remedy. Upon the Disclosing Party's request and at its sole expense, the Receiving Party shall provide reasonable assistance to the Disclosing Party in seeking such protective order or other remedy. In any event, the Receiving Party shall disclose only that portion of the Confidential Information that, in the opinion of its legal counsel, is legally required to be disclosed and will exercise reasonable efforts to ensure that any such information so disclosed will be accorded confidential treatment.

12.2.2 To the extent it is reasonably necessary to fulfil its obligations and exercise its rights under this Agreement, either Party may disclose Confidential Information (i) to its Affiliates, consultants, advisors and agents on a need-to-know basis on condition that such Affiliates, advisors, consultants, and agents are bound by obligations of confidentiality and non-use substantially similar to those set forth herein, and (ii) to the extent reasonably necessary to obtain Regulatory Approval for GVAX Licensed Therapeutic in the Field and in the Territory.

12.2.3 Notwithstanding the above obligations of confidentiality and non-use, a Party may disclose information to the extent that such disclosure is necessary in connection with:

- (i) filing or prosecuting patent applications;
- (ii) prosecuting or defending litigation;
- (iii) seeking Regulatory Approval of a GVAX Licensed Therapeutic, including Regulatory Approval of a Manufacturing facility for a GVAX Licensed Therapeutic; or
- (iv) subject to Section 12.3 below, complying with Applicable Laws.

In making any disclosures set forth above, the Disclosing Party shall, except where impracticable, give such advance notice to the other Party of such disclosure requirement as is reasonable under the circumstances and, except to the extent inappropriate (as in the case of patent applications), will use its reasonable efforts to co-operate with the other Party in order to secure confidential treatment of such Confidential Information.

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- 12.3 **Required Securities Filings.** In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document that describes or refers to the terms and conditions of this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other Applicable Law, such Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of drafts of the proposed filing as soon as reasonably practicable, but in no event less than [\*] business days prior to such filing. The Party making such filing shall use reasonable efforts to obtain confidential treatment of the terms and conditions of this Agreement that such other Party requests be kept confidential (and in any event the financial terms), and shall only disclose Confidential Information that it is advised by counsel is legally required to be disclosed or required to be disclosed. No such notice shall be required under this Section 12.3 if the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the either Party hereunder or otherwise approved by the other Party.
- 12.4 **Publications.** If any proposed publication of JBI shall include Aduro Confidential Information, JBI shall provide Aduro with the opportunity to review any such proposed abstract, manuscript or presentation by delivering a copy thereof to Aduro no less than [\*] days before its intended submission for publication or presentation. Aduro shall have [\*] days after its receipt of any such abstract, manuscript or presentation in which to notify JBI in writing of any specific objections to the disclosure of Confidential Information of Aduro. In the event that Aduro objects to the disclosure in writing within such [\*] day period, JBI agrees not to submit the publication or abstract or make the presentation containing the objected-to information until the Parties have agreed to modify such information, and JBI shall delete from the proposed disclosure any Aduro Confidential Information upon the reasonable request of Aduro. Once any such abstract or manuscript is accepted for publication, JBI will provide Aduro with a copy of the final version of the manuscript or abstract. For the avoidance of doubt, data and results specific to a GVAX Licensed Therapeutic shall be deemed JBI Confidential Information, and any publications with respect thereto shall be in the sole discretion of JBI.
- 12.5 **Public Announcements.** Neither Party shall originate any other publicity, news release or public announcements, written or oral, whether to the public or press, stockholders or otherwise, relating to this Agreement, including its existence, the subject matter to which it relates, performance under it or any of its terms, or to any amendment hereto or performances hereunder without the prior written consent of the other Party, save only such announcements that are otherwise agreed to by the Parties. Such announcements shall be brief and factual. Except as otherwise provided herein, if a Party decides to make an announcement required by Applicable Law, it shall use reasonable efforts to give the other Party at least [\*] business days advance notice, where possible, of the text of the announcement so that the other Party shall have an opportunity to comment upon the announcement. To the extent that the receiving Party reasonably requests the deletion of any Confidential Information in the materials, the disclosing Party shall delete such information unless, in the opinion of the disclosing Party's legal counsel, such Confidential Information is legally required to be disclosed.
- 12.6 **Adverse Event Reporting.**

12.6.1 **Reporting.** The Parties recognize that JBI or its designee as the holder of all Regulatory Approval applications and Regulatory Approvals in the Territory for GVAX Licensed Therapeutic may be required to submit information and file reports to Regulatory Authorities on GVAX Licensed Therapeutics which are under clinical investigation, proposed

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for marketing, or marketed in the Territory. The Parties also recognize that Aduro or its designee as the holder of all Regulatory Approval applications and Regulatory Approvals in the Territory for other products based on the GVAX platform may be required to submit information and file reports to Regulatory Authorities on such other products which are under clinical investigation, proposed for marketing, or marketed in the Territory. Each Party will, and will require its Affiliates and Sublicensees to, report adverse events with respect to their respective products to the extent required by and in accordance with Applicable Law.

12.6.2 Safety Agreement. Each Party shall assign a representative, and such representatives shall have a first meeting within [\*] days of the Effective Date, to agree on a process and procedure for sharing adverse event information, which shall be documented in a pharmacovigilance agreement. Within the time period agreed to in writing by the Parties during that first meeting, the Parties shall negotiate in good faith and enter into a pharmacovigilance agreement governing safety data exchange procedures regarding the coordination of collection, investigation, reporting, and exchange of information concerning adverse events to comply with Applicable Law, including with respect to clinical trials conducted by or on behalf of each Party, its Affiliates and Sublicensees.

12.6.3 Safety Liaison. During the first meeting of the Parties set forth in Section 12.6.2 above, the Parties shall designate a safety liaison to be responsible for communicating with the other Party regarding the reporting of adverse events, to the extent required or agreed under the pharmacovigilance agreement, with respect to their respective products.

### **13 REPRESENTATIONS AND WARRANTIES**

#### **13.1 Representations and warranties of both Parties.**

Each Party represents and warrants to the other Party, as of the Effective Date, that:

13.1.1 such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

13.1.2 such Party has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

13.1.3 this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against it in accordance with the terms hereof;

13.1.4 the execution, delivery and performance of this Agreement by such Party, including the grant of rights to the other Party pursuant to this Agreement, does not to the best of the knowledge of such Party: (i) conflict with, nor result in any violation of or default under any agreement, instrument or understanding, oral or written, to which it or any Affiliate is a party or by which it or any Affiliate is bound; (ii) conflict with any rights granted by such Party to any Third-Party or breach any obligation that such Party has to any Third-Party; nor (iii) violate any Applicable Law of any court, governmental body or administrative or other agency having jurisdiction over such Party;

13.1.5 no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any Applicable Laws, rules or regulations currently in effect is necessary for, or in connection with, the transaction contemplated by this Agreement or for the performance by it of its obligations under this Agreement;

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13.1.6 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to a GVAX Licensed Therapeutic either (i) have executed agreements requiring assignment to such Party of all right, title and interest in and to their inventions and discoveries they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party, whether or not patentable, if any, to such Party as the sole owner thereof; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement: (a) are subject to legal requirements to assign all right, title and interest in and to all inventions they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party to such Party; or (ii) assignment by such employee, officer, contractor, and consultant of such inventions to such Party occurs by operation of law;

13.1.7 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to a GVAX Licensed Therapeutic either (i) have executed agreements obligating each such employee, officer, contractor, and consultant to maintain as confidential the Confidential Information of such Party; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement, such employees, officers, contractors, and consultants are subject by operation of law or applicable professional requirements to maintain as confidential the Confidential Information of such Party;

13.1.8 neither such Party, nor any of its employees, officers, or to the best of its knowledge, any subcontractors, or consultants who have rendered or will render services relating to a GVAX Licensed Therapeutic: (a) has ever been debarred or is subject or debarment or convicted of a crime for which an entity or person could be debarred by the FDA under 21 U.S.C. §335a (or subject to a similar sanction of the EMA) or (b) to the knowledge of a Party has ever been under indictment for a crime for which a person or entity could be so debarred; and

13.1.9 such Party shall conduct its activities hereunder in accordance with Applicable Law.

**13.2 Representations, warranties, and covenants of Aduro.**

Aduro represents and warrants to JBI, as of the Effective Date, that:

13.2.1 Aduro owns or otherwise Controls the Aduro Patents set forth on the Aduro Patent Schedule (which schedule shall differentiate as between Aduro Patents that are owned by Aduro or its Affiliates and Aduro Patents that are Controlled by Aduro through licenses or otherwise);

13.2.2 (i) the Aduro Patents are not the subject of any interference or opposition proceedings; and (ii) there is no pending or threatened action, suit proceeding or claim by a Third-Party challenging the ownership rights in, validity or scope of such Aduro Patents;

13.2.3 (i) Aduro has not received any written notice from any Third-Party asserting any ownership rights to any of the Aduro Know-How; and (ii) Aduro is not aware of any pending or threatened action, suit, proceeding or claim by a Third-Party asserting that Aduro is infringing or otherwise is violating any patents, trade secret or other proprietary right of any Third-Party in connection with a GVAX Licensed Therapeutic;

13.2.4 there are no agreements between Aduro and any Third-Party that would result in any royalties, milestones, or any other payment or consideration being due from JBI to such Third-Party as a result of JBI's Development or Commercialization of a GVAX Licensed Therapeutic;

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13.2.5 Aduro has not granted any right or license to a Third-Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder (or that result in the narrowing of the definition of “Aduro Intellectual Property” due to the “Control” limitation) and Aduro will not in the future grant any right or license to any Third-Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder without JBI’s express written consent; and

13.2.6 except as set forth on the Third-Party Patent Schedule, to Aduro’s knowledge, the practice of Aduro Know-How or Aduro Patents in connection with the Development, Manufacture, or Commercialization of a GVAX Licensed Therapeutic is not Covered by a Third-Party Patent, does not involve the misappropriation of any Third-Party Information, or otherwise violate any Third-Party intellectual property right.

Reference to “knowledge” in any of the above provisions of this Article means [\*].

## 14 INDEMNIFICATION AND INSURANCE

14.1 **Indemnification by JBI.** JBI shall indemnify, defend and hold harmless Aduro and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all damages, losses, liabilities, costs (including reasonable legal expenses, costs of litigation and reasonable attorney’s fees) or judgments, whether for money or equitable relief, of any kind (“**Losses**”), with respect to Third-Party claims, suits, or proceedings, including claims for injury or death arising from or related to GVAX Licensed Therapeutic (“**Claims**”) to the extent arising out of : (i) [\*]; (ii) [\*]; or (iii), [\*]; in each case except to the extent such Losses and Claims are subject to Aduro’s indemnity obligations set forth in Section 14.2.

14.2 **Indemnification by Aduro.** Aduro shall indemnify, defend and hold harmless JBI and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all Losses with respect to Claims, to the extent arising out of : (i) [\*]; (ii) [\*]; (iii) [\*]; in each case except to the extent such Losses and Claims are subject to JBI’s indemnity obligations set forth in Section 14.1.

14.3 **Process for Indemnification.** A claim to which indemnification applies hereunder shall be referred to herein as an “**Indemnification Claim**”. Upon the occurrence of an event for which indemnification is available as set forth above, any person or persons (collectively, the “**Indemnified Party**”) that intend to claim indemnification under this Article 14, shall give prompt written notice to the other Party (the “**Indemnifying Party**”) providing reasonable details of the nature of the event and basis of the Indemnification Claim and further expressly stating therein that it is seeking indemnity pursuant to this Agreement. For the avoidance of doubt, and without prejudice to the Indemnified Party’s obligation to give prompt written notice, an Indemnifying Party’s knowledge of events or circumstances pursuant to which an Indemnified Party might seek indemnification, including correspondence between the Parties regarding a matter for which indemnity is not expressly sought, shall not constitute the notice required by this provision, and any attorneys, experts or consultant fees or expenses incurred by an Indemnified Party prior to proper notice shall be the sole responsibility of such Party; provided however that the failure of such timely notice shall not bar any Indemnification Claim unless the Indemnifying Party is materially prejudiced by failure to receive such timely notice. The Indemnifying Party will have the right, at its expense and with counsel of its choice, to defend, contest, or otherwise protect against any Claim. The Indemnified Party will also have the right, but not the obligation, to participate, at its

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own expense, in the defense thereof with counsel of its choice. The Indemnified Party shall cooperate to the extent reasonably necessary to assist the Indemnifying Party in defending, contesting or otherwise protesting against any Claim, and shall make available to the Indemnifying Party all pertinent information under the control of the Indemnified Party, which information shall be subject to Article 12, provided that the reasonable cost in doing so is paid for by the Indemnifying Party. If the Indemnifying Party fails within [\*] days after receipt of notice (i) to notify the Indemnified Party of its intent to defend, or (ii) to defend, contest or otherwise protect against any Claim or fails to diligently continue to provide the defense after undertaking to do so, the Indemnified Party will have the right, but no obligation, upon [\*] days prior written notice to the Indemnifying Party to defend, settle and satisfy any Claim and recover the costs of the same from the Indemnifying Party. The Indemnified Party shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnifying Party, and the Indemnifying Party shall not settle or compromise the Indemnification Claim in any manner that would have an adverse effect on the Indemnified Party's interests (including any rights under this Agreement or the scope or enforceability of Intellectual Property Controlled by such Party, or Confidential Information or Patent or other rights licensed hereunder), without the prior written consent of the Indemnified Party, which consent, in each case, shall not be unreasonably withheld, conditioned or delayed.

- 14.4 **Insurance.** During the term of this Agreement and [\*] after the expiration of this Agreement or earlier termination, each Party shall obtain and/or maintain, respectively, at its sole cost and expense, clinical trial insurance and product liability insurance in amounts, respectively, that are reasonable and customary in the pharmaceutical industry for companies of comparable size and activities at the respective place of business of each Party. A Party (or its Affiliated group) with at least \$[\*] in market capitalization with annual sales in the latest calendar year of at least \$[\*] may maintain such insurance through a self-insurance program. Such clinical trial insurance and product liability insurance shall insure against all liability, including liability for personal injury, physical injury and property damage. Each Party shall provide written proof of the existence of such insurance to the other Party upon request.

## 15 TERM AND TERMINATION

- 15.1 **Term.** This Agreement shall come into force and effect on the Effective Date and shall, unless terminated earlier in accordance with its terms, continue in force and effect until all the Aduro Patents have expired and thereafter on a GVAX Licensed Therapeutic-by-GVAX Licensed Therapeutic and country-by-country basis until the end of the last-to-expire Royalty Term in each such country with respect to each such GVAX Licensed Therapeutic (the period during which this Agreement is in force, hereinafter the “**Term**”).
- 15.2 **Termination in the Event of Material Breach.** Subject to Article 6, in the event of material uncured breach by the other Party, the non-breaching Party may terminate (or, in the case of JBI, modify as permitted under Section 15.7.3) this Agreement, and the rights and licenses granted hereunder, by providing sixty (60) calendar days' prior written notice to the other Party detailing the specific obligation under this Agreement alleged to have been breached; the manner of such alleged breach; and the steps that need to be taken in order to remedy such breach, unless the other Party cures such breach or grounds for termination within the period of such notice, provided that if there is a good-faith dispute with respect to the existence of such material breach, the time for cure will be extended until such time as the dispute is resolved pursuant to Article 16.

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- 15.3 **Termination of Agreement for Insolvency.** Either Party may, in addition to any other remedies available to it by law or in equity, terminate (or, in the case of JBI, modify in accordance with Section 15.7.3) this Agreement in its entirety, by notice to the other Party in the event: (i) the other Party shall have become bankrupt or shall have made an assignment for the benefit of its creditors; (ii) there shall have been appointed a trustee or receiver for the other Party for all or a substantial part of its property; or (iii) any case or proceeding not covered by clause (i) shall have been commenced or other action taken by or against the other Party in bankruptcy or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation or other similar act or law of any jurisdiction now or hereafter in effect, and any such event shall have continued for sixty (60) calendar days undismissed, unbonded and undischarged.
- 15.4 **Termination by JBI at Will.** JBI may terminate this Agreement in its entirety or on a country-by-country and GVAX Licensed Therapeutic-by-GVAX Licensed Therapeutic basis at any time after [\*] of the Effective Date by providing ninety (90) days' prior written notice to Aduro. Following any delivery by JBI of a notice of termination pursuant to this Section 15.4, from the provision of notice through the effective date of termination, JBI shall perform its obligations hereunder, including the payment of royalties regarding the Manufacture, Development and Commercialization of the affected GVAX Licensed Therapeutic and any other payments owed to Aduro hereunder for other Development work completed but shall not be required to initiate any new clinical studies or non-clinical studies, make any further filings for Regulatory Approvals other than as related to the initiation of the transfer of Regulatory Approvals and development and commercial rights to Aduro, or launch any impacted GVAX Licensed Therapeutic in any impacted countries, except, in each case, as required by Applicable Law.
- 15.5 **Cumulative Rights and Remedies.** Any right to terminate this Agreement shall be in addition to and not in lieu of all other rights or remedies that the Party giving notice of termination may have at law, in equity or otherwise.
- 15.6 **Effect of Expiration.** If this Agreement is not terminated at an earlier date, then upon its expiration in accordance with its terms in a given country or the entire Territory (as applicable), JBI shall have an irrevocable, perpetual, fully paid-up, royalty-free, non-exclusive license in the Field in such country or the Territory (as applicable) under the Aduro Know-How, with the right to sublicense, to make, have made, import, use, offer to sell and sell GVAX Licensed Therapeutic in the Field.
- 15.7 **Effect of Termination.**

15.7.1 **Termination on Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by JBI or Aduro are, and shall otherwise be deemed to be, for purposes of §365(n) of Title 11, U.S. Code (the “**Bankruptcy Code**”), licenses of right to “Intellectual Property” as defined under §101(35A) of the Bankruptcy Code and case law interpreting §365(n). The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections they would have in the case of a licensor bankruptcy under the Bankruptcy Code. Each Party agrees during the term of this Agreement to create or maintain current copies, or if not amenable to copying, detailed descriptions or other appropriate embodiments, of all such intellectual property licensed to the other Party. Regardless of any choice of law provision contained in this Agreement, the Parties expressly agree to the application of the laws of the United States, and in particular to the application of the provisions of the Bankruptcy Code as to the rights and elections of the Parties regarding Intellectual Property in the case of licensor bankruptcy. Specifically as to rights and

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elections under the Bankruptcy Code regarding Intellectual Property existing outside the jurisdiction of licensor Bankruptcy and more specifically as to such rights and elections regarding Intellectual Property existing in the United States, the Parties expressly submit themselves to the jurisdiction of the courts of the United States for the enforcement of such rights and elections. The Parties anticipate that substantial work under this Agreement will be conducted in the United States and that substantial value under this Agreement will be generated in the United States.

15.7.2 Termination by Aduro Due to JBI's Material Breach, JBI Bankruptcy or by JBI at Will. Upon any termination of a GVAX Licensed Therapeutic on a country-by-country basis or a GVAX Licensed Therapeutic-by-GVAX Licensed Therapeutic basis, or this Agreement in its entirety by JBI pursuant to Section 15.4 or by Aduro pursuant to Sections 15.2 or 15.3:

(i) JBI, its Affiliates and its Sublicensees shall immediately cease to use and thereafter refrain from using the Aduro Intellectual Property anywhere in the Territory (or, where JBI terminates the Agreement under Section 15.4 in relation to a given country, in the terminated country) in relation to the terminated GVAX Licensed Therapeutic (provided however that in order to effect an orderly transition in any country where a GVAX Licensed Therapeutic is on the market, the Parties shall cooperate with respect to sales of existing inventory and JBI, its Affiliates and its Sublicensees shall retain those rights necessary to do so);

(ii) except as may be necessary to comply with any pre-existing obligations, including any initiated clinical trial, JBI shall promptly return to Aduro or destroy (at Aduro's discretion) all GVAX Licensed Therapeutic Materials in JBI's, its Affiliates' or its Sublicensees' possession or control and, in the event of such destruction, provide Aduro with written confirmation thereof;

(iii) save as expressly provided herein, all rights of JBI hereunder relating to the Territory or (where JBI terminates the Agreement under Section 15.4 in relation to a given country) to the terminated country or terminated GVAX Licensed Therapeutic, and all licenses granted to JBI by this Agreement in respect of any terminated GVAX Licensed Therapeutic or country in the Territory shall cease and terminate;

(iv) on written request by Aduro, JBI shall provide to Aduro a copy of, and shall transfer, or cause to be transferred, to Aduro, at JBI's expense, [\*]. Until such transfer is effected or if such transfer is not possible for legal [\*], Aduro shall [\*]. JBI shall consent and, where necessary, cause its Affiliates and its Sublicensees to consent, for any relevant [\*]; and

(v) Aduro shall have an [\*] license, with the right to sublicense, under any [\*] in existence as of the effective date of termination to the extent useful or reasonably necessary to Exploit, make, have made, import, use, have used, offer to sell, sell and export the terminated GVAX Licensed Therapeutic solely for the purpose of Developing and/or Commercialising such GVAX Licensed Therapeutic in the Field in the Territory or terminated country (as applicable). Such licence shall be [\*]. Otherwise, Aduro shall pay to JBI a royalty of [\*] except that if [\*], then Aduro shall pay to JBI a royalty of [\*], and if [\*], then Aduro shall pay to JBI a royalty of [\*], in each case on Net Sales of GVAX Licensed Therapeutic by Aduro, its Affiliates or Sublicensees for a period of [\*] years from First Commercial Sale of the GVAX Licensed Therapeutic in the Territory. On the request of Aduro, JBI will perform a technology transfer of all materials and information covered by the forgoing licenses and rights that shall be completed not less than [\*] days after the relevant termination. Notwithstanding the foregoing, JBI shall have no obligation to provide, and Aduro shall have no right to use, any materials bearing any trademarks or trade names of JBI or its Affiliates or Sublicensees.

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15.7.3 **Termination or Modification by JBI due to Aduro's Material Breach, or Aduro's Bankruptcy.** Upon a possible termination event by JBI pursuant to Sections 15.2 and 15.3, JBI may elect, in lieu of terminating this Agreement, by written notice to Aduro, to modify the terms of this Agreement as (and only to the extent) provided below. In the event JBI gives such notice, then the following provisions will apply:

- (i) At JBI's election the [\*];
- (ii) At JBI's election Aduro shall [\*];
- (iii) JBI shall be [\*]; and
- (iv) Except as otherwise agreed to by the Parties, all other terms and conditions of this Agreement shall continue in full force and effect.

If, on the other hand, JBI gives Aduro notice of termination (rather than modification) under this Section 15.7.3, then the provisions of Section 15.7.2 shall apply.

15.8 **Accrued Rights and Obligations upon Expiration and Termination.** Expiration and termination of this Agreement for any reason shall be without prejudice to either Party's right or obligations accrued prior to the effective date of termination or expiration and shall not deprive either Party from any rights that the Agreement provides shall survive termination.

15.9 **Survival.** Except as expressly provided herein, Sections 2.1.2(iv), 2.3, 9, 10, 12, 14, 15, 16, and 19 and all other provisions contained in this Agreement that by their explicit terms survive expiration or termination of this Agreement, and any accrued rights to payment shall survive any expiration or early termination of this Agreement. Except as set forth in this Section 15.9, upon termination or expiration of this Agreement all other rights and obligations of the Parties under this Agreement terminate.

## 16 DISPUTE RESOLUTION AND GOVERNING LAW

16.1 **Disputes.** Aduro and JBI shall devote reasonable efforts to amicably resolve any disputes between them concerning their respective rights and obligations under the Agreement (each a "**Dispute**"). If the Parties or the JSC (for matters within its jurisdiction) are initially unable to resolve a dispute, despite using reasonable efforts to do so, either Party may, by written notice to the other, have such dispute referred to their respective senior management designated below or their respective successors, for attempted resolution by negotiation in good faith. Such attempted resolution shall take place no later than [\*] days following receipt of such notice. The designated management for JBI is the head of oncology research and development and/or commercialization (as applicable) and for Aduro is the CEO. Any Dispute that senior management has not resolved shall, upon the request of a Party given not later than [\*] days after the initial discussion, be mediated through non-binding mediation in accordance with The CPR Mediation Procedure for Business Disputes then in effect of the CPR Institute for Dispute Resolution (CPR), except where that procedure conflicts with these provisions, in which case these provisions shall prevail. The mediation shall be conducted in San Francisco, CA and shall be attended by a senior executive with authority to resolve the dispute from each Party. The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than [\*] calendar

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days after initiation. Under no circumstances may the commencement of arbitration be delayed more than [\*] calendar days by the mediation process specified herein absent contrary agreement of the Parties. No statements made by either Party during the mediation may be used by the other or referred to during any subsequent proceedings

## 16.2 Arbitration.

16.2.1 Binding Resolution. Any Dispute that has been referred to senior management for resolution pursuant to Section 16.1 and that has not been resolved within [\*] days after the initial discussion of such matter by senior management, shall, upon referral or submission by either Party, be submitted for final, binding resolution by arbitration in accordance with the then current CPR *Non-Administered Arbitration Rules* (the “**CPR Rules**”) (www.cpradr.org), except where those rules conflict with these provisions, in which case these provisions control. The arbitration shall be held in San Francisco, California.

16.2.2 Panel. The panel shall consist of three arbitrators chosen from the CPR Panel of Distinguished Neutrals in accordance with the CPR Rules (unless the Parties otherwise agree on the selection of the arbitrators) each of whom shall be a lawyer with at least fifteen (15) years’ experience with a law firm or corporate law department, each of whom shall have had of over twenty five (25) lawyers or who was a judge of a court of general jurisdiction. In the event the aggregate damages sought by the claimant are stated to be less than \$[\*], and the aggregate damages sought by the counterclaimant are stated to be less than \$[\*], and neither side seeks equitable relief, then a single arbitrator shall be chosen, having the same qualifications and experience specified above. Each arbitrator shall be impartial and independent of the Parties and shall abide by the *Code of Ethics for Arbitrators in Commercial Disputes* (available at <http://www.adr.org/EthicsAndStandards>).

16.2.3 Procedures if Arbitrator(s) Not Agreed. In the event the Parties cannot agree upon selection of the arbitrator(s), CPR will select arbitrator(s) as follows: CPR shall provide the Parties with a list of no less than twenty-five (25) proposed arbitrators (fifteen (15) if a single arbitrator is to be selected) having the credentials referenced above. Within [\*] days of receiving such list, the Parties shall rank at least 65% of the proposed arbitrators remaining on the initial CPR list after exercising cause challenges. If the Parties do not agree on an arbitrator following such ranking, the Parties may then jointly interview the five (5) candidates (three (3) if a single arbitrator is to be selected) with the highest combined rankings for no more than one hour each and, following the interviews, may exercise one peremptory challenge each. The panel will consist of the remaining three candidates (or one, if one arbitrator is to be selected) with the highest combined rankings. In the event these procedures fail to result in selection of the required number of arbitrators, the CPR shall appoint the appropriate remaining number of arbitrators having the credentials referenced in Section 16.2.2 above. Notwithstanding the foregoing, the arbitrators shall be finally selected by the Parties (or the CPR, if required) no later than [\*] days prior to the commencement of the arbitration proceedings.

16.2.4 Timing. The Parties agree to cooperate (i) to attempt to select the arbitrator(s) by agreement within [\*] days of initiation of the arbitration, including jointly interviewing any candidates pursuant to Section 16.2.3; (ii) to meet with the arbitrator(s) within [\*] days of selection; and (iii) to agree at that meeting or before upon procedures for discovery, if any, and as to the conduct of the hearing that will result in the hearing being concluded within no more than [\*] months after selection of the arbitrator(s) and in the award being rendered within [\*] days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides within [\*] days after the conclusion of the hearings.

16.2.5 Discovery. The arbitrator(s) shall be guided, but not bound, by the *CPR Protocol on Disclosure of Documents and Presentation of Witnesses in Commercial Arbitration*

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([www.cpradr.org](http://www.cpradr.org)) (“**Protocol**”). The Parties will attempt to agree on modes of document disclosure, electronic discovery, witness presentation, etc. within the parameters of the Protocol. If the parties cannot agree on discovery and presentation issues, the arbitrator(s) shall decide on presentation modes and provide for discovery within the Protocol, understanding that the Parties contemplate reasonable discovery; provided that such discovery will be limited so that the schedule set forth in Section 16.2.4 may be met without undue burden. The Parties agree that discovery shall be permitted in order to permit a Party to obtain documents and in formats that are in the possession, custody or Control of the other Party, to the extent not already in the possession of such Party. The arbitrator(s) shall determine what discovery will be permitted, consistent with the goal of limiting the cost and time that the Parties must expend for discovery; provided that the arbitrator(s) shall permit such discovery as the arbitrator(s) deem necessary to permit an equitable resolution of the dispute, which may in the arbitrator(s)’ discretion include requests for admission or interrogatories. The arbitrator(s) shall not order or require discovery against either Party of a type or scope that is not permitted against the other Party. The arbitrator(s) may require a Party seeking the production of documents to pay all the costs associated with the collection, review and production of the documents. Any written evidence originally in a language other than English shall be translated to English and accompanied by (a) an original or true copy of the source document, (b) an original or true copy of the translation, and (c) a statement signed by the translator or translation company representative, with his or her signature notarized by a Notary Public, attesting that the translator or translation company representative believes the English language text to be an accurate and complete translation of the source-language text. The arbitrator(s) shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy or irrelevance and no award shall be overturned by reason of any ruling on evidence, except to the extent that such exclusion constitutes manifest disregard of the law. A transcript of the testimony adduced at the hearing shall be made and shall, upon request, be made available to either Party.

16.2.6 Motions; Independent Expert. The arbitrator(s) are expressly empowered to decide dispositive motions in advance of any hearing, including motions to dismiss and motions for summary judgment, and shall endeavor to decide such motions as would a Federal District Judge sitting in the jurisdiction whose substantive Law governs as set forth in Section 16.2.9 below. The arbitrator(s) may engage an independent expert with experience in the subject matter of the dispute to advise the arbitrator(s), but final decision making authority shall remain in the arbitrator(s).

16.2.7 Decision of the Arbitrator(s). The arbitrator(s) shall decide the issues presented in accordance with the substantive Law of New York (without reference to conflicts of laws principles) and may not apply principles such as “amiable compositeur” or “natural justice and equity.” The arbitrator(s) shall render a written opinion stating the reasons upon which the award is based.

16.2.8 Confidentiality; Costs. The Parties agree that the decision of the arbitrator(s) shall be the sole, exclusive and binding remedy between them regarding any and all disputes, controversies, claims and counterclaims presented to the arbitrator(s). The arbitration hearings and award shall not be made public by either Party without the joint consent of the Parties, except to the extent either Party is required to disclose such information by applicable Laws (or applicable rules of a public stock exchange) or to enforce the award in accordance with Section 16.2.9, and except as may be required by law, neither a Party nor its representatives, nor a witness nor an arbitrator may disclose the existence, content or result of any arbitration hereunder without the prior written consent of both parties. The costs of such arbitration, including administrative and arbitrator(s)’ fees, and the fees of any expert retained by the arbitrator(s), shall be shared equally by the Parties, and each Party shall bear its own expenses and attorney’s fees incurred in connection with the arbitration.

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16.2.9 **Courts.** Any award of the arbitrator(s) may be entered in any court of competent jurisdiction for a judicial recognition of the decision and applicable orders of enforcement, and each Party may apply to any court of competent jurisdiction for appropriate temporary injunctive relief to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, in each case pending resolution of any arbitration proceeding. Rule 14 of the CPR Rules does not apply to this Agreement. Without limiting the foregoing, the Parties consent to the jurisdiction of the Federal District Court for the district in which the arbitration is held for the enforcement of these provisions and the entry of judgment on any award rendered hereunder.

16.2.10 EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL BY JURY OF ANY ISSUE WITHIN THE SCOPE OF THE AGREEMENT TO ARBITRATE AS SET FORTH HEREIN.

16.2.11 EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE, EXEMPLARY OR MULTIPLIED DAMAGES FROM THE OTHER, (EXCEPT AS SET FORTH IN SECTION 19.3).

16.2.12 EACH PARTY HERETO WAIVES ANY CLAIM OF CONSEQUENTIAL DAMAGES FROM THE OTHER (EXCEPT AS SET FORTH IN SECTION 19.3).

16.3 **Governing Law.** The Agreement shall be construed and the respective rights of the parties hereto determined according to the substantive laws of the State of New York and the patent laws of the United States, without regard to conflicts of laws principles.

## 17 **[\*] AGREEMENTS**

17.1 **Sublicenses.** Aduro represents that it has provided JBI true, complete and correct copies of each of the [\*] Agreements as each exists as of the Effective Date (including any amendments thereto) and represents and warrants that said [\*] Agreements are in full force and effect as of the date hereof and that Aduro shall use reasonable efforts to maintain said [\*] Agreements in full force and effect.

17.2 **[\*] Agreements.** With respect to the [\*] Agreements, (i) the grants herein are subject to the terms and conditions of each of the [\*] Agreements; (ii) JBI agrees that it will not further sublicense any of its rights under the RALA; and (iii) with respect to the exercise of the sublicense, JBI agrees to comply with the terms set forth on Annex A hereto.

17.3 **Default.** In the event Aduro receives notice from [\*] or [\*] that Aduro is in default of the [\*] Agreement or any of the [\*] Agreements, as applicable, it shall take all reasonable steps to cure such default within the time period allowed for such cure, or allow JBI to cure such default on its behalf, whereupon JBI shall be entitled to reimbursement from Aduro for any costs associated with such cure.

17.4 **Third Party Beneficiary.** [\*] is an intended third party beneficiary of Section 17.2 of this Agreement and shall have all rights to enforce Section 17.2 of this Agreement as if a party hereto without imposition of obligation or liability on the part of [\*] or its Inventors (as defined in the [\*] Agreements, as applicable) to JBI. Except as expressly provided herein, nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person other than the Parties, and their respective successors or permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or result in such Person being deemed a third party beneficiary of this Agreement.

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**18 FORCE MAJEURE**

- 18.1 **Force Majeure.** No failure or omission by a Party or its Affiliates and/or Sublicensees in the performance of any obligation under this Agreement shall be deemed a breach of the Agreement or create any liability if the same shall arise in whole or in part from any cause or causes beyond the reasonable control of the Party or its Affiliates and/or Sublicensees, including acts of God; acts or omissions of any government; any rules, regulations or orders issued by any governmental authority or by any officer, department, agency or instrumentality thereof; fire; storm; flood; earthquake; accident; war; terrorism; rebellion; insurrection; riot; invasion; strike; lockout, or other kind of force majeure (each a “**Force Majeure**”). Each Party shall notify the other Party promptly in writing following the occurrence or after becoming aware of the occurrence of any Force Majeure whereupon the Parties shall promptly co-operate so as to mitigate the effects of such Force Majeure and the Party suffering a Force Majeure shall be obliged to use reasonable efforts to overcome the circumstances thereof. In the event a Party suspends its performance for a period of three (3) or more months due to a Force Majeure, the Parties shall consult in good faith to develop and implement a plan for mitigating the same.

**19 MISCELLANEOUS**

- 19.1 **Notices.** Any notice or report required or permitted to be given or made under the Agreement by one of the Parties to the other shall be in writing and delivered to the other Party at its address indicated below, or to such other address as the addressee shall have theretofore furnished in writing to the addressor, by hand, by courier or by registered or certified airmail (postage prepaid) or by reputable overnight courier:

If to Aduro:

Aduro Biotech, Inc.  
626 Bancroft Way, 3C  
Berkeley, California 94710  
Attention: CEO and President

With copy to: Sheppard, Mullin, Richter & Hampton LLP  
30 Rockefeller Plaza  
New York, New York 10121  
Attention: Blaine Templeman

If to JBI:

Janssen Biotech, Inc.  
800 Ridgeview Drive  
Horsham, Pennsylvania 19044  
Attention: President

With copy to: Chief Intellectual Property Counsel  
Office of General Counsel  
Johnson & Johnson  
One Johnson & Johnson Plaza  
New Brunswick, New Jersey 08933

All notices shall be effective as of the date received by the addressee or as certified delivery by a reputable delivery service, whichever is earlier.

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- 19.2 **Non-waiver.** The waiver by either of the Parties of any breach of any provision hereof by the other Party shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.
- 19.3 **SPECIAL, INDIRECT AND OTHER LOSSES.** NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OR FOR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY (EVEN IF DETERMINED TO BE DIRECT DAMAGES), EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD-PARTY IN CONNECTION WITH A JUDGMENT OR SETTLEMENT FOR WHICH A PARTY IS RESPONSIBLE PURSUANT TO AND IN ACCORDANCE WITH ARTICLE 14 HEREUNDER.
- 19.4 **Severability.** Should any section, or portion thereof, of the Agreement be held invalid by reason of any law, statute or regulation existing now or in the future in any jurisdiction by any court of competent jurisdiction or by a legally enforceable directive of any governmental body, such section or portion thereof shall be validly reformed so as to approximate the intent of the parties as nearly as possible and, if unreformable, shall be divisible and deleted in such jurisdiction; the Agreement shall not otherwise be affected.
- 19.5 **No Agency.** The relationship of the Parties under the Agreement is that of independent contractors. Neither Party shall be deemed to be the agent of the other and neither Party is authorized to take any action binding upon the other.
- 19.6 **Assignment.** This Agreement shall be binding upon the Parties and their respective permitted successors and assigns. Neither Party may, without the prior written consent of the other Party, assign all or any part of its rights and benefits under this Agreement, provided that such consent shall not be required for an assignment to: (i) any Affiliate of either Party provided that such Party shall guarantee the performance of all assigned obligations by such Affiliate; or (ii) to a Third-Party successor or purchaser of all or substantially all of its business or assets to which this Agreement relates, whether in a merger, sale of stock, sale of assets or other similar transaction, provided that, the Third-Party successor or purchaser provides written notice to the other Party that such Third-Party agrees to be bound by the terms of this Agreement. Any attempted assignment, delegation or transfer in contravention of this Agreement shall be null and void *ab initio*.
- 19.7 **Counterparts.** The Agreement may be executed in counterparts, each of which shall be deemed to be an original and both together shall be deemed to be one and the same agreement.
- 19.8 **Construction.** This Agreement shall be deemed to have been jointly drafted by the Parties, and no rule of strict construction shall apply against either. All headings and the cover page are inserted for convenience of reference only and shall not affect their meaning or interpretation. As used in this Agreement, unless the context otherwise requires, (a) words of any gender include each other gender, (b) words such as “herein”, “hereof” or “hereunder” refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (c) words using the singular shall include the plural, and vice versa and (d) the word “including” means “including without limitation”.

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- 19.9 **Further Assurances.** Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further ministerial, administrative or similar acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto the other Party its rights and remedies under this Agreement.
- 19.10 **Entire Agreement.** The terms and provisions contained in the Agreement, constitute the entire agreement between the parties and shall supersede all previous communications, representations, agreements or understandings, either oral or written, between the parties with respect to the subject matter hereof, and no agreement or understanding varying or extending the Agreement shall be binding upon either Party hereto, unless in writing that specifically refers to the Agreement, signed by duly authorized officers or representatives of the respective parties and the provisions of the Agreement not specifically amended thereby shall remain in full force and effect.

In witness whereof, Aduro and JBI have executed this Agreement effective as of the date set forth above.

Aduro Biotech, Inc.

Janssen Biotech, Inc.

/s/ Stephen T. Isaacs

/s/ Michael Yang

Stephen T. Isaacs  
Chairman, President and CEO

Michael Yang  
President

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**



**ADURO PATENT SCHEDULE**

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

**Patents and Patent Applications (All Owned by Aduro or co-owned by Aduro and [\*], with Aduro controlling prosecution)**

[\*]

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

**Patents and Patent Applications:** Co-owned patents are described above under Antigen Discovery License. Cryopreservation patents are show below.

[\*]

[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

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## TECHNOLOGY TRANSFER PLAN SCHEDULE

[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

< 1 page omitted>

[\*]

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

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### THIRD-PARTY PATENT SCHEDULE

[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

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## THIRD-PARTY PATENT SCHEDULE

[\*]

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# CALENDAR YEAR SCHEDULE

## UNIVERSAL FINANCIAL CALENDAR

### 2014 UNIVERSAL CALENDAR

M T W T F S S							M T W T F S S						
30 31							30						
JAN	1 2 3 4 5						JUL	1 2 3 4 5 6					
(4 Weeks)	6	7	8	9	10	11 12	(4 Weeks)	7	8	9	10	11 12 13	
	13	14	15	16	17	18 19		14	15	16	17	18 19 20	
	20	21	22	23	24	25 26		21	22	23	24	25 26 27	
27 28 29 30 31							28 29 30 31						
FEB	1 2						AUG	1 2 3					
(4 Weeks)	3	4	5	6	7	8 9	(4 Weeks)	4	5	6	7	8 9 10	
	10	11	12	13	14	15 16		11	12	13	14	15 16 17	
	17	18	19	20	21	22 23		18	19	20	21	22 23 24	
24 25 26 27 28							25 26 27 28 29 30 31						
1 2													
MAR	3	4	5	6	7	8 9	SEP	1	2	3	4	5 6 7	
(5 Weeks)	10	11	12	13	14	15 16	(5 Weeks)	8	9	10	11	12 13 14	
	17	18	19	20	21	22 23		15	16	17	18	19 20 21	
	24	25	26	27	28	29 30		22	23	24	25	26 27 28	
31							29 30						
APR	1 2 3 4 5 6						OCT	1 2 3 4 5					
(4 Weeks)	7	8	9	10	11	12 13	(4 Weeks)	6	7	8	9	10 11 12	
	14	15	16	17	18	19 20		13	14	15	16	17 18 19	
	21	22	23	24	25	26 27		20	21	22	23	24 25 26	
28 29 30							27 28 29 30 31						
MAY	1 2 3 4						NOV	1 2					
(4 Weeks)	5	6	7	8	9	10 11	(4 Weeks)	3	4	5	6	7 8 9	
	12	13	14	15	16	17 18		10	11	12	13	14 15 16	
	19	20	21	22	23	24 25		17	18	19	20	21 22 23	
26 27 28 29 30 31							24 25 26 27 28 29 30						
1													
JUN	2	3	4	5	6	7 8	DEC	1	2	3	4	5 6 7	
(5 Weeks)	9	10	11	12	13	14 15	(5 Weeks)	8	9	10	11	12 13 14	
	16	17	18	19	20	21 22		15	16	17	18	19 20 21	
	23	24	25	26	27	28 29		22	23	24	25	26 27 28	

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## INVOICING PROCEDURE SCHEDULE

### Invoicing Process

Any costs or payments to be invoiced to JBI by Aduro and specified to be paid pursuant to the Agreement shall be payable to Aduro within [\*] calendar days from the date an invoice in respect of the same is received by JBI, and JBI shall pay, or cause to be paid, to Aduro, by wire transfer or electronic fund transfer to the credit of the bank account to be designated in writing by Aduro.

All such invoices must reference a valid Purchase Order (PO) Number which JBI shall provide to Aduro within [\*] calendar days after the Effective Date and invoices shall include the nature and amount of services rendered, deliverables provided, or other basis for the payment. Aduro shall provide proper support for expenses included on the invoice. Reasonable support documents for Out-of-Pocket Expenses include invoice or pro forma invoice from the Third-Party vendors. For FTE reimbursement, proper support includes an FTE time report break down by function.

Invoices must be sent to the Johnson & Johnson Accounts Payable Department via: [\*] if Aduro establishes a web invoice account or sent by postal mail to the following address:

[\*]

Aduro can contact the Johnson & Johnson Accounts Payable Hotline at [\*] in the United States with any questions related to the status of payments on invoices. Copies of all invoices shall be sent concurrently to the Finance Director, Johnson & Johnson Innovation at [\*]. JBI reserves the right to return to Aduro unprocessed and unpaid those invoices that do not reference the applicable PO Number. Janssen Research & Development, L.L.C. may act as paying agent for JBI under this Agreement.

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## ANNEX A

Terms from the [\*]

<4 pages omitted>

[\*]

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CONFIDENTIAL

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RESEARCH AND LICENSE AGREEMENT

between

*Janssen Biotech, Inc.*

and

*Aduro Biotech, Inc.*

Executed as of October 13, 2014

This Research and License Agreement (this “**Agreement**”) is made on the 13th day of October 2014 (the “**Execution Date**”) by and between **Aduro Biotech, Inc.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, 3C, Berkeley, CA 94710 (hereinafter “**Aduro**”) and **Janssen Biotech, Inc.**, a Pennsylvania corporation, having a place of business at 800 Ridgeview Drive, Horsham, PA 19044 (hereinafter “**JB**”). Aduro and JB may be referred to individually herein as a “**Party**” or together as the “**Parties**”.

WITNESSETH

WHEREAS Aduro possesses expertise and resources related to the research and discovery of therapeutic cancer immunotherapeutics based on, inter alia, attenuated strains of *Listeria monocytogenes*; and

WHEREAS JB possesses expertise and resources relating to the discovery, development, manufacture, marketing and sale of ethical pharmaceutical products for therapeutic, prophylactic, and diagnostic uses in humans and animals; and

WHEREAS JB wishes to obtain and Aduro is willing to grant a worldwide, exclusive license to Aduro’s rights to its intellectual property to Exploit (as defined below) the Licensed Immunotherapeutics (as defined below) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and herein contained, Aduro and JB have agreed as follows:

**1 DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings in each case unless the context clearly requires otherwise, and the singular shall include the plural and vice versa:

- 1.1 “214 Immunotherapeutic”** means a *Listeria* strain engineered to express [\*]. For the avoidance of doubt, 214 Immunotherapeutic includes Modifications thereto.
- 1.2 “741 Agreement”** means that certain Research and License Agreement, dated May 27, 2014, between JB and Aduro directed at 741 Immunotherapeutics (as defined therein).
- 1.3 “Achieved Milestone”** shall have the meaning ascribed thereto in Section 7.4.3.
- 1.4 “Act”** shall have the meaning ascribed thereto in Section 11.4.1.
- 1.5 “Action”** shall have the meaning ascribed thereto in Section 11.6.1.
- 1.6 “Active Development”** means that, at any given time, a Party, its Affiliates, or Sublicensees are [\*], directly or through a Third-Party contractor, in one or more of the following development activities: formulation development, study/protocol design activity, awaiting protocol approval from the applicable institutional review board or FDA, patient recruitment, patient treatment, data analysis, report writing for any clinical trial, regulatory file(s) being drafted or pending, pricing or marketing approvals pending, manufacturing investment work, synthetic process development, drug synthesis, packaging development, manufacturing scale-up and validation, preclinical or in vitro characterization and go/no go decision awaited from a formal research and development committee of a Party, its Affiliates or Sublicensees to initiate any of the preceding activities.
- 1.7 “Aduro”** shall have the meaning ascribed thereto in the Preamble.
- 1.8 “Aduro Core Patents”** means all of the Aduro Patents other than those that are Licensed Immunotherapeutic Specific Patents.

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- 1.9 “Aduro Core Technology”** means Aduro Intellectual Property that is specifically directed to Aduro’s Listeria platform technology, including the Aduro Core Patents. Aduro Core Technology excludes: (i) Licensed Immunotherapeutic Specific Patents and (ii) Aduro Know-How referencing Licensed Immunotherapeutics and not generally applicable to Aduro’s Listeria platform.
- 1.10 [\*]** shall have the meaning ascribed thereto in Section 2.6.3.
- 1.11 “Aduro Immunotherapeutic”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.12 “Aduro Immunotherapeutic Antigen”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.13 “Aduro Intellectual Property”** means: (i) the Aduro Know-How; (ii) the Aduro Patents; and (iii) any other intellectual property Controlled by Aduro that relates to the Licensed Immunotherapeutic Materials.
- 1.14 “Aduro Know-How”** means Information that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.15 “Aduro Patent(s)”** means any Patent that, during the Term, is: (i) Controlled by Aduro or its Affiliates; and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic. A list of patents known to be Aduro Patents existing as of the Execution Date is appended hereto as the Aduro Patent Schedule and shall be updated by Aduro annually, or otherwise upon reasonable request by JBI, to reflect appropriate additions and revisions thereto during the course of this Agreement.
- 1.16 “Aduro Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.17 “Affiliate”** with respect to any Party, any corporation or other business entity, that directly or indirectly controls, is controlled by, or is under common control with such Party. For the purposes of this definition, the term “control” (including, with correlative meanings, the term “controlled by” and “under common control with”) as used with respect to any Party, shall mean the possession of at least 50% of the voting stock or other ownership interest of the other corporation or entity, or the power to direct or cause the direction of the management and policies of the corporation or other entity or the power to elect or appoint at least 50% of the members of the governing body of the corporation or other entity through the ownership of the outstanding voting securities or by contract or otherwise. “Affiliate” of, or an entity “Affiliated” with, a specified entity, means an entity that directly or indirectly controls, is controlled by, or is under common control with, the entity specified. Notwithstanding the foregoing and for purposes of clarity, none of Morningside Venture (VI) Investments Limited, Gerald Chan and Stephanie O’Brien shall be deemed an Affiliate of Aduro.
- 1.18 “Agreement”** shall have the meaning ascribed thereto in the Preamble.
- 1.19 “Antigen”** means any substance intended to evoke an active immune response.
- 1.20 “Antigen Change”** means the addition of, substitution for, or removal of an Antigen from the existing Antigens that are part of the Lead 214 Immunotherapeutic, any other 214 Immunotherapeutic, or any previously created Permitted Derivative Immunotherapeutic. For clarity, the addition, subtraction, or substitution of an Antigen in a Licensed Immunotherapeutic is an Antigen Change and not a Modification.
- 1.21 “Antigen Exception”** shall have the meaning ascribed thereto in Section 2.5.3

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- 1.22 **“Antigen Variation”** means a Modification to an Antigen whereby the as-Modified Antigen is a Variant of such Antigen.
- 1.23 **“Applicable Law”** means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any applicable government authority, court, tribunal, agency, legislative body, commission or other instrumentality of: (i) any government of any country; (ii) any state, province, county, city or other political subdivision thereof; or (iii) any supranational body.
- 1.24 **“Available Antigen”** means an Antigen or Antigens proposed for inclusion in a Permitted Derivative Immunotherapeutic, set forth in the Permitted Derivative Notice and determined to be available pursuant to Section 2.5.3.
- 1.25 **“[\*] Antigen”** means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule, and any Variant thereof.
- 1.26 **“Base Strain”** means the Listeria strain described in the IND Submission and Manufacturing Update Plan. Such Base Strain may be modified by Aduro pursuant to Section 2.5.2.
- 1.27 **“Base Strain Modification”** means [\*] to the Base Strain. For clarity, neither (i) the [\*] in a Licensed Immunotherapeutic as part of developing the 214 Immunotherapeutic or a Permitted Derivative Immunotherapeutic; (ii) the development or implementation of an [\*]; nor (iii) the development or implementation of a [\*], constitute a Base Strain Modification.
- 1.28 **“BLA”** means a Biological License application filed pursuant to 42 USC §262 et seq. including all documents, data and other information concerning a Licensed Immunotherapeutic that are necessary for, or included in, FDA approval to market a Licensed Immunotherapeutic and all supplements and amendments, including supplemental biological license applications, that may be filed with respect to the foregoing as more fully defined in 21 CFR §600 et seq. or an equivalent application filed with any equivalent Regulatory Authority in any jurisdiction in the Territory other than the United States.
- 1.29 **“BPCIA”** shall have the meaning ascribed thereto in Section 11.4.2.
- 1.30 **[\*]**
- 1.31 **[\*]**
- 1.32 **“Bundled Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.33 **“Calendar Month”** means a calendar month based on the JBI Universal Calendar.
- 1.34 **“Calendar Quarter”** means a calendar quarter based on the JBI Universal Calendar.
- 1.35 **“Calendar Year”** means a period of twelve (12) consecutive months based on the JBI Universal Calendar for that year.
- 1.36 **“Cancer Type”** means [\*]. Each of: (i) [\*]; (ii) [\*]; and (iii) [\*] would (for the purposes of this Agreement), respectively, be considered a [\*]. For the avoidance of doubt, all [\*] “Cancer Type”. By way of example, [\*].
- 1.37 **“Claims”** shall have the meaning ascribed thereto in Section 14.1.

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- 1.38 **“Closing Date”** shall have the meaning ascribed thereto in Section 15.1.1.
- 1.39 **“Collaboration Term”** means the period starting on the Closing Date and expiring on the date that Aduro has completed all its activities under the IND Submission and Manufacturing Update Plan.
- 1.40 **“Combination Product”** shall have the meaning ascribed thereto in the definition of Net Sales.
- 1.41 **“Commencement of Expansion Cohort”** means the [\*]
- 1.42 **“Commercialize”** or **“Commercialization”** means any and all activities directed to marketing, promoting, manufacturing, packaging, distributing, offering for sale, selling of a product or service, or importing a product for sale.
- 1.43 **“Commercially Reasonable Efforts”** means, as to a Party, the level of effort normally used by a pharmaceutical or biotechnology company, as applicable, of comparable size and resources of such Party, consistent with the efforts such Party would commonly devote with the exercise of prudent scientific and business judgment relating to the research, development or commercialization of a biotechnology product with similar product characteristics, that is of similar market potential at a similar stage in its development or product life, resulting from its own research efforts or that the Party has otherwise acquired or exclusively licensed (with the right to sublicense) taking into account issues of patent coverage, safety and efficacy, product profile, competitiveness of the marketplace, intellectual property position, regulatory structure and likelihood of approval, anticipated profitability (including cost of goods and pricing and reimbursement status achieved or anticipated), alternative products and product candidates, and other factors.
- 1.44 **“Compulsory License”** means a patent license that is granted or ordered to be granted by a government of a country to an individual or entity to perform (or have performed) activities for the Development or Commercialization of a pharmaceutical product that is Covered by the claims of a patent in that country, with the ultimate purpose of enabling an entity to market and sell such product for the benefit of public health or for public policy reasons.
- 1.45 **“Confidential Information”** shall have the meaning ascribed thereto in Section 12.1.
- 1.46 **“Control(s)”** or **“Controlled”** means, possession by a Party of the legal right, power and authority (whether by ownership, license or otherwise) to grant a license or sublicense of intellectual property rights or otherwise disclose or use proprietary or trade secret information to such other Party without violating the terms of any agreement with any Third-Party.
- 1.47 **“Controlling Party”** shall have the meaning ascribed thereto in Section 11.6.1.
- 1.48 **“Cover,” “Covering”** or **“Covered”** means, with respect to a Licensed Immunotherapeutic, or with respect to the practice of any technology, that, in the absence of a license granted under a Valid Claim of a given Patent, the manufacture, use, offer for sale, sale, or importation of such Licensed Immunotherapeutic or the practice of such technology would infringe such Valid Claim.
- 1.49 **“CPI”** shall have the meaning ascribed thereto in the definition of FTE Rate.
- 1.50 **“CPR”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.51 **“CPR Accelerated Rules”** shall have the meaning ascribed thereto in Section 6.2.4.
- 1.52 **“CPR Rules”** shall have the meaning ascribed thereto in Section 16.2.1.

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- 1.53 **“Currency Hedge Rate(s)”** is calculated as a weighted average hedge rate of the outstanding external foreign currency forward hedge contract(s) of Johnson & Johnson’s global treasury services center (**“GTSC”**) and its Affiliates with third party banks. The hedge contract(s) is entered into to protect the transactional foreign exchange risk exposures of JBI by reducing the impact of foreign currency volatility through a systematic build-up of a yearly currency hedge rate(s).
- 1.54 **“Data Exclusivity Right”** means the right or protection, granted by a Regulatory Authority in a jurisdiction, providing with respect to a drug product: (i) marketing exclusivity that prevents the Regulatory Authority from accepting or approving an application for Regulatory Approval such as a New Drug Application (whether new or abbreviated), a BLA or an application relating to a biosimilar product submitted by a party, for a pharmaceutical product (including a generic, biosimilar, similar medicinal product or generic or competing version of a pharmaceutical product) that is the same or a bioequivalent of the drug product, such as through new molecular entity or biological product or orphan drug or pediatric exclusivity designation by the applicable Regulatory Authority, or an exclusive right to sell pursuant to the data exclusivity provisions such as those under EC Directives 2004/27/EC and 2001/83/EC and Regulation 726/2004/EC; or (ii) data protection for regulatory data relating to the drug product against unfair commercial use or public release consistent with, or no less stringent than, Article 39.3 of the TRIPS Agreement.
- 1.55 **“Development”** (including variations such as **“Develop”** and **“Developing”**) means preclinical and clinical drug development activities, including, among other things: test method development and stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, quality assurance/quality control development, statistical analysis and report writing, clinical studies and regulatory affairs, product approval and registration. For the purposes of this Agreement, Development shall include, without limitation, Phase I, Phase II, Phase III, and post-Phase III Clinical Trials.
- 1.56 **“Disclosing Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.57 **“Disclosure”** shall have the meaning ascribed thereto in Section 11.9.
- 1.58 **“Dispute”** shall have the meaning ascribed thereto in Section 16.1.
- 1.59 **“[\*]”** shall mean the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.
- 1.60 **“[\*]”** shall mean the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.
- 1.61 **“EMA”** means the European Medicines Agency, or any successor agency thereto.
- 1.62 **“EU Major Markets”** means France, Germany, Italy, Spain and the United Kingdom.
- 1.63 **“Execution Date”** shall have the meaning ascribed thereto in the Preamble.
- 1.64 **“Exploitation”** (including variations such as **“Exploit”**) means the research, development, manufacture, having manufactured, use, having used, sale, offer for sale, importation or other exploitation of a product or service.
- 1.65 **“FDA”** means the United States Food and Drug Administration, or any successor agency thereto.
- 1.66 **“Field”** means any and all uses.

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- 1.67 **“First Commercial Sale”** means, with respect to a Licensed Immunotherapeutic, the first sale in an arms-length transaction of such Licensed Immunotherapeutic to a Third-Party by JBI, its Affiliates or a Sublicensee in a country following [\*]. Licensed Immunotherapeutic provided for: (i) [\*]; (ii) [\*]; (iii) [\*]; and (iv) [\*]; shall not constitute a First Commercial Sale. In addition, [\*], shall not constitute a First Commercial Sale.
- 1.68 **“Force Majeure”** shall have the meaning ascribed thereto in Section 18.1.
- 1.69 **“FTC”** shall have the meaning ascribed thereto in Section 15.1.1.
- 1.70 **“FTE”** means a full-time equivalent person year consisting of a total of [\*] hours per year of scientific, technical, regulatory or professional work undertaken by Aduro’s or its Affiliates’ employees, not including standard time off pursuant to Aduro’s or its Affiliates’ company policy for vacations, holidays, sick time and the like.
- 1.71 **“FTE Cost”** means, for any period, the product of: (i) the actual total FTEs used by Aduro to perform development or manufacturing activities pursuant to Development work under Section 2.5, Other Development and the Technology Transfer Plan during such period; and (ii) the FTE Rate. For the avoidance of doubt, no individual may record more than 1.0 FTE in a given Calendar Year (or the pro-rated amount in any portion thereof).
- 1.72 **“FTE Rate”** means [\*] per FTE. The FTE Rate [\*].
- 1.73 [\*]
- 1.74 **“GMPs”** shall mean all good manufacturing practices under 21 CFR §210-211, as amended from time to time.
- 1.75 **“GTSC”** shall have the meaning ascribed thereto in the definition of Currency Hedge Rate.
- 1.76 **“HSR Act”** shall have the meaning ascribed thereto in Section 15.1.1.
- 1.77 **“HSR Waiting Period”** shall have the meaning ascribed thereto in Section 15.1.1.
- 1.78 **“IND”** means an investigational new drug application as more fully defined in 21 CFR §312.3, as amended from time to time, that is filed with the FDA or any equivalent filing made with any Regulatory Authority in another country in the Territory other than the United States. For purposes of this part, **“IND”** is synonymous with **“Notice of Claim Investigational Exemption for a New Drug”**.
- 1.79 **“IND Approval”** means the expiration of the thirty-day waiting period for IND effectiveness, or earlier approval to proceed with clinical trial(s) under the IND, or, if a clinical hold is imposed, notification from a Division Director that the clinical trial may proceed.
- 1.80 **“IND Submission and Manufacturing Update Plan”** means the activities specified in the IND Submission and Manufacturing Update Plan Schedule attached hereto as may be modified by the JSC in accordance with Section 4.5.
- 1.81 **“Indemnification Claim”** shall have the meaning ascribed thereto in Section 14.3.
- 1.82 **“Indemnified Party”** shall have the meaning ascribed thereto in Section 14.3.
- 1.83 **“Indemnifying Party”** shall have the meaning ascribed thereto in Section 14.3.

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- 1.84 “Information”** means all information not generally known to the public including screens, models, inventions, practices, methods, knowledge, know-how, skill, experience, test data including pharmacological, toxicological and clinical test data, analytical and quality control data, marketing, pricing, distribution, costs, sales, manufacturing data, manufacturing secrets and procedures, secret processes, reports, plans, designs, prototypes, test results, working drawings, methods including testing methods, formulas, recipes, material and performance specifications and current accumulated experience acquired as a result of technical research or otherwise, and patent and legal data related to chemical, biological and other tangible materials.
- 1.85 “Initiation of Phase II Trial”** means the first dosing of the [\*] patient in a Phase II Clinical Trial.
- 1.86 “Initiation of Phase III Trial”** means the first dosing of the [\*] patient in a Phase III Clinical Trial.
- 1.87 “Investigator-initiated Study”** means a study performed by a Third-Party investigator who is the sponsor of the study.
- 1.88 “JBI”** shall have the meaning ascribed thereto in the Preamble.
- 1.89 “JBI Core Improvement Patent”** shall have the meaning ascribed thereto in Section 11.3.1.
- 1.90 “JBI Improvements to Aduro Core Technology”** shall mean any enhancement, improvement or modification to the Aduro Core Technology that is developed, conceived or reduced to practice by or on behalf of JBI or its Affiliates or its or their Sublicensees or subcontractors in connection with the Exploitation of any Licensed Immunotherapeutic, whether under this Agreement or as defined in the 741 Agreement. For clarity, JBI Improvements to Aduro Core Technology includes JBI Core Improvement Patents and Information related to JBI Improvements to Aduro Core Technology.
- 1.91 “JBI Know-How”** means Information that is: (i) under the Control of JBI or its Affiliates during the Term and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic, including any copyrights, rights in any data or database and *droit moral* associated with the foregoing.
- 1.92 “JBI Patent(s)”** means any Patent that: (i) is Controlled by JBI or its Affiliates during the Term, and (ii) useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic.
- 1.93 “[\*] Permitted Derivative Immunotherapeutic”** shall have the meaning ascribed thereto in Section 2.5.3 (vi).
- 1.94 “JBI Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.95 “JBI Universal Calendar”** means the calendar attached hereto for 2014 as the Calendar Year Schedule and as shall be updated by JBI for each subsequent Calendar Year consistent with that used for JBI’s internal business purposes.
- 1.96 “Joint Project IP”** shall have the meaning ascribed thereto in Section 11.1.2.
- 1.97 “Joint Steering Committee” or “JSC”** means the committee established pursuant to Section 4.3.
- 1.98 “Lead 214 Immunotherapeutic”** means the 214 Immunotherapeutic [\*].
- 1.99 “Licensed Immunotherapeutics”** means 214 Immunotherapeutics and any Permitted Derivative Immunotherapeutics.
- 1.100 “Licensed Immunotherapeutic Materials”** means the Master Cell Bank and such other tangible items useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics, including those set forth in the Technology Transfer Plan Schedule.

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- 1.101 “Licensed Immunotherapeutic Specific Patents”** means Aduro Patents, the claims of which contain [\*]. For the sake of clarity, Licensed Immunotherapeutic Specific Patents do not include any Aduro Patents, the claims of which [\*], but Aduro Patents that contain claims that contain [\*] would be included in Licensed Immunotherapeutic Specific Patents.
- 1.102 “Losses”** shall have the meaning ascribed thereto in Section 14.1.
- 1.103 [\*]**
- 1.104 “Manufacturing”** (including variations such as “**Manufacture**”) means the performance of any and all activities directed to producing, manufacturing, processing, filling, finishing, packaging, labelling, quality control, quality assurance, testing and release, shipping and storage of Licensed Immunotherapeutics, including a Licensed Immunotherapeutic in Development (e.g. Manufacturing of clinical supplies), but excluding Commercialization and Development activities.
- 1.105 “Master Cell Bank”** means the Master Cell Bank described in the IND Submission and Manufacturing Update Plan Schedule for the Lead 214 Immunotherapeutic and any other Master Cell Bank prepared by Aduro for JBI in connection with any other Licensed Immunotherapeutic.
- 1.106 “[\*] Antigen”** shall mean the Antigen with the sequence attached hereto as the [\*] Antigen Schedule and any Variant thereof.
- 1.107 [\*]**
- 1.108 “Modification”** (including variants such as “**Modify**” and “**Modified**”) means any adaptation, enhancement, redesign, or other change to a product or process.
- 1.109 “Net Sales”** means the gross amounts [\*] on sales of a Licensed Immunotherapeutic by JBI or any of its Affiliates or Sublicensees to a Third-Party purchaser in an arms-length transaction, less the following deductions[\*] in the gross sales price with respect to such sales:
- (i) normal and customary trade, cash and quantity discounts, allowances, deductions, fees and credits, in the form of deductions actually allowed with respect to sales of such Licensed Immunotherapeutic (to the extent not already reflected in the amount invoiced), excluding commissions for commercialization;
  - (ii) excise taxes, use taxes, tariffs, sales taxes and customs duties, and other government charges imposed on the sale of such Licensed Immunotherapeutic to the extent separately itemized on the invoice (but specifically excluding, for clarity, any income taxes assessed against the income arising from such sale);
  - (iii) outbound freight, shipment and insurance costs to the extent separately itemized on the invoice;
  - (iv) compulsory payments and cash rebates related to the sales of such Licensed Immunotherapeutics paid to a governmental authority (or agent thereof) pursuant to governmental regulations, including government levied fees as a result of healthcare reform policies;

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(v) retroactive price reductions, credits or allowances for rejections or returns of such Licensed Immunotherapeutic including for recalls, damaged goods and billing errors;

(vi) rebates, chargebacks, and discounts (or the equivalent thereof) to managed health care organizations, pharmacy benefit managers (or the equivalent thereof), federal, state, provincial, local or other governments, or their agencies or purchasers, reimbursers, or trade customers; and

(vii) an amount equal to [\*] percent [\*] of such gross amounts to cover items not set forth above.

The foregoing deductions shall be [\*]. All such discounts, allowances, credits, rebates, and other deductions shall be [\*]. Sales of a Licensed Immunotherapeutic by and between JBI and its Affiliates and Sublicensees are not sales to Third Parties and shall be excluded from Net Sales calculations for all purposes; provided that any resale by the purchaser to a Third-Party distributor or to a Third-Party for end use, shall be included in Net Sales. [\*] shall be excluded from Net Sales calculations for all purposes.

In the event a Licensed Immunotherapeutic is sold in combination with other products by JBI, its Affiliates or Sublicensees and the Third-Party customer receives a discount for such “bundling” of products (for clarity, this situation describes bundling of two or more separate products, each in finished dosage form, and not a fixed combination of two or more active ingredients in a single finished product) (a “**Bundled Product**”), the Net Sales of such Licensed Immunotherapeutic, for the purposes of determining royalty and sales-based milestone payments, shall be determined [\*]. In the event that [\*], then, for purposes of determining the royalty payments due in respect of such Licensed Immunotherapeutic, the [\*].

If a Licensed Immunotherapeutic is sold in the form of a fixed combination in a single finished product containing both such Licensed Immunotherapeutic and one or more other active ingredient(s) as separate molecular entity(ies) that are not Licensed Immunotherapeutics (a “**Combination Product**”), the Net Sales of such Licensed Immunotherapeutic, for the purpose of calculating royalty and sales-based milestone payments owed under this Agreement for sales of such Licensed Immunotherapeutic, shall be determined as follows: first, [\*], Net Sales shall be calculated by [\*]. If neither such Licensed Immunotherapeutic nor any other active ingredient in the Combination Product is sold separately, [\*].

**1.110 “[\*] Antigen”** means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule, and any Variant thereof.

**1.111 “Other Development”** shall have the meaning ascribed thereto in Section 3.2.

**1.112 “Out-of-Pocket Expenses”** means expenses actually paid (with no mark-up) to any Third-Party that is either: (i) not an Affiliate of a Party claiming such expenses, or (ii) is an Affiliate of that Party where such payment is limited to reimbursing such Affiliate for expenses actually paid by such Affiliate to a Third-Party that is not an Affiliate of the Party claiming such expenses.

**1.113 “[\*]”** [\*]

**1.114 “Overlapping Product”** shall have the meaning ascribed thereto in Section 2.6.4.

**1.115 “[\*]”** [\*]

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- 1.116 “Party” or “Parties”** shall have the meaning ascribed thereto in the Preamble.
- 1.117 “Patent(s)”** means all patents and patent applications, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications claiming priority to such patents and patent applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.
- 1.118 “PD [\*] Indications”** shall have the meaning ascribed thereto in Section 2.5.3(vi).
- 1.119 “[\*] Antigen”** means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule, and any Variant thereof.
- 1.120 “Permitted Derivative Notice”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.121 “Permitted Derivative Immunotherapeutic(s)”** means a Listeria strain: [\*] and is permitted to be developed under the terms of Section 2.5.3. For the avoidance of doubt, “Permitted Derivative Immunotherapeutics” includes Modifications thereto.
- 1.122 “Phase I Clinical Trial”** means studies in humans to obtain initial data regarding the safety, tolerability, pharmacological activity or pharmacokinetics of a research and development candidate alone or in combination with another active agent, as more fully defined in 21 CFR § 312.21(a).
- 1.123 “Phase II Clinical Trial”** means a human clinical trial conducted for inclusion in that portion of the FDA submission and approval process that provides for trials on a limited number of patients for the purposes of collecting data on dosage, evaluating side effects and safety, and collecting preliminary information regarding efficacy in the proposed therapeutic indication, as more fully defined in 21 CFR § 312.21(b), as amended from time to time, and equivalent submissions with similar requirements in other countries in the Territory.
- 1.124 “Phase III Clinical Trial”** means a study in humans of the efficacy and safety of a research and development candidate alone or in combination with another active agent, that is prospectively designed to demonstrate statistically whether the research and development candidate, alone or in combination with another active agent, is safe and effective for use in a particular indication, as more fully defined in 21 CFR § 312.21(c), as amended from time to time, and equivalent submissions with similar requirements in other countries in the Territory in a manner intended to be sufficient to obtain Regulatory Approval to market that research and development candidate.
- 1.125 “Planned [\*]”** shall have the meaning ascribed thereto in Section 6.1.
- 1.126 “Platform Update”** shall have the meaning ascribed thereto in Section 5.7.
- 1.127 “Platform Early Update Period”** shall have the meaning ascribed thereto in Section 7.2.
- 1.128 “Price and Reimbursement Approval”** means any approvals, licenses, registrations or authorizations of any supranational, national, regional, state or local Regulatory Authority or other regulatory agency, department, bureau or governmental entity, necessary to determine or set the pricing of a Licensed Immunotherapeutic, and/or its reimbursement level by the relevant health authorities, providers or other funding institutions, at supranational, national, regional, state or local level.

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- 1.129 “Process Modification”** means a change related to the Exploitation of a Licensed Immunotherapeutic that is intended to enhance JBI’s ability to effectively Exploit the Licensed Immunotherapeutic but that does not constitute either a Base Strain Modification or an Antigen Change. Examples of a Process Modification would include Modifications that improve Licensed Immunotherapeutic stability, delivery, packaging, storage, shelf life, dosage or other similar matters.
- 1.130 “Protocol”** shall have the meaning ascribed thereto in Section 16.2.5.
- 1.131 “Receiving Party”** shall have the meaning ascribed thereto in Section 12.1.
- 1.132 “Regulatory Approval”** means all approvals, licenses, registrations or authorizations (excluding Price and Reimbursement Approvals) by Regulatory Authorities in a country (or supra-national organizations, such as the EMA) that are required for the marketing or sale of a Licensed Immunotherapeutic in such country or the conduct of clinical studies in such country.
- 1.133 “Regulatory Authority”** means any regulatory agency, ministry, department or other governmental body having authority in any country to control development, manufacture, marketing or sale of pharmaceutical or biologic products, including the FDA and the EMA.
- 1.134 “Remediation Plan”** means the plan attached as the Remediation Schedule to the 741 Agreement describing changes to be made in manufacturing at [\*] as the same may be amended pursuant to this Agreement or the 741 Agreement.
- 1.135 “[\*] Antigen”** means the Antigen with the sequence attached hereto as the [\*] Antigen Schedule, and any Variant thereof.
- 1.136 “Royalty Term”** shall have the meaning ascribed thereto in Section 8.3.
- 1.137 “Skipped Milestone”** shall have the meaning ascribed thereto in Section 7.4.3.
- 1.138 “Sublicensee”** means, with respect to a particular Licensed Immunotherapeutic, a Third-Party to whom JBI has granted a license or sublicense under any Aduro Patents or Aduro Know-How to make, use or sell such Licensed Immunotherapeutic to the extent permitted under Section 2.2 hereof.
- 1.139 “Technology Transfer Completion Plan”** shall have the meaning ascribed thereto in Section 5.2.
- 1.140 “Technology Transfer Plan”** shall have the meaning ascribed thereto in Section 5.1.
- 1.141 “Term”** shall have the meaning ascribed thereto in Section 15.1.2.
- 1.142 “Territory”** means the entire world.
- 1.143 “Third Party”** means an individual, corporation, or any other entity other than JBI, Aduro, and Affiliates of either Party.
- 1.144 “Third-Party Antigen”** shall have the meaning ascribed thereto in Section 2.5.3.
- 1.145 “Third-Party License”** means a license taken by JBI, its Affiliates or Sublicensees from a Third Party wherein the licensed intellectual property thereof Covers the Development, Manufacturing and/or Commercialization of a Licensed Immunotherapeutic.
- 1.146 “[\*] Agreement”** means the Exclusive License between [\*] for [\*] effective as of [\*], as may be amended in accordance with its terms.
- 1.147 “Valid Claim”** means a claim in any Aduro Patent, which claim has not expired or been held invalid by a non-appealed or unappealable decision by a court or other appropriate body of competent jurisdiction. For the purpose of royalty determination and payment, [\*].

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**1.148 “Variant”** means, with respect to any protein or peptide: (i) any other protein or peptide of identical sequence to such protein or peptide, regardless of post-translational modifications, including modifications to glycosylation, fucosylation, phosphorylation, or methylation; (ii) all other proteins or peptides translated from mRNA splice variants transcribed from the same human gene that encodes such protein or peptide; (iii) any protein or peptide having at least [\*] homology to such protein or peptide; and (iv) any truncated forms (including fragments thereof) of the foregoing that are intended to elicit an immune response to such protein or peptide.

## **2 LICENSE GRANTS**

### **2.1 Licenses.**

**2.1.1 License for Licensed Immunotherapeutics.** Subject to the terms and conditions of this Agreement including Section 2.6.3, Aduro hereby grants to JBI an exclusive license (even as to Aduro) under the Aduro Intellectual Property that is owned by Aduro or its Affiliates solely to Exploit Licensed Immunotherapeutics in the Field (including: (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 214 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2.

#### **2.1.2 Sublicense for Licensed Immunotherapeutics.**

(i) In addition, subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under the Aduro Intellectual Property that is Controlled but not owned by Aduro and/or its Affiliates on the Closing Date, including the Aduro Intellectual Property Controlled by Aduro pursuant to the [\*] Agreement, solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 214 Immunotherapeutics) with the right to sublicense as permitted in Section 2.2.

(ii) In addition, subject to the terms and conditions of this Agreement, Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under any Aduro Intellectual Property that becomes Controlled by Aduro subsequent to the Closing Date solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 214 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2, if no material additional payment would be required by Aduro to sublicense the same to JBI. Aduro shall give JBI prompt written notice of any such Aduro Intellectual Property.

(iii) With respect to Aduro Intellectual Property that is not owned by Aduro and becomes Controlled by Aduro subsequent to the Execution Date, if any material additional payment (including any royalty) would be required by Aduro to sublicense the same to JBI, then Aduro hereby grants to JBI an exclusive sublicense (even as to Aduro) under such Aduro Intellectual Property solely to Exploit the Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 214 Immunotherapeutics), with the right to sublicense as permitted in Section 2.2, provided that JBI agrees in writing to reimburse such amount to Aduro (or to pay such amount directly). Aduro shall promptly notify JBI of such necessary payment and the amount thereof. The Parties shall then [\*].

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### 2.1.3 JBI Improvements to Aduro Core Technology.

(i) JBI agrees that it will use reasonable efforts to ensure it owns or Controls all JBI Improvements to Aduro Core Technology.

(ii) JBI hereby grants to Aduro a co-exclusive (with JBI only), [\*] license, including the right to grant sublicenses, in (a) JBI Improvements to Aduro Core Technology and (b) enhancements, improvements or modifications to Aduro Core Technology, in each case Controlled by JBI or its Affiliates solely to Exploit [\*].

(iii) JBI agrees that JBI and its Affiliates will not grant to a Third Party any rights to JBI Improvements to Aduro Core Technology, or agree not to enforce Aduro Core Technology against any Third Party, other than in connection with the Exploitation of a Licensed Immunotherapeutic under this Agreement or a Licensed Immunotherapeutic as defined in the 741 Agreement.

**2.2 Sublicensing.** JBI may sublicense its rights to Licensed Immunotherapeutics to its Affiliates without Aduro's approval. In addition, [\*], JBI may sublicense its rights to one or more Licensed Immunotherapeutics to one or more Third Parties without Aduro's approval. JBI shall use its [\*] efforts to provide Aduro no less than [\*] days prior written notice of such sublicense, and shall promptly respond in good faith to any reasonable inquiries by Aduro with respect thereto. Such Third-Party Sublicensee must be reasonably capable of exploiting the market opportunity in the Territory for the Licensed Immunotherapeutic based on the likely development planned for the Licensed Immunotherapeutic at the time of sublicense and must agree in writing to assume JBI's obligations with respect to the Licensed Immunotherapeutic hereunder. In addition, and notwithstanding the foregoing, JBI may, without the need for approval by Aduro, distribute Licensed Immunotherapeutics through one or more Third Parties, granting any necessary and permissible licenses or sublicenses to any such Third-Party distributors. All such licenses or sublicenses shall contain terms consistent in all material respects with this Agreement including without limitation Sections 9, 11, 12, 14 and 16 hereof. JBI shall be responsible for the performance of its Sublicensees and for any failure by its Sublicensees to comply with the applicable terms and conditions of this Agreement. Sublicensees shall [\*].

**2.3 Performance by Affiliates.** The Parties agree that any Affiliate of either Party may perform any of that Party's obligations under this Agreement for or on behalf of that Party provided that a Party shall be fully responsible and liable for the actions of such Affiliates in the performance of such obligations and shall ensure that such Affiliates comply with the terms of this Agreement. Nothing in this Section 2.3 shall relieve either Party of any of its obligations under any provision of this Agreement to the extent that such obligation is not satisfied by performance thereof by such Affiliate of that Party.

**2.4 Retained Rights.** Subject to Section 2.6, notwithstanding anything that may be construed to the contrary herein, Aduro retains the right to use the Aduro Intellectual Property in order to Exploit products other than the Licensed Immunotherapeutics, on its own or with any other party throughout the world. For the avoidance of doubt, and without prejudice to the rights granted herein to Exploit Licensed Immunotherapeutics in the Field (including (i) for use in combination with any other product or service with respect to Permitted Derivative Immunotherapeutics for use in [\*]; and (ii) for use in combination with any other product or service with respect to 214 Immunotherapeutics), no license is granted in this Agreement to JBI to sell any Aduro product or Aduro product platform technology (including any small molecule, biomarker, diagnostic or the like) other than the Licensed Immunotherapeutics, whether alone or in combination with Licensed Immunotherapeutics and regardless of whether the Licensed Immunotherapeutics are sold under labelling for use in combination with any Aduro product or Aduro product platform technology.

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## 2.5 Development Work.

2.5.1 Process Modifications. JBI may make Process Modifications to any 214 Immunotherapeutic or Permitted Derivative Immunotherapeutic independently of Aduro, and without Aduro's consent. Any Process Modifications developed independently by Aduro shall constitute Aduro Intellectual Property and will be disclosed to JBI by Aduro.

### 2.5.2 Base Strain Modifications and Antigen Variations.

(i) By JBI and Aduro. Upon the request of JBI, Aduro shall [\*] Base Strain Modification or Antigen Variation. If, [\*] JBI desires Aduro's assistance with respect to a Base Strain Modification or Antigen Variation, it shall request the same in writing. If any such Base Strain Modification or Antigen Variation is requested by JBI[\*]. Such [\*]. Aduro shall [\*], and JBI shall [\*] as described in Section 2.5.4. For clarity, Base Strain Modifications and Antigen Variations shall [\*].

(ii) By Aduro. Any Base Strain Modifications or Antigen Variations developed independently by Aduro constitute Aduro Intellectual Property licensed hereunder and will be disclosed to JBI by Aduro.

(iii) Completed Modifications. Any 214 Immunotherapeutic or Permitted Derivative Immunotherapeutics Modified pursuant to this Section 2.5.2 shall thereafter be a 214 Immunotherapeutic or Permitted Derivative Immunotherapeutic, as the case may be, for all purposes of this Agreement.

### 2.5.3 Permitted Derivative Immunotherapeutics.

(i) An "Available Antigen" means:

- (a) [\*];
- (b) [\*];
- (c) [\*];
- (d) [\*] Antigen; and
- (e) any Antigen that is not subject to an agreement [\*] with respect thereto is given, which agreement would not permit [\*] (a "Third-Party Antigen"), and that is not an Aduro Immunotherapeutic Antigen unless it falls within the Antigen Exception.

(ii) "Aduro Immunotherapeutic Antigen" means any Antigen [\*] (an "Aduro Immunotherapeutic"), provided that JBI may use Antigens from an Aduro Immunotherapeutic in a proposed Permitted Derivative Immunotherapeutic so long as the Antigen(s) chosen [\*] (an "Antigen Exception"). For the purposes of the forgoing calculation, an Antigen, any copies of the same Antigen, and Variants of an Antigen part of an Aduro Immunotherapeutic shall be deemed to be a single Antigen. The following chart is for illustrative purposes:

[\*]

[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

[\*]

(iii) Should JBI wish to develop a Permitted Derivative Immunotherapeutic then JBI shall send Aduro written notice of the same (each a “**Permitted Derivative Notice**”) and Aduro shall [\*]. If [\*] any of the Antigens in the Permitted Derivative Notice are [\*], then [\*]. Notwithstanding anything that may be construed to the contrary, JBI agrees that no Licensed Immunotherapeutic shall contain [\*] [\*] Antigen, even if the addition of [\*] Antigen may be deemed a Variant hereunder, absent the prior written consent of Aduro, which consent shall not be unreasonably withheld. For the avoidance of doubt, the foregoing limitation does not apply to the [\*] Antigen.

(iv) If, following such consultation the relevant Antigens are Available Antigens, and JBI desires an Antigen Change that meets the requirements herein, it shall request the same in writing [\*]. Such [\*]. Aduro shall perform the activities specified in such plan and JBI shall reimburse Aduro as specified in Section 2.5.4. JBI shall be permitted [\*] during the Term for [\*] after the Closing Date, and [\*].

(v) If JBI [\*].

(vi) With respect to any Permitted Derivative Immunotherapeutic developed pursuant to this Section 2.5.3, JBI agrees that, except as may be agreed to in writing otherwise by Aduro, it shall [\*] any such Permitted Derivative Immunotherapeutic other than [\*]; provided that JBI may choose one or more Permitted Derivative Therapeutics that: (a) [\*]; and (b) [\*] (each such Permitted Derivative Immunotherapeutic, an “**JBI [\*] Permitted Derivative Immunotherapeutic**”) for Development and Commercialization by JBI in [\*] (the “**PD [\*] Indications**”); provided that [\*]. Another JBI [\*] if [\*]. For example, if JBI is [\*], then JBI may [\*]. Conversely, if JBI [\*] then JBI would be

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[\*]. For the avoidance of doubt, the foregoing limitations on [\*] shall also preclude [\*]. Furthermore JBI and its Affiliates shall [\*], except as may be agreed to in writing by Aduro. Notwithstanding the foregoing, nothing in this Agreement shall prevent or restrict JBI (x) from [\*] in any manner that it deems [\*] or [\*] or (y) [\*]. JBI shall not have any obligation pursuant to this Section 2.5.3 [\*].

2.5.4 Out-of-Pocket-Expenses and FTE Costs. All Out-of-Pocket Expenses and FTE Costs incurred on a Calendar Quarter basis in accordance with the specified activities set forth in the plans agreed by the Parties pursuant to Sections 2.5.2, 2.5.3, 3.2 and 5.6 shall be reimbursed to Aduro by JBI up to a total of [\*] of the budget corresponding to the specified activities for such Calendar Quarter; provided that the costs of activities outsourced to Third Parties shall be indicated to be estimates, ranges, per unit or per hour costs, as the case may be, in the applicable plan and budget and treated accordingly. Within [\*] calendar days of the end of each Calendar Month, Aduro shall submit an invoice to JBI in accordance with the invoice procedure set forth in the Invoice Procedure Schedule for the FTE Costs and Out-of-Pocket Expenses it incurred during such Calendar Month, together with a written report setting forth in reasonable detail such costs and expenses. Reimbursements shall be made within [\*] days after receipt of valid invoice as set forth in the Invoice Procedure Schedule.

## 2.6 Exclusivity.

2.6.1 During the Term, except as may be agreed to in writing otherwise by JBI, Aduro, its Affiliates and its and their respective Sublicensees shall [\*]. For the avoidance of doubt, the foregoing limitation on [\*] shall also [\*] performed by Third Parties [\*], including the provision of [\*] insofar as it has not been provided prior to the Execution Date. Furthermore, Aduro [\*], except as may be agreed to in writing by JBI. Notwithstanding the foregoing, nothing in this Agreement shall prevent or restrict Aduro from (i) [\*] in any manner that it deems [\*] or [\*]. Aduro shall [\*].

2.6.2 During the Term, Aduro, its Affiliates, and its and their respective Sublicensees shall also not grant any Third Party a right or license to any Aduro Intellectual Property to Exploit any [\*]r. Subject to the terms of this Agreement which expressly provide otherwise, Aduro shall [\*].

2.6.3 JBI, its Affiliates and its and their respective Sublicensees shall [\*] (together, the “[\*]”), unless approved in writing by Aduro. Furthermore JBI shall [\*], except as may be agreed to in writing by Aduro. Notwithstanding the foregoing, nothing in this Agreement shall prevent or restrict JBI from (i) [\*] in any manner that it [\*] or [\*] or (ii) [\*]. For the avoidance of doubt, the foregoing limitations on [\*] shall also [\*].

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2.6.4 During the Term, Aduro, its Affiliates and its and their respective Sublicensees shall not Develop, Manufacture or Commercialize, for their own account or on behalf of or in collaboration with any Third Party, any listeria-based immunotherapeutic that: [\*] (an “**Overlapping Product**”). For clarity, Aduro has the right to use (i) [\*] Antigen in other products, including listeria-based products and (ii) the [\*] Antigen in other products, including listeria-based products. Both Parties understand and acknowledge that the other Party may have present or future initiatives or opportunities, including initiatives or opportunities with a Third Party, involving similar products, programs, technologies or processes (other than Overlapping Products) that may compete with a product, program, technology or process covered by this Agreement. Each Party acknowledges and agrees that nothing in this Agreement will be construed as a representation, warranty, covenant or inference that the other Party or its Affiliates will not itself develop, manufacture or market or enter into business relationships with one or more Third-Parties to develop, manufacture or market products, programs, technologies or processes (other than Overlapping Products) that [\*] covered by this Agreement.

### 3 IND SUBMISSION AND MANUFACTURING UPDATE PLAN

- 3.1 IND Submission and Manufacturing Update Plan.** The IND Submission and Manufacturing Update Plan is attached hereto as the IND Submission and Manufacturing Update Plan Schedule. The Parties shall each perform the activities specified in and allocated to it in the IND Submission and Manufacturing Update Plan in the time frames set forth therein.
- 3.2 Other Development Agreed in Writing by the Parties.** Should Aduro and JBI agree to perform together Development or Manufacturing of Licensed Immunotherapeutics other than as set forth in the IND Submission and Manufacturing Update Plan (each an “**Other Development**”), then such Other Development, along with relevant timelines and budgets (and any terms and conditions particular to such Other Development), shall be set forth in a plan for such Other Development that is agreed and executed by the Parties. The cost to JBI for such Other Development shall be Aduro’s FTE Costs and Out-of-Pocket Expenses, unless otherwise agreed by the Parties, and reimbursed as described in Section 2.5.4 above.
- 3.3 Subcontracting.** Each Party may perform any activities in support of its activities under this Agreement through subcontracting to a Third-Party contractor or contract service organization; provided that: (i) none of the rights of the other Party hereunder are materially adversely affected as a result of such subcontracting; (ii) any such Third-Party subcontractor shall enter into an appropriate written agreement obligating such Third Party to be bound by obligations of confidentiality and restrictions on use that are no less restrictive than set forth herein; (iii) such Party will obligate such Third Party to agree in writing to assign or license (with the right to grant sublicenses) to such Party any inventions (and Patents covering such inventions) invented or otherwise discovered or generated by such Third Party, and know-how generated by such Third Party, in performing such services for such Party that are necessary for such Party to meet its ownership and license obligations under this Agreement; and (iv) such Party shall be responsible for appropriately monitoring, directing, managing and supervising such subcontractor and, if it fails to do so, shall be responsible for the acts and omissions of such subcontractor. Notwithstanding the foregoing, except as expressly set forth otherwise in the IND Submission and Manufacturing Update Plan, Aduro shall not sub-contract any of the activities set forth therein to a Third Party without JBI’s prior written consent, which consent shall not be unreasonably withheld, delayed or conditional.
- 3.4 Limitation of Development and Manufacturing Obligations.** This Article 3, together with Sections 2.5 and 2.6, sets out the Development and Manufacturing obligations of Aduro under this Agreement. All additional activities requested by JBI shall be subject to the written agreement of Aduro in its sole discretion.
- ### 4 OVERSIGHT OF THE IND SUBMISSION AND MANUFACTURING UPDATE PLAN
- 4.1 General.** Aduro shall conduct the activities performed under the IND Submission and Manufacturing Update Plan in cooperation with JBI (and excluding any activities to be conducted by JBI as expressly set forth therein).

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- 4.2 IND Submission and Manufacturing Update Plan and Technology Transfer Plan Managers.** Promptly following the Closing Date, each Party shall nominate managers to act as the respective points of contact for that Party for each of the IND Submission and Manufacturing Update Plan and Technology Transfer Plan with respect to development, manufacturing, regulatory, and other collaborative activities hereunder, which managers will coordinate each Party's respective tasks and ensure that queries and comments are directed within his/her organisation appropriately to ensure efficient communication and cooperation between the Parties. Either Party may replace its managers at any time upon written notice to the other Party. Managers would be expected to attend meetings of the JSC at either Party's request.
- 4.3 Joint Steering Committee.** Promptly after the Closing Date, the Parties shall establish a committee (the "**Joint Steering Committee**" or "**JSC**") as more fully described below. The JSC shall review and oversee the activities performed under the IND Submission and Manufacturing Update Plan and Technology Transfer Plan; provided, however, that the JSC shall have no authority to amend this Agreement.
- 4.4 Membership and Meetings of the JSC.**

4.4.1 The JSC shall comprise an equal number of representatives from each of JBI and Aduro. The exact number of such representatives shall be up to two (2) for each Party, or such other number as the Parties may agree. Each Party shall provide the other with a list of its initial members of the JSC within [\*] days after the Closing Date. Notwithstanding that each Party shall use reasonable endeavours to maintain the continuity of its representation, each Party may replace any or all of its representatives and/or appoint a proxy at any time by giving prior written notification to the other. Each Party may, in its reasonable discretion, invite up to two (2) other employees of such Party to attend meetings of the JSC. Additional attendees shall be subject to the prior consent of the other Party. Each Party will provide advance notice of any additional attendees it will include without limitation at a meeting of the JSC. Each Party shall designate one (1) of its JSC members as co-chair.

4.4.2 Until such time as the IND Submission and Manufacturing Update Plan has been completed, the JSC shall meet at least four (4) times per year in a manner, time and place as the Parties shall agree. Meetings of the JSC that are held in person shall alternate between the offices of the Parties, or such other place as the Parties may agree. Each Party will be responsible for its members expenses incurred in attending all JSC meetings.

4.4.3 The chairpersons of the JSC shall be responsible for calling each meeting, setting and distributing agenda items in advance of the meeting and issuing appropriate minutes of each meeting of the JSC within [\*] days of the date of such meeting and shall allocate such responsibilities between themselves. The minutes shall be considered as accepted if, within [\*] days from receipt, no one has objected in a traceable form to the chairpersons.

- 4.5 JSC Responsibilities.** The JSC shall oversee the conduct of the IND Submission and Manufacturing Update Plan and Technology Transfer Plan. To that end, the JSC shall be responsible, without limitation, for the following:

4.5.1 The review of the progress of, and approval of any modifications to, the IND Submission and Manufacturing Update Plan and Technology Transfer Plan, including modifications to the associated budgets subject to the penultimate sentence of this Section 4.5;

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4.5.2 The formation of sub-committees for development, regulatory, manufacturing or otherwise as appropriate, which sub-committees shall report their progress to the JSC at each regularly scheduled JSC meeting, with any dispute among the sub-committee members referred to the JSC for resolution; and

4.5.3 Any other responsibilities as may be assigned to the JSC pursuant to this Agreement or as may be mutually agreed upon by the Parties in writing from time to time.

Where any decision of the JSC would alter or increase Aduro's contractual obligations or financial obligations under this Agreement, including the IND Submission and Manufacturing Update Plan, then the JSC's role shall be limited to making recommendations to the Parties as to the proposed decision. Any such decision shall not take effect unless and until agreed by the Parties in writing in an amendment to this Agreement.

- 4.6 Quorum and Decision Making.** A meeting of the JSC shall be considered to have a quorum provided that the co-chairperson from each Party is in attendance and a majority of the JSC is present at such meeting. In the event the JSC members are unable to agree on a particular decision, the issue in question shall be referred to the management of JBI and Aduro, as designated in Article 16, for further deliberation. In the event that JBI and Aduro do not reach consensus on a matter within the purview of the JSC, then except as set forth in Section 4.5 above, JBI shall have the final decision. Any decision required or permitted to be taken by the JSC may be taken in accordance with the above without a meeting taking place, if a consent in writing including electronic mail, setting forth the decision so taken, is approved by the chairpersons.
- 4.7 Termination.** Following completion of the activities specified in each of the IND Submission and Manufacturing Update Plan and Technology Transfer Plan, either Party shall have the right to terminate the JSC by written notice to the other.

## 5 TECHNOLOGY TRANSFER; MASTER CELL BANK; MANUFACTURING; AND PLATFORM UPDATES

- 5.1 Initial Technology Transfer.** Aduro will transfer or arrange to have transferred to JBI, in accordance with the plan set forth as the Technology Transfer Plan Schedule (the "**Technology Transfer Plan**"): (i) a copy of all Aduro Know-How useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics; (ii) all materials useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics (in quantities set out in the IND Submission and Manufacturing Update Plan or if not set forth therein in reasonable quantities to be mutually agreed upon); (iii) a copy of all preclinical and clinical analytical or other assays useful or reasonably necessary for the Development or Manufacturing of Licensed Immunotherapeutics in an orderly fashion including those specifically set forth in the Technology Transfer Schedule; and (iv) any other items set forth therein. Aduro shall use its commercially reasonable best efforts to complete such transfer within [\*] days following the Closing Date.
- 5.2 Technology Transfer Completion Plan.** With respect to any Aduro Know-How or materials not already transferred pursuant to Section 5.1 above prior to the first meeting of the JSC, the JSC shall develop procedures and make such plan (a "**Technology Transfer Completion Plan**") as the JSC deems necessary. If any such Aduro Know-How already exists in electronic form, then it shall be transferred in electronic rather than paper form.
- 5.3 Transfer of Additional Aduro Know-How.** If either JBI or Aduro discovers any Aduro Know-How or materials that have not been transferred to JBI pursuant to Sections 5.1 and 5.2 above and that is useful or reasonably necessary for the Development and Commercialization of a Licensed Immunotherapeutic, including any which arises pursuant to the activities conducted under the IND Submission and Manufacturing Update Plan, then Aduro shall promptly transfer to JBI, such materials or a copy of such Aduro Know-How. If such Aduro Know-How already exists in electronic form, then it shall be transferred in electronic rather than paper form.

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- 5.4 Master Cell Bank and Manufacturing pursuant to the IND Submission and Manufacturing Update Plan.** The clinical supplies of the Lead 214 Immunotherapeutic shall be prepared as described in the IND Submission and Manufacturing Update Plan. Title to the Master Cell Bank and the clinical supplies shall vest with JBI, and Aduro may not use them for any purpose other than to satisfy its obligations under this Agreement. Aduro shall ensure that clinical supplies supplied to JBI under the IND Submission and Manufacturing Update Plan shall meet the release specifications mutually agreed to by Aduro and JBI and be manufactured in accordance with GMPs. Without limiting the foregoing, Aduro shall cooperate with JBI in the implementation of the Remediation Plan as described in the 741 Agreement. In addition, Aduro and the Janssen Supply Chain quality organization shall introduce into the quality agreement contemplated by the 741 Agreement such provisions as are necessary so that JBI will also have direct oversight of both (i) Aduro's quality control and quality assurance with respect to the Master Cell Bank and (ii) the [\*].
- 5.5 Manufacturing of Licensed Immunotherapeutics Subsequent to IND Submission and Manufacturing Update Plan Activity.** Upon JBI's request, Aduro shall provide reasonable cooperation to JBI to assist JBI in establishing its own manufacturing relationships or agreements with any Third Party to manufacture Licensed Immunotherapeutics or any components thereof, including technology transfer activities from Aduro's Third-Party manufacturers to manufacturers selected by JBI, provided that all costs incurred with respect to any such agreements and relationships with Third Parties shall be borne solely by JBI.
- 5.6 Technology Transfer Costs.** The cost to JBI for such Technology Transfer activities shall be [\*]. Other than the Technology Transfer activities contemplated in the Technology Transfer Plan, the Parties shall agree in writing on plans and budgets necessary to implement Technology Transfer activities contemplated by this Section 5.6 taking into account the reasonable availability of Aduro's resources.
- 5.7 Platform Updates.** Commencing after the second year anniversary of the Closing Date, Aduro shall provide to JBI, on the following schedule and at no charge, but subject to Section 7.2, an annual update on Aduro's *Listeria monocytogenes*-based technology platform (each a "**Platform Update**") consisting of the information set forth in the Platform Update Schedule. Platform Updates hereunder shall be provided on the same schedule as are Platform Updates (as defined in the 741 Agreement) under the 741 Agreement and, if appropriate, may be consolidated into single report.

## **6 RESEARCH, DEVELOPMENT AND COMMERCIALIZATION OF LICENSED IMMUNOTHERAPEUTICS**

- 6.1 General.** Except as otherwise expressly provided for in this Agreement (including the IND Submission and Manufacturing Update Plan), and subject to its obligations herein, JBI shall have decision-making authority, control and responsibility with respect to all Development, Manufacturing and Commercialization of Licensed Immunotherapeutics.

Without limiting the foregoing, Aduro and JBI have considered together the [\*] for the Licensed Immunotherapeutics and JBI's [\*] includes as a portion of the overall plan the [\*] Subset of Planned [\*] Schedule annexed to this Agreement (each a "Planned [\*]"). A draft [\*] each such Planned [\*] shall be shared with Aduro prior to [\*], and Aduro shall be permitted [\*] days to review and comment on the draft [\*]. All comments from Aduro will be carefully considered by JBI. Any material amendments to the [\*] for each [\*] shall be promptly provided to Aduro for review and discussed with Aduro if so requested.

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## 6.2 Commercially Reasonable Efforts.

6.2.1 JBI will use Commercially Reasonable Efforts to Develop in order to seek approval for and, where approved, Commercialize Licensed Immunotherapeutics in: [\*], except in those situations where JBI can demonstrate failure to perform such Development or to seek approval is due to circumstances beyond JBI's reasonable control. JBI will send Aduro a written status report on its activities with respect to its Development and Commercialization of Licensed Immunotherapeutics every twelve (12) months. The report will summarize material Development and Commercialization efforts and expected Commercialization timelines on a country-by-country basis (to the extent JBI prepares such reports on a country-by-country basis for its own use). Aduro shall have the right to inquire of JBI following each Calendar Quarter whether any material changes in its Development and Commercialization effort have occurred since the last annual report, and JBI will use commercially reasonable efforts to provide to Aduro an oral or written summary promptly thereafter. Without limiting the foregoing, in the event that JBI [\*] in order to [\*], the expense associated with such [\*] shall not be a basis for JBI [\*].

6.2.2 If Aduro believes that JBI is not complying with its obligations under Section 6.2.1 above, it shall send a written notice to JBI stating the same and detailing what specific steps Aduro believes would be necessary for JBI to remedy such deficiency. Within [\*] days thereafter, Aduro and JBI shall meet and discuss in good faith an appropriate solution. Should the Parties be unable to agree on an appropriate solution, a progressive escalation process may be instituted by Aduro up to and including a meeting between the CEO of Aduro and the head of oncology research, development, and/or commercialization (as relevant) of JBI or its Affiliates and non-binding mediation in accordance with Section 16.1.

6.2.3 Should Aduro and JBI be unable to agree after use of the escalation process, Aduro shall have the right to trigger arbitration as contemplated in Section 6.2.4 below.

6.2.4 All issues under Section 6.2.1 remaining unresolved after escalation as described above shall be resolved by binding arbitration pursuant to the CPR Global Rules for Accelerated Commercial Arbitration ("**CPR Accelerated Rules**"), except where that procedure conflicts with these provisions, in which case these provisions shall control. The arbitration shall be conducted by a single neutral, mutually agreed arbitrator with at least ten (10) years' experience in the life sciences industry and with appropriate expertise in the area in which the subject dispute arose; provided that if the Parties are unable to agree as to appropriate arbitrator, such arbitrator shall be appointed by CPR Institute for Dispute Resolution ("**CPR**") from its Health Care & Life Sciences Panel of Distinguished Neutrals or other Panel provided such arbitrator has the credentials referenced above. The expert arbitrator shall be impartial and independent of the Parties and shall abide by the Code of Ethics for Arbitrators in Commercial Disputes (available at <http://www.adr.org/EthicsAndStandards>). Each Party shall provide the arbitrator and the other Party with a written report setting forth its position with respect to the substance of the dispute within [\*] days after the Initial Conference (as defined by the CPR Accelerated Rules). Each Party may submit a revised report and position to the arbitrator within [\*] days of receiving the other Party's report. If so requested by the arbitrator, each Party shall make oral and/or other written submissions to the arbitrator in accordance with the CPR Accelerated Rules; provided that the other Party shall have the right to be present during any oral submissions. In any arbitration under this Section 6.2.4, the arbitrator and the Parties shall use their diligent efforts to resolve such dispute within [\*] days after the selection of the arbitrator. The arbitrator's ruling shall be final and binding upon the Parties; provided that a Party may challenge such ruling solely in the event of misconduct by the arbitrator.

6.2.5 In rendering a decision the arbitrator shall specify what, if any, obligations JBI failed to perform and specify those actions which JBI should undertake to satisfy the obligations set forth in Section 6.2.1. If the arbitrator determines that JBI has not met its obligations under Section 6.2.1, JBI shall then have the option of: (i) agreeing to use reasonable efforts to perform the specified steps as set forth by the arbitrator; (ii) revising the definition of Territory herein to exclude some or all of such country(ies) from this Agreement;

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or (iii) seeking a Sublicensee, either globally or on a country specific basis as necessary to perform the specified steps in some or all of such country(ies). Except as expressly provided herein, there shall be no obligations of Development, Commercialization or other diligence, either implied or construed, upon a Party.

## 7 FINANCIALS

- 7.1 License Fee.** As consideration for the rights and obligations as set forth herein, JBI shall pay Aduro a non-refundable license fee of thirty million US dollars (US\$30,000,000). Aduro shall invoice JBI promptly after the Closing Date, and JBI shall make such payment within [\*] business days of receipt thereof.
- 7.2 Early Platform Update Payment.** Aduro shall have the right, at its sole option, to provide a Platform Update described in Section 5.7 to JBI no sooner than [\*] following the Closing Date and no later than [\*] following the Execution Date (the “**Platform Early Update Period**”). If Aduro does provide a Platform Update during the Platform Early Update Period, so long as such early Platform Update meets the criteria set forth on the Platform Update Schedule, JBI will pay Aduro a non-refundable early platform update payment of [\*]. Aduro shall invoice JBI promptly after delivery of the Platform Update, and JBI shall make such payment within [\*] days of receipt thereof in accordance with the Invoice Procedure Schedule. Notwithstanding the foregoing, JBI shall have the right to accelerate the window for such early Platform Update upon [\*] days written notice to Aduro, in which case the early Platform Early Update Period shall be reset to extend from [\*] days following the date of Aduro’s receipt of such notice until the date that is [\*] days following the date of Aduro’s receipt of such notice, inclusive. In the event Aduro confirms in writing that it will not provide such early Platform Update during the applicable period, whether or not accelerated pursuant to the previous sentence: (i) Aduro shall not be deemed to be in breach of the Agreement on the account of such omission; and (ii) JBI shall have no obligation to make such payment, regardless of any later Platform Update(s). The Parties shall meet in person or via teleconference during the first week of the Platform Early Update Period (whether accelerated or not) to discuss plans for the early Platform Update.
- 7.3 IND Submission and Manufacturing Update Plan Payments.** Subject to the terms and conditions of this Agreement, in consideration of Aduro’s performance of the IND Submission and Manufacturing Update Plan, JBI shall pay, or cause to be paid, to Aduro each of the following non-refundable, non-creditable payments upon the achievement of each of the following events.

PAYMENTS FOR PERFORMANCE OF THE IND SUBMISSION AND MANUFACTURING UPDATE PLAN		Payment
[*]		\$ [*]
[*]		\$ [*]

The achievement of any event set forth above shall accelerate all other events that precede such event, and in such case, the event not previously achieved will be deemed to have been achieved for all purposes under this Agreement at the time of achievement of any subsequent event.

### 7.4 Milestone Payments.

7.4.1 Subject to the terms and conditions of this Agreement, in partial consideration for the rights and licenses granted by Aduro to JBI hereunder, JBI shall pay, or cause to be paid, to Aduro each of the following non-refundable, non-creditable milestone payments upon the achievement of each of the following milestone events by JBI, its Affiliates or its Sublicensees with respect to Licensed Immunotherapeutics. For the avoidance of doubt, each milestone payment listed below shall be payable only once and shall not be paid

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on any subsequent occurrence of the same event with respect to any subsequent Licensed Immunotherapeutic. In addition, for each First Commercial Sale milestone, such milestone would only be payable in connection with a First Commercial Sale for the [\*] after Regulatory Approval of such Licensed Immunotherapeutic for [\*] (e.g. [\*] would not trigger such milestone and therefore if a Licensed Immunotherapeutic [\*] not result in [\*]). For purposes of this Section 7.4.1, [\*].

Milestone Events	Milestone payment
(1) [*]	\$[*]
(2) [*]	\$[*]
(3) [*]	\$[*]
(4) [*]	\$[*]
(5) [*]	\$[*]
(6) [*]	\$[*]
(7) [*]	\$[*]
(8) [*]	\$[*]
(9) [*]	\$[*]
(10) [*]	\$[*]
(11) [*]	\$[*]
(12) [*]	\$[*]
(13) [*]	\$[*]
(14) [*]	\$[*]
(15) [*]	\$[*]
(16) [*]	\$[*]
(17) [*]	\$[*]
(18) [*]	\$[*]
(19) [*]	\$[*]
(20) [*]	\$[*]
(21) [*]	\$[*]

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Milestone Events		Milestone payment
(22)	[*]	\$[*]
(23)	[*]	\$[*]
(24)	[*]	\$[*]
(25)	[*]	\$[*]
(26)	[*]	\$[*]
(27)	[*]	\$[*]
(28)	[*]	\$[*]
(29)	[*]	\$[*]
(30)	[*]	\$[*]
(31)	[*]	\$[*]
(32)	[*]	\$[*]
(33)	[*]	\$[*]
(34)	[*]	\$[*]
(35)	[*]	\$[*]
(36)	[*]	\$[*]
(37)	[*]	\$[*]
(38)	[*]	\$[*]; additional \$[*] if prior to [*]
(39)	[*]	\$[*]
(40)	[*]	\$[*]; additional \$[*] if prior to [*]
(41)	[*]	\$[*]
(42)	[*]	\$[*]; additional \$[*] if prior to [*]
(43)	[*]	\$[*]
(44)	[*]	\$[*]
(45)	[*]	\$[*]
(46)	[*]	\$[*]

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Milestone Events		Milestone payment
(47)	[*]	\$[*]
(48)	[*]	\$[*]
(49)	[*]	\$[*]
(50)	[*]	\$[*]
(51)	[*]	\$[*]
(52)	[*]	\$[*]
(53)	[*]	\$[*]
(54)	[*]	\$[*]
(55)	[*]	\$[*]
(56)	[*]	\$[*]
(57)	[*]	\$[*]
(58)	[*]	\$[*]
(59)	[*]	\$[*]
(60)	[*]	\$[*]
(61)	[*]	\$[*]
(62)	[*]	\$[*]
(63)	[*]	\$[*]
(64)	[*]	\$[*]
(65)	[*]	\$[*]
(66)	[*]	\$[*]
(67)	[*]	\$[*]
(68)	[*]	\$[*]
(69)	[*]	\$[*]
(70)	[*]	\$[*]
(71)	[*]	\$[*]
(72)	[*]	\$[*]

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Milestone Events		Milestone payment
(73)	[*]	\$[*]
(74)	[*]	\$[*]

7.4.2 JBI shall notify Aduro promptly in writing (and in any event within [\*] days of the achievement of any milestone event). Aduro shall invoice JBI promptly upon receipt of such notice and JBI shall make the applicable non-refundable milestone payments set forth above within [\*] days of receipt thereof.

7.4.3 The achievement of certain milestones set forth above (an “**Achieved Milestone**”) shall accelerate certain specified other milestones that would usually (but not always) be achieved in advance of such Achieved Milestone (a “**Skipped Milestone**”). In such case, the associated Skipped Milestone not previously or concurrently achieved will be deemed to have been achieved for all purposes under this Agreement at the time of achievement of the Achieved Milestone. Only Skipped Milestones set forth in the below table for each Achieved Milestone will be so accelerated or deemed to have been achieved without actually being achieved.

Achieved Milestone	Associated Skipped Milestones
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

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**8.1 Royalty Amount.** As partial consideration for the exclusive licenses provided herein, and subject to the limitations below, JBI shall pay to Aduro royalties on aggregate Net Sales of Licensed Immunotherapeutics for each Calendar Year during the Royalty Term, applicable on a Licensed Immunotherapeutic by Licensed Immunotherapeutic basis, as follows:

(ii) for Net Sales of a Licensed Immunotherapeutic in a Calendar Year of between an aggregate [\*] and [\*] worldwide, [\*] of that portion of such Net Sales as occurred in the United States and [\*] of that portion of such Net Sales as occurred outside of the United States (in each case, as determined in accordance with Section 8.2 below);

(iv) for Net Sales of a Licensed Immunotherapeutic in a Calendar Year of greater than an aggregate of [\*] worldwide, [\*] of that portion of such Net Sales as occurred in the United States and [\*] of that portion of such Net Sales as occurred outside of the United States (in each case, as determined in accordance with Section 8.2 below).

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- 8.2 Territorial Pro Ration.** In order to determine what amount of Net Sales in each tier shall be applied to Net Sales within the United States versus outside of the United States, such tier shall be pro-rated in a ratio in which global Net Sales for the applicable Calendar Quarter are divided between Net Sales in the United States and Net Sales outside of the United States. For example if, in a given Calendar Quarter, \$[\*] of Net Sales were made globally, and [\*] of such Net Sales occurred in the United States, then JBI would pay royalties under the tier described in Section 8.1(i) on \$[\*] at the rate set forth for the United States (e.g. [\*]) and on \$[\*] at the rate set forth for outside of the United States (\$[\*]). With respect to the remaining \$[\*], JBI would pay royalties under the tier described in Section 8.1(ii) on [\*] of such Net Sales (e.g. \$[\*]) at the rate set forth for the United States (e.g. \$[\*]) and on [\*] of such Net Sales (e.g. \$[\*]) at the rate set forth for outside of the United States (e.g. \$[\*]) and under the tier described in Section 8.1(iii) on [\*] of such Net Sales (e.g. \$[\*]) at the rate set forth for the United States (e.g. \$[\*]) and on the [\*] of such Net Sales (e.g. \$[\*]) at the rate set forth for outside of the United States (e.g. \$[\*]).
- 8.3 Royalty Term.** The royalty amounts set forth above shall be payable for each Licensed Immunotherapeutic on a product-by-product and country-by-country basis from the date of First Commercial Sale of such Licensed Immunotherapeutic in such country until the later of: (a) twelve (12) years from the date of First Commercial Sale of such Licensed Immunotherapeutic in such country; (b) until the last to expire of any Valid Claim of an Aduro Patent that Covers the composition of matter of such Licensed Immunotherapeutic or the only approved method(s) of use of such Licensed Immunotherapeutic in such country; or (c) expiry of all Data Exclusivity Rights with respect to such Licensed Immunotherapeutic in such country (the “**Royalty Term**”).
- 8.4 Period Pro Ration.** If an event that results in a change to the royalty rate payable occurs during a Calendar Quarter (such as a patent expiry or the third anniversary of the First Commercial Sale of a Licensed Immunotherapeutic) and it is not practical to determine with certainty which relevant Net Sales took place before and which Net Sales took place after such event, then the Net Sales for such Calendar Quarter affected by such change shall be pro-rated over such Calendar Quarter based upon the number of business days in the relevant country or countries in the Territory in such Calendar Quarter before the occurrence of such event as compared to the total business days in such country or countries in such Calendar Quarter.
- 8.5 Royalty Rate Adjustments.**

8.5.1 Valid Claim. On a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic and country-by-country basis, the royalty rates specified in Section 8.1 above shall be reduced by (x) [\*] (i.e. to [\*] and [\*]) of the applicable royalties payable by JBI, its Affiliates or Sublicensees pursuant to Section 8.1(i) and (y) [\*] of the applicable royalties payable by JBI, its Affiliates or Sublicensees pursuant to Sections 8.1(ii), 8.1 (iii) and 8.1(iv), in each case with respect to Net Sales of a Licensed Immunotherapeutic in a country in which there is no Valid Claim [\*] of such Licensed Immunotherapeutic in such country.

8.5.2 Third-Party Licenses. The Parties acknowledge and agree that JBI may enter into Third-Party Licenses reasonably useful or necessary for the Exploitation of Licensed Immunotherapeutics. In such event, JBI shall, subject to Section 8.5.4 below, be entitled to deduct from royalties otherwise payable to Aduro in respect of Net Sales in the country or countries in respect of which it has obtained such a license, [\*] of the applicable royalty payments actually paid by JBI, its Affiliates or Sublicensees to such Third Party

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pursuant to such Third-Party License in the relevant period in respect of sales of such Licensed Immunotherapeutic in such country or countries. Notwithstanding the foregoing, no deduction may be taken for any Third-Party payments in respect of [\*].

8.5.3 Compulsory License. If at any time a Third Party in any country shall, under the right of a Compulsory License manufacture, use, sell, offer to sell, or import any Licensed Immunotherapeutic, then with respect to the royalties that would be payable hereunder JBI may reduce the royalty rate on sales in such country of such Licensed Immunotherapeutic to the compulsory royalty rate.

8.5.4 Cumulative Adjustments; Exclusions. Notwithstanding anything to the contrary herein, under no circumstances will aggregate royalties due to Aduro in any Calendar Year in any country with respect to a given Licensed Immunotherapeutic be reduced by the application of the reductions and offsets set forth in this Section 8.5: (i) with respect to royalty amounts due under Section 8.1(i), by an aggregate amount greater than the reduction permitted under Section 8.5.1(x) and (ii) with respect to royalty amounts due under Sections 8.1(ii) and 8.1(iii), by an aggregate amount greater than [\*] of the royalty amount that would otherwise be payable (assuming no deductions) to Aduro pursuant to Sections 8.1(ii) and 8.1(iii).

## 9 PAYMENT TERMS

### 9.1 Currency of Payment and Related Matters.

9.1.1 All payments under this Agreement will be made in United States dollars.

9.1.2 For purposes of computing royalty payments for Net Sales made in currencies other than United States Dollars, such Net Sales shall be converted into United States dollars using the Currency Hedge Rate(s).

9.1.3 For the upcoming calendar year, JBI shall provide in writing to Aduro not later than [\*] business days after the Currency Hedge Rate(s) are available from the GTSC (which is customarily at the end of October): (i) a Currency Hedge Rate(s) to be used for the local currency of each country of the Territory; and (ii) the details of such Currency Hedge Rate(s).

9.1.4 The Currency Hedge Rate(s) will remain constant throughout the upcoming Calendar Year and JBI shall use the Currency Hedge Rate(s) to convert Net Sales to the Dollars for the purpose of calculating royalties.

9.1.5 All royalties shall be paid through wire transfer at the bank(s) and to the account(s) designated by Aduro.

9.2 **Late Payments.** If JBI fails to pay a sum payable by it under this Agreement within [\*] business days after the due date for payment, JBI shall pay interest on such sum for the period from and including the due date up to the date of actual payment at the rate that is [\*]. The interest will accrue from day to day on the basis of the actual number of days elapsed and a 365-day year and shall be payable on demand and compounded quarterly in arrears.

9.3 **Reports and Payments.** JBI shall make all royalty payments due within [\*] days following the end of each Calendar Quarter. Furthermore, each royalty payment due shall be accompanied by a written report showing the Net Sales and the royalty amount payable during the relevant Calendar Quarter. At the end of each Calendar Year, the Parties shall calculate whether there has been any underpayment or overpayment by JBI during the course of that Calendar Year. In the event that an overpayment has occurred, JBI shall be entitled to offset such overpayment against royalties payable to Aduro in the first Calendar Quarter of the subsequent Calendar Year and in the event that an underpayment has occurred, JBI shall pay a sum equal to such underpayment to Aduro in addition to the royalties paid in the first Calendar Quarter of the subsequent Calendar Year. If prepared by JBI

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for its own internal purposes, JBI will provide Aduro [\*] within the first [\*] days of the end of the applicable Calendar Quarter. Such [\*] shall be reasonably based on information then-currently available and is non-binding [\*]. JBI will not be responsible for Aduro's use of [\*] and shall have no liability with respect thereto. Aduro acknowledges that [\*] is being provided solely for Aduro's convenience.

- 9.4 Records.** Each Party shall keep and cause its Affiliates and Sublicensees to keep true and accurate books and records, consistent with relevant accounting standards in sufficient detail to enable the payments due or subject to reimbursement to be determined, until the end of the third Calendar Year following the Calendar Year to which such books and records pertain or, if longer, as required by Applicable Law. Upon the request of a Party, but not more often than once per Calendar Year, such Party may, at its expense (except as otherwise provided herein), designate an independent public accountant acceptable to the other Party (such acceptance not to be unreasonably withheld, conditioned or delayed) to review such books and records to verify the accuracy of the payments made or payable hereunder during the preceding three (3) Calendar Years. The report of the independent public accountant may be provided with the other Party prior to distribution to the auditing Party such that the other Party can provide the independent public accountant with justifying remarks for inclusion in the report prior to sharing the conclusions of such independent public audit. The final audit report will be shared with JBI and Aduro at the same time and specify whether the amounts paid to a Party pursuant thereto were correct or, if incorrect, the amount of any underpayment or overpayment. The non-auditing Party shall promptly pay any underpayment to the auditing Party, together with interest calculated in the manner provided in Section 9.2. If the independent accountant discovers any inaccuracy that has caused any underpayments to the auditing Party by the non-auditing Party of [\*] or more in the relevant audit period, the expenses of the accountant shall be borne by non-auditing Party.
- 9.5 No Further Payment Obligations.** JBI shall have no payment obligations to Aduro except as expressly set forth in this Agreement. Except as may otherwise be expressly agreed to in writing by JBI, Aduro is solely responsible for any royalties, milestones, or any other payment or consideration due to any Third Party as a result of JBI's Development or Commercialization of the Licensed Immunotherapeutics, including any consideration due to The [\*] pursuant to the [\*] Agreement.

## 10 TAXES

**10.1** JBI will make all payments to Aduro under this Agreement without deduction or withholding for taxes except to the extent that any such deduction or withholding is required by law in effect at the time of payment.

**10.2** Any tax required to be withheld on amounts payable under this Agreement will promptly be paid by JBI on behalf of Aduro to the appropriate governmental authority, and JBI will furnish Aduro with proof of payment of such tax. Any such tax required to be withheld will be an expense of and borne by Aduro.

**10.3** JBI and Aduro will cooperate with respect to all documentation required by any taxing authority or reasonably requested by the other to secure a reduction or exemption in the rate of applicable withholding taxes. On the Closing Date, Aduro will deliver to JBI an accurate and complete Internal Revenue Service Form W-9

**10.4** If JBI had a duty to withhold taxes in connection with any payment it made to Aduro under this Agreement but JBI failed to withhold, and such taxes were assessed against and paid by JBI, then Aduro will indemnify and hold harmless JBI from and against such taxes (including interest and penalties). If JBI makes a claim with respect to the foregoing, it will comply with the obligations imposed by 10.2 above as if JBI had withheld taxes from a payment to Aduro.

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## 11 INTELLECTUAL PROPERTY AND MATERIALS

### 11.1 Ownership and Inventorship.

11.1.1 No Licenses. Other than as expressly provided in this Agreement, neither Party grants any right, title, or interest in any Information, Patent, or other intellectual property right Controlled by such Party or its Affiliates to the other Party or its Affiliates.

#### 11.1.2 Ownership of Technology.

(i) As between the Parties, Aduro shall own and retain all right, title and interest in and to the Aduro Intellectual Property.

(ii) As between the Parties, Aduro shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of Aduro or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that does not name any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Aduro Project IP**”).

(iii) Except as set forth in subsection (ii) above, as between the Parties, JBI shall own and retain all right, title and interest in and to any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice by or on behalf of JBI or its Affiliates (either alone or jointly with others) during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that does not name any inventors having an obligation of assignment to Aduro at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**JBI Project IP**”).

(iv) The Parties shall jointly own any intellectual property, including Patents, conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of Development, Manufacturing or Commercialization of Licensed Immunotherapeutics hereunder, and that names any inventors having an obligation of assignment to Aduro and any inventors having an obligation of assignment to JBI at the time such intellectual property is conceived, discovered, developed or otherwise made (collectively herein “**Joint Project IP**”).

(v) For the avoidance of doubt, Aduro Project IP and Aduro’s rights in and to any Joint Project IP shall be treated as Aduro Intellectual Property under this Agreement to the extent such Aduro Project IP and Joint Project IP relates to the Licensed Immunotherapeutic Materials. Likewise, JBI Project IP and JBI’s rights in and to any Joint Project IP shall be treated as JBI Know-How or a JBI Patent as appropriate under this Agreement to the extent such JBI Project IP and Joint Project IP is useful or reasonably necessary for the Exploitation of a Licensed Immunotherapeutic; and JBI Project IP and JBI’s rights in and to any Joint Project IP shall be treated as JBI Improvements to Aduro Core Technology under this Agreement to the extent it is an enhancement, improvement or modification to the Aduro Core Technology.

(vi) For purposes of this Section 11, inventorship shall be determined in accordance with applicable United States intellectual property laws, regardless of the country in which such intellectual property is conceived, discovered, developed or otherwise made.

(vii) With regard to intellectual property conceived, discovered, developed or otherwise made or reduced to practice during the course of, in furtherance of, and as a direct result of

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Development, Manufacturing or Commercialization of Licensed Immunotherapeutics, each Party shall promptly notify the other Party of any such intellectual property of which it becomes aware, and the Parties shall confer in a timely manner in order to take such actions as may be reasonably necessary to protect such intellectual property, including but not limited to filing for patent protection.

## **11.2 Filing, Prosecution, Maintenance and Defense of Aduro Core Patents.**

11.2.1 Aduro shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the Aduro Core Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is an Aduro Core Patent, at its sole cost and with commercially reasonable diligence. Aduro shall provide JBI with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the Aduro Core Patents, provide JBI the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with Aduro about, and consider in good faith the requests and suggestions of JBI concerning, such prosecution.

11.2.2 At least [\*] calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is an Aduro Core Patent, Aduro shall provide JBI with a list of countries and regions into which Aduro intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). JBI may request that Aduro file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at JBI's expense. Except as provided in Section 11.2.5, Aduro shall retain the sole right and responsibility for prosecuting, maintaining and defending the Aduro Core Patents filed under this Section 11.2.2.

11.2.3 If either Party learns of: (i) any actual or suspected commercially material infringement of an Aduro Core Patent Covering a Licensed Immunotherapeutic by a Third Party; or (ii) any unauthorised commercially material use by a Third Party of Aduro Know-How relating to a Licensed Immunotherapeutic; it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.4 Upon notice that a Third Party has commenced any action to oppose, revoke, cancel or invalidate an Aduro Core Patent Covering a Licensed Immunotherapeutic, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.2.5 In the event that Aduro decides with respect to any country not to file or prosecute, or to abandon or let lapse, any Aduro Core Patent during the Term, Aduro shall notify JBI of such decision at least [\*] calendar days prior to the expiration of any deadline relating to such activities. JBI shall have the option, but not the obligation, to assume responsibility in writing within [\*] days of such notice for prosecuting, maintaining, and defending such Aduro Core Patent, at JBI's sole expense. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate. Assuming JBI exercises its option, JBI shall keep Aduro informed of all direct costs incurred by JBI in prosecuting, maintaining and defending such Aduro Core Patent, [\*].

## **11.3 Filing, Prosecution, Maintenance and Defense of Licensed Immunotherapeutic Specific Patents and Patent Rights in JBI Improvements to Aduro Core Technology.**

11.3.1 JBI shall have the initial right and responsibility for filing, prosecuting, maintaining, enforcing, and defending the Licensed Immunotherapeutic Specific Patents, including any intellectual property jointly owned by the Parties in accordance with Section 11.1.2(iv) that is a Licensed Immunotherapeutic Specific Patent, and any Patent rights in JBI Improvements to Aduro Core Technology

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(“**JB Core Improvement Patent**”) at its sole cost and with commercially reasonable diligence. JBI shall provide Aduro with timely copies of all material communications to and from the applicable patent offices concerning prosecution of the Licensed Immunotherapeutic Specific Patents and JBI Core Improvement Patents, provide Aduro the opportunity, reasonably in advance of any filing deadlines, to comment thereon and consult with JBI about, and consider in good faith the requests and suggestions of Aduro concerning, such prosecution.

11.3.2 At least [\*] calendar days prior to the applicable date for national stage filing of any international patent application filed under the Patent Cooperation Treaty that is a Licensed Immunotherapeutic Specific Patent or a JBI Core Improvement Patent, JBI shall provide Aduro with a list of countries and regions into which JBI intends to file such national stage applications. This list shall include at least the United States, the European Patent Office, and Japan (each of which may be filed either directly or through such international patent application). Aduro may request that JBI file such national stage applications in one or more additional countries, with the filing costs in those additional countries (including any required translation costs) at Aduro’s expense. Except as provided in Section 11.3.5, JBI shall retain the sole right and responsibility for prosecuting, maintaining and defending the Licensed Immunotherapeutic Specific Patents and JBI Core Improvement Patents filed under this Section 11.3.2.

11.3.3 If either Party learns of: (i) any actual or suspected commercially material infringement of Licensed Immunotherapeutic Specific Patents or JBI Core Improvement Patents by a Third Party, it shall promptly notify the other Party, and representatives of JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce such intellectual property rights in accordance with Section 11.6.

11.3.4 Upon notice that a Third Party has commenced any action to oppose, revoke, cancel or invalidate any Licensed Immunotherapeutic Specific Patents or JBI Core Improvement Patents, as the case may be, JBI and Aduro shall confer to determine in good faith an appropriate course of action to enforce or defend such intellectual property rights in accordance with Section 11.6.

11.3.5 In the event that JBI decides with respect to any country not to prosecute or to abandon or let lapse any Licensed Immunotherapeutic Specific Patents or JBI Core Improvement Patents during the Term, JBI shall notify Aduro of such decision at least [\*] calendar days prior to the expiration of any deadline relating to such activities. Aduro shall have the right, but not the obligation, to assume responsibility for prosecuting, maintaining, and defending such Licensed Immunotherapeutic Specific Patents and JBI Core Improvement Patents, at Aduro’s sole expense. JBI hereby grants, and Aduro accepts, a fully paid up, non-royalty bearing, exclusive (even as to JBI), sublicensable license under JBI’s rights to any Licensed Immunotherapeutic Specific Patents and JBI Core Improvement Patents for which Aduro assumes responsibility under this Section 11.3.5.

#### **11.4 Patent Term Extensions, Patent Certification and Notices.**

11.4.1 JBI shall be responsible for determining the strategy for applying for the extension of the term of any patents for which it has responsibility to prosecute, maintain and defend under this Section 11, such as under the “U.S. Drug Price Competition and Patent Term Restoration Act of 1984” (hereinafter the “**Act**”), the Supplementary Certificate of Protection of the Member States of the European Union and other similar measures in any other country. If requested by JBI, Aduro shall apply for and use its reasonable efforts to obtain such an extension or, should the law require JBI or one of its Sublicensees hereunder to so apply, Aduro hereby gives permission to JBI to do so (in which case Aduro agrees to cooperate with JBI or its Sublicensee, as applicable, in the exercise of such authorization and shall execute such documents and take such additional action as JBI may reasonably request in connection therewith). JBI and Aduro agree to cooperate with one another in obtaining any patent extension hereunder as directed by JBI.

11.4.2 JBI shall be responsible for determining the strategy with respect to certifications, notices and patent enforcement procedures regarding patents for which it has responsibility to prosecute, maintain and defend under this Section 11 under the Act and the Biologics Price Competition and Innovation Act of

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2009 (hereinafter the “**BPCIA**”). Aduro shall cooperate, as reasonably requested by JBI, in a manner consistent with Section 11.4.1 and this Section 11.4.2. Aduro hereby authorizes JBI to: (i) provide in any BLA or in connection with the BPCIA, a list of patents that may include Aduro Core Patents that are applicable to the Licensed Immunotherapeutics under the BPCIA (ii) except as otherwise provided in this Agreement, exercise any rights exercisable by JBI as patent owner under the Act or the BPCIA; and (iii) exercise any rights that may be exercisable by JBI as reference product sponsor under the BPCIA, including, (a) providing a list of patents that relate to the Licensed Immunotherapeutics including Aduro Core Patents, (b) engaging in the patent resolution provisions of the BPCIA with regard to Licensed Immunotherapeutic Specific Patents; and (c) determining which Licensed Immunotherapeutic Specific Patents will be the subject of immediate patent infringement action under §351(l)(6) of the BPCIA; provided that with respect to JBI’s exercise of rights under the BPCIA, JBI shall consult with a representative of Aduro designated by Aduro in writing and qualified to receive confidential information pursuant to §365(l) of the BPCIA with respect to JBI’s exercise of any rights exercisable as reference product sponsor including providing such representative with timely copies of material correspondence relating to such matters, providing such representative the opportunity, reasonably in advance of any related JBI action, to comment thereon and to consult with and consider in good faith the requests and suggestions of Aduro with respect to such matters.

11.4.3 In the event that JBI desires to apply for an extension of any patents for which Aduro has responsibility to prosecute, maintain and defend under this Section 11 under the Act, the Supplementary Certificate of Protection of the Member States of the European Union or any other similar measures in any other country; or utilize any such patent for purposes of engaging in the patent resolution provisions or bringing a patent infringement action under the BPCIA; the Parties shall meet in good faith to discuss strategy for such activity, provided that Aduro shall not be obligated to agree to the use of any such patent for any such activity.

**11.5 Separation of Aduro Core Patents and Licensed Immunotherapeutic Specific Patents.** The Parties acknowledge that certain patent applications owned by Aduro, JBI, or jointly by Aduro and JBI and that are the subject of this Section 11 may contain a specification that supports claims that fall within the definition of Aduro Core Patents, as well as claims that fall within the definition of Licensed Immunotherapeutic Specific Patents. To the extent possible, the Parties shall cooperate to divide such applications into separate daughter patent applications that may claim common priority, such that daughter patent applications that fall within the Aduro Core Patents will not contain any claims falling within the Licensed Immunotherapeutic Specific Patents, and daughter patent applications that fall within the Licensed Immunotherapeutic Specific Patents will not contain any claims falling within the Aduro Core Patents. Aduro shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are Aduro Core Patents in accordance with Section 11.2, and JBI shall have the sole right and responsibility for filing, prosecuting, maintaining and defending daughter patent applications that are Licensed Immunotherapeutic Specific Patents in accordance with Section 11.3.

#### **11.6 Mechanism for Enforcement and Defense.**

11.6.1 A Party asserting its right to enforce or defend any Aduro Core Patent or Licensed Immunotherapeutic Specific Patent under this Agreement (the “**Controlling Party**”) shall keep the other Party reasonably informed during the course of any legal action related to such enforcement or defense (an “**Action**”), and shall consult with such other Party before taking any major steps during the conduct of such Action. The other Party shall provide all reasonable cooperation to the Controlling Party in connection with such Action, including being named as a party to such Action if required for standing purposes.

11.6.2 The Controlling Party in an Action shall not take any position with respect to, or compromise or settle, such Action in any way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Aduro Core Patent or Licensed Immunotherapeutic Specific Patent without the other Party’s prior written consent (not to be unreasonably withheld, conditioned, or delayed).

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11.6.3 A Party having the right to be the Controlling Party in an Action shall provide prompt written notice to the other Party (in a sufficiently timely manner that such Action will not be prejudiced) if

(i) it does not intend to pursue the Action pursuant to this Section 11 or take such other action as is required or permitted under the Act or BPCIA to preserve its ability to prosecute a potential Action (including such actions as contemplated under Section 11.4; or

(ii) it has not commenced such Action within the earlier of: (a) [\*] calendar days after notice of infringement, or (b) [\*] calendar days prior to the time limit, if any, set forth under Applicable Law for filing such Action or taken such other action; or

(iii) it has ceased or intends to cease to diligently pursue such Action or such other action.

Upon receipt of such written notice, the other Party shall have the option to become the Controlling Party. The other Party shall respond with written notice within [\*] business days indicating if it intends to exercise such option, upon which such other Party shall become the Controlling Party, and may take its own action (at its own expense) to enforce, or take such other action with respect to, such Action, including initiating its own Action or taking over prosecution of any such Action initiated previously. Failure to provide such written notice shall be considered a decision by the other Party that it will not exercise such option, and such option shall immediately terminate.

11.6.4 Any recovery from an Action shall be[\*]. Any [\*] shall [\*].

## **11.7 Infringement Claims by Third Parties.**

11.7.1 If the Manufacture, Development or Commercialization of any Licensed Immunotherapeutic results in a claim or a threatened claim by a Third Party against a Party hereto for patent infringement or other violation of its intellectual property rights, the Party first having notice thereof shall promptly notify the other in writing. The notice shall set forth the facts of the claim in reasonable detail.

11.7.2 JBI, its Affiliates or Sublicensees shall have the right, but not the obligation, to defend any suit claiming that the Development, Manufacture or Commercialization of a Licensed Immunotherapeutic infringes any patents or other intellectual property rights of a Third Party. Aduro will cooperate and assist JBI in any such litigation at JBI's expense. Without prejudice to JBI's right to pursue an indemnity claim in lieu of defending a suit as provided in this Section 11.4.2, all costs and any and all damages awarded to any Third Party pursuant to such suits shall be borne or retained, as the case may be, solely by JBI. Aduro shall, on JBI's reasonable request and at JBI's sole expense, assist in the defense to such action, and all costs incurred by Aduro in providing assistance to JBI, its Affiliates or Sublicensees shall be borne solely by JBI.

**11.8 Licensed Immunotherapeutic Materials.** In connection with Aduro's transfer to JBI of the Licensed Immunotherapeutic Materials, JBI agrees that the Licensed Immunotherapeutic Materials will not be used other than in connection with this Agreement. Such Licensed Immunotherapeutic Materials shall not be modified or changed in any manner to create products other than the Licensed Immunotherapeutics. To the extent practicable, JBI shall secure and record the identity of persons given access to the Licensed Immunotherapeutic Materials, reasonably track the location of Master Cell Banks, and promptly report to Aduro any unauthorized use that is discovered by JBI. JBI shall ensure that all Third Parties given access to the Licensed Immunotherapeutic Materials shall agree to be bound in writing to terms no less onerous those herein.

**11.9 Notice of Challenge to Aduro Patents.** In the event JBI or any of its Affiliates intends to assert in any forum that any Aduro Patent is invalid, JBI or its Affiliate, as applicable, will not less than [\*] days prior to making any such assertion, provide to Aduro a summary written disclosure of the grounds then known to JBI or its Affiliate, as applicable (the "**Disclosure**"), for such assertion and,

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with such disclosure, will provide Aduro with a copy of any publicly available document or publication upon which JBI or its Affiliate, as applicable, intends to rely in support of such assertion. Within [\*] days of Aduro's receipt of the Disclosure, at Aduro's request, JBI and Aduro shall meet to discuss the Disclosure. Any such Disclosure and the discussions thereof shall be without prejudice and shall be treated as settlement discussions under Rule 408 of the Federal Rules of Evidence. No Disclosure made under this Section 11.9, nor any discussion between the Parties hereunder, shall be construed as an admission of any kind. Neither the Disclosure, nor any of the Parties' discussions or exchanges of information hereunder, shall be used by Aduro as a basis for the assertion of any declaratory judgment action or other cause of action, and Aduro agrees not to assert any cause of action against JBI, its Affiliates or Sublicensees relating to such Aduro Patent, other than to enforce the terms hereof until at least [\*] days following the conclusion of any such discussions.

## 12 CONFIDENTIALITY

**12.1 Confidentiality Obligations.** The Parties agree that, for the term of this Agreement and for [\*] years thereafter, either Party that receives (a "Receiving Party") from the other Party (a "Disclosing Party") proprietary Information pursuant to this Agreement (collectively "**Confidential Information**"), shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose (except as expressly permitted by this Agreement) such Confidential Information, except to the extent that it can be established by the Receiving Party that such Confidential Information: (i) was already known to the Receiving Party, other than under an obligation of confidentiality from the Disclosing Party; (ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (iii) became generally available to the public or otherwise part of the public domain after its disclosure that was other than through any act or omission of the Receiving Party in breach of this Agreement; (iv) was subsequently lawfully disclosed to the Receiving Party by a Third Party; (v) can be shown by competent evidence to have been independently developed by the Receiving Party without reference to the Confidential Information received from the Disclosing Party and without breach of any of the provisions of this Agreement; or (vi) is information that the Disclosing Party has specifically agreed in writing that the Receiving Party may disclose.

## 12.2 Authorized Uses and Disclosures of Confidential Information.

12.2.1 The Receiving Party may disclose Confidential Information to the extent the Receiving Party is compelled to disclose such information by a court or other tribunal of competent jurisdiction, provided, however, that in such case the Receiving Party shall, except where impracticable, give prompt notice to the Disclosing Party so that the Disclosing Party may seek a protective order or other remedy. Upon the Disclosing Party's request and at its sole expense, the Receiving Party shall provide reasonable assistance to the Disclosing Party in seeking such protective order or other remedy. In any event, the Receiving Party shall disclose only that portion of the Confidential Information that, in the opinion of its legal counsel, is legally required to be disclosed and will exercise reasonable efforts to ensure that any such information so disclosed will be accorded confidential treatment.

12.2.2 To the extent it is reasonably necessary to fulfil its obligations and exercise its rights under this Agreement, either Party may disclose Confidential Information (i) to its Affiliates, consultants, advisors and agents on a need-to-know basis on condition that such Affiliates, advisors, consultants, and agents are bound by obligations of confidentiality and non-use substantially similar to those set forth herein, and (ii) to the extent reasonably necessary to obtain Regulatory Approval for Licensed Immunotherapeutics in the Field and in the Territory.

12.2.3 Notwithstanding the above obligations of confidentiality and non-use, a Party may disclose information to the extent that such disclosure is necessary in connection with:

- (i) filing or prosecuting patent applications;

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- (ii) prosecuting or defending litigation;
- (iii) seeking Regulatory Approval of a Licensed Immunotherapeutic, including Regulatory Approval of a Manufacturing facility for a Licensed Immunotherapeutic; or
- (iv) subject to Section 12.3 below, complying with Applicable Laws.

In making any disclosures set forth above, the Disclosing Party shall, except where impracticable, give such advance notice to the other Party of such disclosure requirement as is reasonable under the circumstances and, except to the extent inappropriate (as in the case of patent applications), will use its reasonable efforts to co-operate with the other Party in order to secure confidential treatment of such Confidential Information.

- 12.3 Required Securities Filings.** In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document that describes or refers to the terms and conditions of this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other Applicable Law, such Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of drafts of the proposed filing as soon as reasonably practicable, but in no event less than [\*] business days prior to such filing. The Party making such filing shall use reasonable efforts to obtain confidential treatment of the terms and conditions of this Agreement that such other Party requests be kept confidential (and in any event the financial terms), and shall only disclose Confidential Information that it is advised by counsel is legally required to be disclosed or required to be disclosed. No such notice shall be required under this Section 12.3 if the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the either Party hereunder or otherwise approved by the other Party.
- 12.4 Publications.** Subject to the terms and conditions in this Section 12.4, JBI (but not, for the avoidance of doubt, Aduro) may publish or present data and/or results generated during the Collaboration Term and relating to the activities conducted under the IND Submission and Manufacturing Update Plan in scientific journals and/or at scientific conferences, subject to the prior review and comment by Aduro if such publication includes any Aduro Confidential Information as follows. JBI shall provide Aduro with the opportunity to review any such proposed abstract, manuscript or presentation by delivering a copy thereof to Aduro no less than [\*] days before its intended submission for publication or presentation. Aduro shall have [\*] days after its receipt of any such abstract, manuscript or presentation in which to notify JBI in writing of any specific objections to the disclosure of Confidential Information of Aduro. In the event that Aduro objects to the disclosure in writing within such [\*] day period, JBI agrees not to submit the publication or abstract or make the presentation containing the objected-to information until the Parties have agreed to modify such information, and JBI shall delete from the proposed disclosure any Aduro Confidential Information upon the reasonable request of Aduro. Once any such abstract or manuscript is accepted for publication, JBI will provide Aduro with a copy of the final version of the manuscript or abstract. For the avoidance of doubt, data and results specific to the Licensed Immunotherapeutics shall be deemed JBI Confidential Information, and any publications with respect thereto shall be in the sole discretion of JBI. In addition, with respect to activities conducted outside of the IND Submission and Manufacturing Update Plan, any publications relating to Licensed Immunotherapeutics submitted for publication by JBI or its Affiliates for clinical or other activities are not subject to this Section 12.4 except and to the extent that Aduro Confidential Information related to the Aduro platform technologies is incorporated therein.
- 12.5 Public Announcements.** A press release or press releases deemed agreed upon by the Parties is/are attached to this Agreement as the Press Release Schedule which press release(s) shall be released at a time mutually agreed to by the Parties. Neither Party shall originate any other publicity, news release or public announcements, written or oral, whether to the public or press, stockholders or otherwise,

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relating to this Agreement, including its existence, the subject matter to which it relates, performance under it or any of its terms, or to any amendment hereto or performances hereunder without the prior written consent of the other Party, save only such announcements that are otherwise agreed to by the Parties. Such announcements shall be brief and factual. Except as otherwise provided herein, if a Party decides to make an announcement required by Applicable Law, it shall use reasonable efforts to give the other Party at least [\*] business days advance notice, where possible, of the text of the announcement so that the other Party shall have an opportunity to comment upon the announcement. To the extent that the receiving Party reasonably requests the deletion of any Confidential Information in the materials, the disclosing Party shall delete such information unless, in the opinion of the disclosing Party's legal counsel, such Confidential Information is legally required to be disclosed.

**12.6 Publication of Clinical Trial Results.** Unless otherwise agreed in writing, the Parties agree that JBI shall have the right to disclose: (i) each clinical trial conducted pursuant to the IND Submission and Manufacturing Update Plan on clinicaltrials.gov or any other similar registry, and (ii) all results of such clinical trial on clinicalstudyresults.org and on any other registry with requirements consistent with the registration and publication guidelines of the International Committee of Medical Journal Editors, to the extent required.

**12.7 Adverse Event Reporting.**

**12.7.1 Reporting.** The Parties recognize that JBI or its designee as the holder of all Regulatory Approval applications (except as contemplated by the IND Submission and Manufacturing Update Plan) and Regulatory Approvals in the Territory for Licensed Immunotherapeutics may be required to submit information and file reports to Regulatory Authorities on Licensed Immunotherapeutics which are under clinical investigation, proposed for marketing, or marketed in the Territory. The Parties also recognize that Aduro or its designee as the holder of all Regulatory Approval applications and Regulatory Approvals in the Territory for other products based on Aduro's live-attenuated double-deleted (LADD) *Listeria monocytogenes* strain(s) may be required to submit information and file reports to Regulatory Authorities on such other products which are under clinical investigation, proposed for marketing, or marketed in the Territory. Each Party will, and will require its Affiliates and Sublicensees to, report adverse events with respect to their respective products to the extent required by and in accordance with Applicable Law.

**12.7.2 Safety Agreement.** Pursuant to the 741 Agreement, each Party has assigned a representative, and such representatives have conducted a first meeting as contemplated by the 741 Agreement, to agree on a process and procedure for supplementing the sharing of adverse event information to be documented in the pharmacovigilance agreement contemplated under the 741 Agreement. Within the time period agreed to by the Parties pursuant to the 741 Agreement, the Parties shall negotiate in good faith and enter into a pharmacovigilance agreement governing safety data exchange procedures regarding the coordination of collection, investigation, reporting, and exchange of information concerning adverse events with respect to the Parties activities under both the 741 Agreement and this Agreement to comply with Applicable Law, including with respect to clinical trials conducted by or on behalf of each Party, its Affiliates and Sublicensees.

**12.7.3 Safety Liaison.** The Parties shall designate a safety liaison to be responsible for communicating with the other Party regarding the reporting of adverse events, to the extent required or as agreed in the pharmacovigilance agreement, with respect to their respective products.

**13 REPRESENTATIONS AND WARRANTIES**

**13.1 Representations, Warranties and Covenants of both Parties.**

Each Party represents and warrants to the other Party, as of the Execution Date and as of the Closing Date, that:

13.1.1 such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

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13.1.2 such Party has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

13.1.3 this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against it in accordance with the terms hereof;

13.1.4 the execution, delivery and performance of this Agreement by such Party, including the grant of rights to the other Party pursuant to this Agreement, does not to the best of the knowledge of such Party: (i) conflict with, nor result in any violation of or default under any agreement, instrument or understanding, oral or written, to which it or any Affiliate is a party or by which it or any Affiliate is bound; (ii) conflict with any rights granted by such Party to any Third Party or breach any obligation that such Party has to any Third Party; nor (iii) violate any Applicable Law of any court, governmental body or administrative or other agency having jurisdiction over such Party;

13.1.5 no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any Applicable Laws, rules or regulations currently in effect is necessary for, or in connection with, the transaction contemplated by this Agreement or for the performance by it of its obligations under this Agreement;

13.1.6 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to the Licensed Immunotherapeutics either (i) have executed agreements requiring assignment to such Party of all right, title and interest in and to their inventions and discoveries they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party, whether or not patentable, if any, to such Party as the sole owner thereof; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement: (a) are subject to legal requirements to assign all right, title and interest in and to all inventions they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party to such Party; or (ii) assignment by such employee, officer, contractor, and consultant of such inventions to such Party occurs by operation of law;

13.1.7 all of its employees, officers, contractors, and consultants who have rendered or will render services relating to the Licensed Immunotherapeutics either (i) have executed agreements obligating each such employee, officer, contractor, and consultant to maintain as confidential the Confidential Information of such Party; or (ii) if any of such Party's employees, officers, contractors, and consultants shall not have executed such an agreement, such employees, officers, contractors, and consultants are subject by operation of law or applicable professional requirements to maintain as confidential the Confidential Information of such Party;

13.1.8 neither such Party, nor any of its employees, officers, or to the best of its knowledge, any subcontractors, or consultants who have rendered or will render services relating to the Licensed Immunotherapeutics: (a) has ever been debarred or is subject or debarment or convicted of a crime for which an entity or person could be debarred by the FDA under 21 USC §335a (or subject to a similar sanction of the EMA) or (b) to the knowledge of a Party has ever been under indictment for a crime for which a person or entity could be so debarred; and

13.1.9 such Party shall conduct its activities hereunder in accordance with Applicable Law.

## **13.2 Representations, warranties, and covenants of Aduro.**

Aduro represents and warrants to JBI, as of the Execution Date and as of the Closing Date, that:

13.2.1 Aduro owns or otherwise Controls the Aduro Patents set forth on the Aduro Patent Schedule (which schedule differentiates as between Aduro Patents that are owned by Aduro or its Affiliates and Aduro Patents that are Controlled by Aduro through licenses or otherwise);

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13.2.2 (i) the Aduro Patents are not the subject of any interference or opposition proceedings; and (ii) there is no pending or threatened action, suit proceeding or claim by a Third Party challenging the ownership rights in, validity or scope of such Aduro Patents;

13.2.3 (i) Aduro has not received any written notice from any Third Party asserting any ownership rights to any of the Aduro Know-How; and (ii) Aduro is not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that Aduro is infringing or otherwise is violating any patents, trade secret or other proprietary right of any Third Party in connection with the Licensed Immunotherapeutics;

13.2.4 there are no agreements between Aduro and any Third Party that would result in any royalties, milestones, or any other payment or consideration being due from JBI to such Third Party as a result of JBI's Development or Commercialization of the Licensed Immunotherapeutics;

13.2.5 Aduro has not granted any right or license to a Third Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder (or that result in the narrowing of the definition of "Aduro Intellectual Property" due to the "Control" limitation) and Aduro will not in the future grant any right or license to any Third Party under the Aduro Intellectual Property that would conflict or interfere with any of the rights or licenses granted to JBI hereunder without JBI's express written consent; and

13.2.6 except as set forth on the Third-Party Patent Schedule, to Aduro's knowledge, the practice of Aduro Know-How or Aduro Patents included among the Aduro Core Technology, by either Party is not Covered by a Third-Party Patent, does not involve the misappropriation of any Third-Party Information, or otherwise violate any Third-Party intellectual property right.

13.2.7 Reference to "knowledge" in any of the above provisions of this Article means [\*].

## 14 INDEMNIFICATION AND INSURANCE

**14.1 Indemnification by JBI.** JBI shall indemnify, defend and hold harmless Aduro and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all damages, losses, liabilities, costs (including reasonable legal expenses, costs of litigation and reasonable attorney's fees) or judgments, whether for money or equitable relief, of any kind ("**Losses**"), with respect to Third Party claims, suits, or proceedings ("**Claims**") to the extent arising out of: (i) [\*]; (ii) [\*]; or (iii) [\*]; in each case except to the extent such Losses and Claims are subject to Aduro's indemnity obligations set forth in Section 14.2.

**14.2 Indemnification by Aduro.** Aduro shall indemnify, defend and hold harmless JBI and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives from and against any and all Losses with respect to Claims, to the extent arising out of: (i) [\*]; (ii) [\*]; (iii) [\*]; in each case except to the extent such Losses and Claims are subject to JBI's indemnity obligations set forth in Section 14.1.

**14.3 Process for Indemnification.** A claim to which indemnification applies hereunder shall be referred to herein as an "**Indemnification Claim**". Upon the occurrence of an event for which indemnification is available as set forth above, any person or persons (collectively, the "**Indemnified Party**") that intend to claim indemnification under this Article 14, shall give prompt written notice to the other Party (the "**Indemnifying Party**") providing reasonable details of the nature of the event and basis of the Indemnification Claim and further expressly stating therein that it is seeking

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indemnity pursuant to this Agreement. For the avoidance of doubt, and without prejudice to the Indemnified Party's obligation to give prompt written notice, an Indemnifying Party's knowledge of events or circumstances pursuant to which an Indemnified Party might seek indemnification, including correspondence between the Parties regarding a matter for which indemnity is not expressly sought, shall not constitute the notice required by this provision, and any attorneys, experts or consultant fees or expenses incurred by an Indemnified Party prior to proper notice shall be the sole responsibility of such Party; provided however that the failure of such timely notice shall not bar any Indemnification Claim unless the Indemnifying Party is materially prejudiced by failure to receive such timely notice. The Indemnifying Party will have the right, at its expense and with counsel of its choice, to defend, contest, or otherwise protect against any Claim. The Indemnified Party will also have the right, but not the obligation, to participate, at its own expense, in the defense thereof with counsel of its choice. The Indemnified Party shall cooperate to the extent reasonably necessary to assist the Indemnifying Party in defending, contesting or otherwise protesting against any Claim, and shall make available to the Indemnifying Party all pertinent information under the control of the Indemnified Party, which information shall be subject to Article 12, provided that the reasonable cost in doing so is paid for by the Indemnifying Party. If the Indemnifying Party fails within [\*] days after receipt of notice (i) to notify the Indemnified Party of its intent to defend, or (ii) to defend, contest or otherwise protect against any Claim or fails to diligently continue to provide the defense after undertaking to do so, the Indemnified Party will have the right, but no obligation, upon [\*] days prior written notice to the Indemnifying Party to defend, settle and satisfy any Claim and recover the costs of the same from the Indemnifying Party. The Indemnified Party shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnifying Party, and the Indemnifying Party shall not settle or compromise the Indemnification Claim in any manner that would have an adverse effect on the Indemnified Party's interests (including any rights under this Agreement or the scope or enforceability of Intellectual Property Controlled by such Party, or Confidential Information or Patent or other rights licensed hereunder), without the prior written consent of the Indemnified Party, which consent, in each case, shall not be unreasonably withheld, conditioned or delayed.

- 14.4 Insurance.** During the term of this Agreement and [\*] after the expiration of this Agreement or earlier termination, each Party shall obtain and/or maintain, respectively, at its sole cost and expense, clinical trial insurance and product liability insurance in amounts, respectively, that are reasonable and customary in the pharmaceutical industry for companies of comparable size and activities at the respective place of business of each Party. A Party (or its Affiliated group) with at least \$[\*] in market capitalization with annual sales in the latest calendar year of at least \$[\*] may maintain such insurance through a self-insurance program. Such clinical trial insurance and product liability insurance shall insure against all liability, including liability for personal injury, physical injury and property damage. Each Party shall provide written proof of the existence of such insurance to the other Party upon request.

## **15 TERM AND TERMINATION**

### **15.1 Hart Scott Rodino; Closing Date; Term.**

15.1.1 Each Party covenants and agrees to use Commercially Reasonable Efforts to prepare and make appropriate and timely filings under Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (for the purposes of Sections 15.1.1 and 15.1.2, the "**HSR Act**"), as amended, and the rules promulgated thereunder within ten business days after the Execution Date. The Parties agree to cooperate in the antitrust clearance process and to furnish promptly to the Federal Trade Commission ("**FTC**") or the Antitrust Division of the Department of Justice (the "**Antitrust Division**") any additional information reasonably requested by them in connection with such filings. Each Party will be responsible for [\*] in connection with the filings described in this Section and Aduro shall have no right to assign or license any rights in Licensed Immunotherapeutics to a Third Party during the HSR Waiting Period referred to below provided that Aduro shall have the right to enter into agreements with Third Parties in preparation

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for the Parties' collaborative activities after the Closing Date. This Section 15.1. shall bind the Parties upon the Execution Date but the remaining provisions of this Agreement shall not become effective until the date on which the waiting period provided by the Act ("**HSR Waiting Period**") has terminated or expired without any action by any government agency or challenge to the termination or any earlier notification date of the Parties by a government agency that the agency intends to take no action under the Act (which date shall be the "**Closing Date**").

In the event that antitrust clearance from the FTC or the Antitrust Division is not obtained within [\*] after the Execution Date or such other date as the Parties may agree, the Agreement may be terminated by either Party on written notice to the other. In the event a provision of the Agreement needs to be deleted or substantially revised in order to obtain regulatory clearance, the Parties will negotiate in good faith a new provision which in its economic effect and scope of rights is sufficiently similar to the old provision that it can reasonably be assumed that the Parties would have entered into the Agreement with such new provision.

15.1.2 Subject to Section 15.1.1, this Agreement shall come into force and effect on the Closing Date and shall, unless terminated earlier in accordance with its terms, continue in force and effect until all the Aduro Patents have expired and thereafter on a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic and country-by-country basis until the end of the last-to-expire Royalty Term in each such country with respect to each such Licensed Immunotherapeutic (the period during which this Agreement is in force, hereinafter the "**Term**").

**15.2 Termination in the Event of Material Breach.** Subject to Article 6 and except as provided in Section 15.6, in the event of material uncured breach by the other Party, the non-breaching Party may terminate (or, in the case of JBI, modify as permitted under Section 15.7.3) this Agreement, and the rights and licenses granted hereunder, by providing sixty (60) calendar days' prior written notice to the other Party detailing the specific obligation under this Agreement alleged to have been breached; the manner of such alleged breach; and the steps that need to be taken in order to remedy such breach, unless the other Party cures such breach or grounds for termination within the period of such notice, provided that if there is a good-faith dispute with respect to the existence of such material breach, the time for cure will be extended until such time as the dispute is resolved pursuant to Article 16.

**15.3 Termination of Agreement for Insolvency.** Either Party may, in addition to any other remedies available to it by law or in equity, terminate (or, in the case of JBI, modify in accordance with Section 15.7.3) this Agreement in its entirety, by notice to the other Party in the event: (i) the other Party shall have become bankrupt or shall have made an assignment for the benefit of its creditors; (ii) there shall have been appointed a trustee or receiver for the other Party for all or a substantial part of its property; or (iii) any case or proceeding not covered by clause (i) shall have been commenced or other action taken by or against the other Party in bankruptcy or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation or other similar act or law of any jurisdiction now or hereafter in effect, and any such event shall have continued for sixty (60) calendar days undismitted, unbonded and undischarged.

**15.4 Termination by JBI at Will.** JBI may terminate this Agreement in its entirety or on a country-by-country or Licensed Immunotherapeutic-by-Licensed Immunotherapeutic basis at any time after the [\*] of the Closing Date by providing ninety (90) days' prior written notice to Aduro. Following any delivery by JBI of a notice of termination pursuant to this Section 15.4, from the provision of notice through the effective date of termination, JBI shall perform its obligations hereunder regarding the Manufacture, Development and Commercialization of the affected Licensed Immunotherapeutic, including the payment of milestones, royalties and costs incurred in connection with the IND Submission and Manufacturing Update Plan and any other payments owed to Aduro for other Development work completed pursuant to Section 2.5 during such period, but shall not be required to initiate any new clinical studies or non-clinical studies, make any further filings for Regulatory

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Approvals other than as related to the initiation of the transfer of Regulatory Approvals and development and commercial rights to Aduro, or launch any impacted Licensed Immunotherapeutic in any impacted countries, except, in each case, as required by Applicable Law.

- 15.5 Cumulative Rights and Remedies.** Any right to terminate this Agreement shall be in addition to and not in lieu of all other rights or remedies that the Party giving notice of termination may have at law, in equity or otherwise.
- 15.6 Effect of Expiration.** If this Agreement is not terminated at an earlier date, then upon its expiration in accordance with its terms in a given country or the entire Territory (as applicable), JBI shall have an irrevocable, perpetual, fully paid-up, royalty-free, non-exclusive license in the Field in such country or the Territory (as applicable) under the Aduro Know-How, with the right to sublicense, to make, have made, import, use, offer to sell and sell Licensed Immunotherapeutics in the Field.
- 15.7 Effect of Termination.**

**15.7.1 Termination on Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by JBI or Aduro are, and shall otherwise be deemed to be, for purposes of 11 USC §365(n) (the “**Bankruptcy Code**”), licenses of right to “Intellectual Property” as defined under §101(35A) of the Bankruptcy Code and case law interpreting §365(n). The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections they would have in the case of a licensor bankruptcy under the Bankruptcy Code. Each Party agrees during the term of this Agreement to create or maintain current copies, or if not amenable to copying, detailed descriptions or other appropriate embodiments, of all such intellectual property licensed to the other Party. Regardless of any choice of law provision contained in this Agreement, the Parties expressly agree to the application of the laws of the United States, and in particular to the application of the provisions of the Bankruptcy Code as to the rights and elections of the Parties regarding Intellectual Property in the case of licensor bankruptcy. Specifically as to rights and elections under the Bankruptcy Code regarding Intellectual Property existing outside the jurisdiction of licensor Bankruptcy and more specifically as to such rights and elections regarding Intellectual Property existing in the United States, the Parties expressly submit themselves to the jurisdiction of the courts of the United States for the enforcement of such rights and elections. The Parties anticipate that substantial work under this Agreement will be conducted in the United States and that substantial value under this Agreement will be generated in the United States.

**15.7.2 Termination by Aduro Due to JBI’s Material Breach, JBI Bankruptcy, or by JBI at Will.** Upon any termination of a Licensed Immunotherapeutic on a Licensed Immunotherapeutic-by-Licensed Immunotherapeutic basis or a country-by-country basis or this Agreement in its entirety by JBI pursuant to Section 15.4 or upon termination of this Agreement by Aduro pursuant to Sections 15.2 or 15.3:

(i) JBI, its Affiliates and its Sublicensees shall immediately cease to use and thereafter refrain from using the Aduro Intellectual Property anywhere in the Territory (or, where JBI terminates the Agreement under Section 15.4 in relation to a given country, in the terminated country) in relation to the terminated Licensed Immunotherapeutics (provided however that in order to effect an orderly transition in any country where a Licensed Immunotherapeutic is on the market, the Parties shall cooperate with respect to sales of existing inventory and JBI, its Affiliates and its Sublicensees shall retain those rights necessary to do so);

(ii) except as may be necessary to comply with any pre-existing obligations, including any initiated clinical trial, JBI shall promptly return to Aduro or destroy (at Aduro’s discretion) all Licensed Immunotherapeutic Materials in JBI’s, its Affiliates’ or its Sublicensees’ possession or control and, in the event of such destruction, provide Aduro with written confirmation thereof;

(iii) save as expressly provided herein, all rights of JBI hereunder relating to the Territory or (where JBI terminates the Agreement under Section 15.4 in relation to a given country) to

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the terminated country or terminated Licensed Immunotherapeutic, and all licenses granted to JBI by this Agreement in respect of any terminated Licensed Immunotherapeutic or country in the Territory shall cease and terminate;

(iv) on written request by Aduro, JBI shall provide to Aduro a copy of, and shall transfer, or cause to be transferred, to Aduro, at JBI's expense, [\*]. Until such transfer is effected or if such transfer is not possible for legal or [\*], Aduro shall [\*]. JBI shall consent and, where necessary, cause its Affiliates and its Sublicensees to consent, for any relevant [\*]; and

(v) Aduro shall have an [\*] license, with the right to sublicense, under any [\*] in existence as of the effective date of termination to the extent useful or reasonably necessary to Exploit, make, have made, import, use, have used, offer to sell, sell, and export the terminated Licensed Immunotherapeutics solely for the purpose of Developing and/or Commercialising such Licensed Immunotherapeutics in the Field in the Territory or terminated country (as applicable). Such licence shall be [\*]. Otherwise, Aduro shall pay to JBI a royalty of [\*] except that if [\*], then Aduro shall pay to JBI a royalty of [\*], and if [\*] then Aduro shall pay to JBI a royalty of [\*], in each case on Net Sales of Licensed Immunotherapeutics by Aduro, its Affiliates or Sublicensees for a period of [\*] years from First Commercial Sale of the Licensed Immunotherapeutic in the Territory, and the provisions of Section 8.5 shall apply *mutatis mutandis*. On the request of Aduro, JBI will perform a technology transfer of all materials and information covered by the forgoing licenses and rights which shall be completed not less than [\*] days after the relevant termination. Notwithstanding the foregoing, JBI shall have no obligation to provide, and Aduro shall have no right to use, any materials bearing any trademarks or trade names of JBI or its Affiliates or Sublicensees.

15.7.3 Termination or Modification by JBI due to Aduro's material breach or Aduro's bankruptcy. Upon a possible termination event by JBI pursuant to Section 15.2 and 15.3, JBI may elect, in lieu of terminating this Agreement, by written notice to Aduro, to modify the terms of this Agreement as (and only to the extent) provided below. In the event JBI gives such notice, then the following provisions will apply:

- (i) At JBI's election the [\*];
- (ii) At JBI's election Aduro shall [\*];
- (iii) JBI shall be [\*]; and
- (iv) Except as otherwise agreed to by the Parties, all other terms and conditions of this Agreement shall continue in full force and effect.

If, on the other hand, JBI gives Aduro notice of termination (rather than modification) under this Section 15.7.3 hereunder, then the provisions of Section 15.7.2 shall apply.

**15.8 Accrued Rights and Obligations upon Expiration and Termination.** Expiration and termination of this Agreement for any reason shall be without prejudice to either Party's right or obligations accrued prior to the effective date of termination or expiration and shall not deprive either Party from any rights that the Agreement provides shall survive termination.

**15.9 Survival.** Except as expressly provided herein, Sections 2.1.3, 2.3, 9, 10, 12, 14, 15, 16, and 19 and all other provisions contained in this Agreement that by their explicit terms survive expiration or termination of this Agreement, and any accrued rights to payment shall survive any expiration or early termination of this Agreement. Except as set forth in this Section 15.9, upon termination or expiration of this Agreement all other rights and obligations of the Parties under this Agreement terminate.

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**16 DISPUTE RESOLUTION AND GOVERNING LAW**

**16.1 Disputes.** Aduro and JBI shall devote reasonable efforts to amicably resolve any disputes between them concerning their respective rights and obligations under the Agreement (each, a “**Dispute**”). If the Parties or the JSC (for matters within its jurisdiction) are initially unable to resolve a dispute, despite using reasonable efforts to do so, either Party may, by written notice to the other, have such dispute referred to their respective senior management designated below or their respective successors, for attempted resolution by negotiation in good faith. Such attempted resolution shall take place no later than [\*] days following receipt of such notice. The designated management for JBI is the head of oncology research and development and/or commercialization (as applicable) and for Aduro is the CEO. Any Dispute that senior management has not resolved shall, upon the request of a Party given not later than [\*] days after the initial discussion, be mediated through non-binding mediation in accordance with The CPR Mediation Procedure for Business Disputes then in effect of the CPR, except where that procedure conflicts with these provisions, in which case these provisions shall prevail. The mediation shall be conducted in San Francisco, CA and shall be attended by a senior executive with authority to resolve the dispute from each Party. The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than [\*] calendar days after initiation. Under no circumstances may the commencement of arbitration be delayed more than [\*] calendar days by the mediation process specified herein absent contrary agreement of the Parties. No statements made by either Party during the mediation may be used by the other or referred to during any subsequent proceedings.

**16.2 Arbitration.**

16.2.1 Binding Resolution. Any Dispute that has been referred to senior management for resolution and that has not been resolved within [\*] days after the initial discussion of such matter by senior management, shall, upon referral or submission by either Party, be submitted for final, binding resolution by arbitration in accordance with the then current CPR *Non-Administered Arbitration Rules* (“**CPR Rules**”) ([www.cpradr.org](http://www.cpradr.org)), except where those rules conflict with these provisions, in which case these provisions control. The arbitration shall be held in San Francisco, California.

16.2.2 Panel. The panel shall consist of three arbitrators chosen from the CPR Panel of Distinguished Neutrals in accordance with the CPR Rules (unless the Parties otherwise agree on the selection of the arbitrators) each of whom shall be a lawyer with at least fifteen (15) years’ experience with a law firm or corporate law department, each of which shall have had over twenty five (25) lawyers or who was a judge of a court of general jurisdiction. In the event the aggregate damages sought by the claimant are stated to be less than \$[\*], and the aggregate damages sought by the counterclaimant are stated to be less than \$[\*], and neither side seeks equitable relief, then a single arbitrator shall be chosen, having the same qualifications and experience specified above. Each arbitrator shall be impartial and independent of the Parties and shall abide by the *Code of Ethics for Arbitrators in Commercial Disputes* (available at <http://www.adr.org/EthicsAndStandards>).

16.2.3 Procedures if Arbitrator(s) Not Agreed. In the event the Parties cannot agree upon selection of the arbitrator(s), CPR will select arbitrator(s) as follows: CPR shall provide the Parties with a list of no less than twenty-five (25) proposed arbitrators (fifteen (15) if a single arbitrator is to be selected) having the credentials referenced above. Within [\*] days of receiving such list, the Parties shall rank at least 65% of the proposed arbitrators remaining on the initial CPR list after exercising cause challenges. If the Parties do not agree on an arbitrator following such ranking, the Parties may then jointly interview the five (5) candidates (three (3) if a single arbitrator is to be selected) with the highest combined rankings for no more than one hour each and, following the interviews, may exercise one peremptory challenge each. The panel will consist of the remaining three candidates (or one, if one arbitrator is to be selected) with the highest combined rankings. In the event these procedures fail to result in selection of the required number of arbitrators, the CPR shall appoint the appropriate remaining number of arbitrators having the credentials referenced in Section 16.2.2 above. Notwithstanding the foregoing, the arbitrators shall be finally selected by the Parties (or the CPR, if required) no later than [\*] days prior to the commencement of the arbitration proceedings.

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16.2.4 **Timing.** The Parties agree to cooperate (i) to attempt to select the arbitrator(s) by agreement within [\*] days of initiation of the arbitration, including jointly interviewing any candidates pursuant to Section 16.2.3; (ii) to meet with the arbitrator(s) within [\*] days of selection; and (iii) to agree at that meeting or before upon procedures for discovery, if any, and as to the conduct of the hearing that will result in the hearing being concluded within no more than [\*] months after selection of the arbitrator(s) and in the award being rendered within [\*] days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides within [\*] days after the conclusion of the hearings.

16.2.5 **Discovery.** The arbitrator(s) shall be guided, but not bound, by the *CPR Protocol on Disclosure of Documents and Presentation of Witnesses in Commercial Arbitration* ([www.cpradr.org](http://www.cpradr.org)) ("**Protocol**"). The Parties will attempt to agree on modes of document disclosure, electronic discovery, witness presentation, etc. within the parameters of the Protocol. If the parties cannot agree on discovery and presentation issues, the arbitrator(s) shall decide on presentation modes and provide for discovery within the Protocol, understanding that the Parties contemplate reasonable discovery; provided that such discovery will be limited so that the schedule set forth in Section 16.2.4 may be met without undue burden. The Parties agree that discovery shall be permitted in order to permit a Party to obtain documents and in formats that are in the possession, custody or Control of the other Party, to the extent not already in the possession of such Party. The arbitrator(s) shall determine what discovery will be permitted, consistent with the goal of limiting the cost and time that the Parties must expend for discovery; provided that the arbitrator(s) shall permit such discovery as the arbitrator(s) deem necessary to permit an equitable resolution of the dispute, which may in the arbitrator(s)' discretion include requests for admission or interrogatories. The arbitrator(s) shall not order or require discovery against either Party of a type or scope that is not permitted against the other Party. The arbitrator(s) may require a Party seeking the production of documents to pay all the costs associated with the collection, review and production of the documents. Any written evidence originally in a language other than English shall be translated to English and accompanied by (a) an original or true copy of the source document, (b) an original or true copy of the translation, and (c) a statement signed by the translator or translation company representative, with his or her signature notarized by a Notary Public, attesting that the translator or translation company representative believes the English language text to be an accurate and complete translation of the source-language text. The arbitrator(s) shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy or irrelevance and no award shall be overturned by reason of any ruling on evidence, except to the extent that such exclusion constitutes manifest disregard of the law. A transcript of the testimony adduced at the hearing shall be made and shall, upon request, be made available to either Party.

16.2.6 **Motions; Independent Expert.** The arbitrator(s) are expressly empowered to decide dispositive motions in advance of any hearing, including motions to dismiss and motions for summary judgment, and shall endeavor to decide such motions as would a Federal District Judge sitting in the jurisdiction whose substantive Law governs as set forth in Section 16.3 below. The arbitrator(s) may engage an independent expert with experience in the subject matter of the dispute to advise the arbitrator(s), but final decision making authority shall remain in the arbitrator(s).

16.2.7 **Decision of the Arbitrator(s).** The arbitrator(s) shall decide the issues presented in accordance with the substantive Law of the State of New York (without reference to conflicts of laws principles) and may not apply principles such as "amiable compositeur" or "natural justice and equity." The arbitrator(s) shall render a written opinion stating the reasons upon which the award is based.

16.2.8 **Confidentiality; Costs.** The Parties agree that the decision of the arbitrator(s) shall be the sole, exclusive and binding remedy between them regarding any and all disputes, controversies, claims and counterclaims presented to the arbitrator(s). The arbitration hearings and award shall not be made public by either Party without the joint consent of the Parties, except to the extent either Party is required to disclose such information by applicable Laws (or applicable rules of a public stock exchange) or to enforce the award in accordance with Section 16.2.9, and except as may be required by law, neither a Party nor its representatives, nor a witness nor an arbitrator may disclose the existence, content or result of any arbitration hereunder without the prior written consent of both parties. The costs of such arbitration, including

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administrative and arbitrator(s)' fees and the fees of any expert retained by the arbitrator(s), shall be shared equally by the Parties, and each Party shall bear its own expenses and attorneys' fees incurred in connection with the arbitration.

16.2.9 **Courts.** Any award of the arbitrator(s) may be entered in any court of competent jurisdiction for a judicial recognition of the decision and applicable orders of enforcement, and each Party may apply to any court of competent jurisdiction for appropriate temporary injunctive relief to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, in each case pending resolution of any arbitration proceeding. Rule 14 of the CPR Rules does not apply to this Agreement. Without limiting the foregoing, the Parties consent to the jurisdiction of the Federal District Court for the district in which the arbitration is held for the enforcement of these provisions and the entry of judgment on any award rendered hereunder.

16.2.10 EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL BY JURY OF ANY ISSUE WITHIN THE SCOPE OF THE AGREEMENT TO ARBITRATE AS SET FORTH HEREIN.

16.2.11 EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE, EXEMPLARY OR MULTIPLIED DAMAGES FROM THE OTHER (EXCEPT AS SET FORTH IN SECTION 19.3).

16.2.12 EACH PARTY HERETO WAIVES ANY CLAIM OF CONSEQUENTIAL DAMAGES FROM THE OTHER (EXCEPT AS SET FORTH IN SECTION 19.3).

**16.3 Governing Law.** The Agreement shall be construed and the respective rights of the parties hereto determined according to the substantive laws of the State of New York and the patent laws of the United States, without regard to conflicts of laws principles.

## 17 [\*] AGREEMENT

**17.1 Compliance with [\*] Agreement.** Aduro represents that it has provided JBI a true, complete and correct copy of the [\*] Agreement as it exists of the Execution Date (including any amendments thereto) and represents and warrants that said [\*] Agreement is in full force and effect as of the date hereof and that Aduro shall use reasonable efforts to maintain said [\*] Agreement in full force and effect. With respect to the [\*] Agreement: (i) Aduro's [\*] under the [\*] Agreement shall expire as of [\*]; (ii) with respect to the [\*] (as such term is defined in the [\*] Agreement), the grants herein are subject to the rights of the [\*] and Aduro shall perform those obligations due thereunder; (iii) the Parties agree that this Agreement contains a provision requiring payment of royalties to Aduro sufficient to permit Aduro to meet its royalty obligations to the [\*]; and (iv) with respect to the exercise of the sublicense, in furtherance of Aduro's [\*] in Section 19.1 of the [\*] Agreement as set forth therein, [\*]. Aduro shall inform JBI of any written notice received by Aduro that: (a) such [\*] Agreement is not then in full force and effect; (b) that [\*]; or (c) Aduro is in default of said [\*] Agreement. In the event Aduro receives notice from [\*] that Aduro is in default of such [\*] Agreement, it shall [\*].

## 18 FORCE MAJEURE

**18.1 Force Majeure.** No failure or omission by a Party or its Affiliates and/or Sublicensees in the performance of any obligation under this Agreement shall be deemed a breach of the Agreement or create any liability if the same shall arise in whole or in part from any cause or causes beyond the reasonable control of the Party or its Affiliates and/or Sublicensees, including acts of God; acts or omissions of any government; any rules, regulations or orders issued by any governmental authority or by any officer, department, agency or instrumentality thereof; fire; storm; flood; earthquake; accident; war; terrorism; rebellion; insurrection; riot; invasion; strike; lockout, or other kind of force majeure (each, a "**Force Majeure**"). Each Party shall notify the other Party promptly in writing following the occurrence or after becoming aware of the occurrence of any Force Majeure whereupon

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the Parties shall promptly co-operate so as to mitigate the effects of such Force Majeure and the Party suffering Force Majeure shall be obliged to use reasonable efforts to overcome the circumstances thereof. In the event a Party suspends its performance for a period of three (3) or more months due to a Force Majeure, the Parties shall consult in good faith to develop and implement a plan for mitigating the same.

## 19 MISCELLANEOUS

**19.1 Notices.** Any notice or report required or permitted to be given or made under the Agreement by one of the Parties to the other shall be in writing and delivered to the other Party at its address indicated below, or to such other address as the addressee shall have theretofore furnished in writing to the addressor, by hand, by courier or by registered or certified airmail (postage prepaid) or by reputable overnight courier:

If to Aduro:

Aduro Biotech, Inc.  
626 Bancroft Way, 3C  
Berkeley, California 94710  
Attention: CEO and President

With copy to: Arnold & Porter LLP  
399 Park Avenue  
New York, New York 10022  
Attention: Blaine Templeman

If to JBI:

Janssen Biotech, Inc.  
800 Ridgeview Drive  
Horsham, Pennsylvania 19044  
Attention: President

With copy to: Chief Intellectual Property Counsel  
Office of General Counsel  
Johnson & Johnson  
One Johnson & Johnson Plaza  
New Brunswick, New Jersey 08933  
United States of America

All notices shall be effective as of the date received by the addressee or as certified delivery by a reputable delivery service, whichever is earlier.

**19.2 Non-waiver.** The waiver by either of the Parties of any breach of any provision hereof by the other Party shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

**19.3 SPECIAL, INDIRECT AND OTHER LOSSES. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OR FOR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY (EVEN IF DETERMINED TO BE DIRECT DAMAGES), EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY IN CONNECTION WITH A JUDGMENT OR SETTLEMENT FOR WHICH A PARTY IS RESPONSIBLE PURSUANT TO AND IN ACCORDANCE WITH ARTICLE 14 HEREUNDER.**

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- 19.4 Severability.** Should any section, or portion thereof, of the Agreement be held invalid by reason of any law, statute or regulation existing now or in the future in any jurisdiction by any court of competent jurisdiction or by a legally enforceable directive of any governmental body, such section or portion thereof shall be validly reformed so as to approximate the intent of the parties as nearly as possible and, if unreformable, shall be divisible and deleted in such jurisdiction; the Agreement shall not otherwise be affected.
- 19.5 No Agency.** The relationship of the Parties under the Agreement is that of independent contractors. Neither Party shall be deemed to be the agent of the other and neither Party is authorized to take any action binding upon the other.
- 19.6 Assignment.** This Agreement shall be binding upon the Parties and their respective permitted successors and assigns. Neither Party may, without the prior written consent of the other Party, assign all or any part of its rights and benefits under this Agreement, provided that such consent shall not be required for an assignment to: (i) any Affiliate of either Party provided that such Party shall guarantee the performance of all assigned obligations by such Affiliate; or (ii) to a Third Party successor or purchaser of all or substantially all of its business or assets to which this Agreement relates, whether in a merger, sale of stock, sale of assets or other similar transaction, provided that, the Third Party successor or purchaser provides written notice to the other Party that such Third Party agrees to be bound by the terms of this Agreement. Any attempted assignment, delegation or transfer in contravention of this Agreement shall be null and void *ab initio*.
- 19.7 Counterparts.** The Agreement may be executed in counterparts, each of which shall be deemed to be an original and both together shall be deemed to be one and the same agreement.
- 19.8 Construction.** This Agreement shall be deemed to have been jointly drafted by the Parties, and no rule of strict construction shall apply against either. All headings and the cover page are inserted for convenience of reference only and shall not affect their meaning or interpretation. As used in this Agreement, unless the context otherwise requires, (a) words of any gender include each other gender, (b) words such as “herein”, “hereof” or “hereunder” refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (c) words using the singular shall include the plural, and vice versa and (d) the word “including” means “including without limitation”.
- 19.9 Further Assurances.** Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further ministerial, administrative or similar acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto the other Party its rights and remedies under this Agreement.
- 19.10 Entire Agreement.** The terms and provisions contained in the Agreement, constitute the entire agreement between the parties and shall supersede all previous communications, representations, agreements or understandings, either oral or written, between the parties with respect to the subject matter hereof, and no agreement or understanding varying or extending the Agreement shall be binding upon either Party hereto, unless in writing that specifically refers to the Agreement, signed by duly authorized officers or representatives of the respective parties and the provisions of the Agreement not specifically amended thereby shall remain in full force and effect.

*[Remainder of Page Intentionally Omitted]*

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In witness whereof, Aduro and JBI have executed this Agreement effective as of the date set forth above.

Aduro Biotech, Inc.

Janssen Biotech, Inc.

*/s/ Stephen T. Isaacs*

*/s/ Scott White*

Stephen T. Isaacs  
Chairman, President and CEO

Scott White  
President, Oncology

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ADURO PATENT SCHEDULE



Intellectual Property Relevant to ADU-214

Intellectual Property for ADU-214 Owned by Aduro

Patents and Patent Applications (All owned by Aduro)

[\*]

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**Integration Vector License**

[\*]

[\*]

**Patents and Patent Applications**

[\*]

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CONFIDENTIAL

**[\*] ANTIGEN SCHEDULE**

[\*]

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IND SUBMISSION AND MANUFACTURING UPDATE PLAN SCHEDULE

< 9 pages omitted >

[\*]

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TECHNOLOGY TRANSFER PLAN SCHEDULE

< 2 pages omitted >

[\*]

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CONFIDENTIAL

**SUBSET OF [\*] SCHEDULE**

[\*]

[\*]

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**PLATFORM UPDATE SCHEDULE**

This schedule defines the information that will be provided as the Platform Update from Aduro on the same schedule as the 741 Agreement on their *Listeria monocytogenes* based technology platforms.

Should the following events happen in the prior year related to the *Listeria monocytogenes* based technology platform, summaries of the events will be included in the report.

[\*]

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## PRESS RELEASE SCHEDULE



Oct. 16, 2014 12:00 UTC

**Aduro Expands Collaboration with Johnson & Johnson Innovation and  
Janssen for Lung Cancer Immunotherapies**

BERKELEY, Calif.—(BUSINESS WIRE)— Aduro BioTech, Inc., a leader in cancer immunotherapy, today announced that it has entered into its second agreement with Janssen Biotech, Inc., part of the Janssen Pharmaceutical Companies of Johnson & Johnson, granting an exclusive, worldwide license to certain product candidates engineered for the treatment of lung cancer and certain other cancers based on its novel LADD immunotherapy platform. Under the agreement, facilitated by the Johnson & Johnson Innovation center in California, Aduro will receive a \$30 million up-front payment and is eligible to receive significant development, regulatory and commercialization milestone payments up to a potential total of \$817 million. In addition, Aduro is eligible to receive high single-digit to double-digit tiered royalties on worldwide net sales upon successful launch and commercialization.

Under the agreement, Janssen will have exclusive rights to develop and commercialize LADD product candidates in lung cancer and will assume responsibility for all research, development, manufacturing, regulatory and commercialization activities for the licensed products. Aduro may provide assistance in any of these areas upon request and will receive additional fees for these support activities.

“Since our initial agreement with Janssen in May of this year for new immunotherapies for prostate cancer, they have been terrific partners and we’ve established a strong collaboration focused on advancing our technologies forward in their licensed indications,” said Stephen T. Isaacs, chairman, president and chief executive officer of Aduro. “We believe our LADD technology also offers tremendous promise as a potential treatment for lung cancer and we are pleased to expand our relationship with Janssen, a company with significant experience and resources focused in both lung and prostate cancer. Separately, Aduro continues to make progress with our broad array of immunotherapy platforms in a number of other oncology indications, including pancreatic cancer, mesothelioma and glioblastoma among others.”

The transaction is subject to clearance by the US antitrust authorities under the Hart-Scott-Rodino Act and will become final as soon as such clearance has occurred.

In May of this year, Aduro announced its first agreement with Janssen Biotech, Inc. granting the company an exclusive, worldwide license to certain product candidates specifically engineered for the treatment of prostate cancer based on its novel LADD immunotherapy platform. Under that agreement, also facilitated by the Johnson & Johnson Innovation center in California, Aduro is eligible to receive up to \$365 million in upfront and development and commercialization milestones.

#### About LADD

LADD is Aduro’s proprietary platform of live-attenuated double-deleted *Listeria monocytogenes* strains that have been engineered to induce a potent innate immune response and to express tumor-associated antigens to induce tumor-specific T cell-mediated immunity.

#### About Aduro BioTech, Inc.

Aduro BioTech, Inc. is a private, clinical-stage biotechnology company focused on immunotherapy for cancer. Aduro has received Breakthrough Therapy Designation from the FDA for its novel immunotherapy combination in pancreatic cancer which is in an ongoing Phase 2B clinical trial, *ECLIPSE*, and has additional ongoing clinical trials with its LADD platform in mesothelioma and glioblastoma. The company is also developing clinical candidates using novel small molecules that activate the intracellular STING receptor, a central mediator of the innate immune response. For more information, please visit [www.aduro.com](http://www.aduro.com).

#### Contacts

Aduro BioTech, Inc.  
Greg W. Schafer, 510-809-4801  
Chief Operating Officer  
or  
Media Contact:  
Angela Bitting, 925-202-6211  
[a.bitting@comcast.net](mailto:a.bitting@comcast.net)

Source: Aduro BioTech, Inc.



View this news release online at:  
<http://www.businesswire.com/news/home/20141016005133/en>

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**THIRD-PARTY PATENT SCHEDULE**

[\*]

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## CALENDAR YEAR SCHEDULE

## UNIVERSAL FINANCIAL CALENDAR

## 2014 UNIVERSAL CALENDAR

M T W T F S S								M T W T F S S										
30 31								30										
JAN				1	2	3	4	5	JUL	1			2	3	4	5	6	
(4 Weeks)	6	7	8	9	10	11	12		(4 Weeks)	7	8	9	10	11	12	13		
	13	14	15	16	17	18	19			14	15	16	17	18	19	20		
	20	21	22	23	24	25	26			21	22	23	24	25	26	27		
27 28 29 30 31								28 29 30 31										
FEB							1	2	AUG				1			2	3	
(4 Weeks)	3	4	5	6	7	8	9		(4 Weeks)	4	5	6	7	8	9	10		
	10	11	12	13	14	15	16			11	12	13	14	15	16	17		
	17	18	19	20	21	22	23			18	19	20	21	22	23	24		
24 25 26 27 28								25 26 27 28 29 30 31										
MAR							1	2	SEP	1			2	3	4	5	6	7
(5 Weeks)	3	4	5	6	7	8	9		(5 Weeks)	8	9	10	11	12	13	14		
	10	11	12	13	14	15	16			15	16	17	18	19	20	21		
	17	18	19	20	21	22	23			22	23	24	25	26	27	28		
	24	25	26	27	28	29	30											
31								29 30										
APR				1	2	3	4	5	6	OCT				1	2	3	4	5
(4 Weeks)	7	8	9	10	11	12	13		(4 Weeks)	6	7	8	9	10	11	12		
	14	15	16	17	18	19	20			13	14	15	16	17	18	19		
	21	22	23	24	25	26	27			20	21	22	23	24	25	26		
28 29 30								27 28 29 30 31										
MAY							1	2	3	4	NOV				1			2
(4 Weeks)	5	6	7	8	9	10	11		(4 Weeks)	3	4	5	6	7	8	9		
	12	13	14	15	16	17	18			10	11	12	13	14	15	16		
	19	20	21	22	23	24	25			17	18	19	20	21	22	23		
26 27 28 29 30 31								24 25 26 27 28 29 30										
JUN							1		DEC	1			2	3	4	5	6	7
(5 Weeks)	2	3	4	5	6	7	8		(5 Weeks)	8	9	10	11	12	13	14		
	9	10	11	12	13	14	15			15	16	17	18	19	20	21		
	16	17	18	19	20	21	22			22	23	24	25	26	27	28		
	23	24	25	26	27	28	29											

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**INVOICING PROCEDURE SCHEDULE**

**Invoicing Process for Development Work, Other Development and Technology Transfer Plan Payments**

Any costs or payments to be invoiced to JBI by Aduro pursuant to Development Work, Other Development, and the Technology Transfer Plan shall be payable to Aduro within [sixty (60)] calendar days from the date an invoice in respect of the same is received by JBI, and JBI shall pay, or cause to be paid, to Aduro, by wire transfer or electronic fund transfer to the credit of the bank account to be designated in writing by Aduro.

All such invoices must reference a valid Purchase Order (PO) Number which JBI shall provide to Aduro within [\*] calendar days after the Execution Date and invoices shall include the nature and amount of services rendered, deliverables provided, or other basis for the payment. Aduro shall provide proper support for expenses included on the invoice. Reasonable support documents for Out-of-Pocket Expenses include invoice or pro forma invoice from the Third Party vendors. For FTE reimbursement, proper support includes an FTE time report break down by function.

Invoices must be sent to the Johnson & Johnson Accounts Payable Department via: [\*] if Aduro establishes a web invoice account or sent by postal mail to the following address:

[\*]

Aduro can contact the Johnson & Johnson Accounts Payable Hotline at [\*] in the United States with any questions related to the status of payments on invoices. Copies of all invoices shall be sent concurrently to the Finance Director, Johnson & Johnson Innovation at [\*]. JBI reserves the right to return to Aduro unprocessed and unpaid those invoices that do not reference the applicable PO Number. Janssen Research & Development, L.L.C. may act as paying agent for JBI under this Agreement.

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**EXCLUSIVE LICENSE AGREEMENT**

**BETWEEN**

**THE JOHNS HOPKINS UNIVERSITY**

**&**

**ADURO BIOTECH**

**JHU Agreement: # -A19340**

## LICENSE AGREEMENT

THIS LICENSE AGREEMENT (the “Agreement”) is entered into by and between THE JOHNS HOPKINS UNIVERSITY, a Maryland corporation having an address at 3400 N. Charles Street, Baltimore, Maryland, 21218-2695 (“JHU”) and ADURO BIOTECH, a California corporation having an address at 626 Bancroft Way, Suite 3C, Berkeley, California 94710-2225 (“Company”), with respect to the following:

### RECITALS

WHEREAS, as a center for research and education, JHU is interested in licensing PATENT RIGHTS (hereinafter defined) in a manner that will benefit the public by facilitating the distribution of useful products and the utilization of new processes, but is without capacity to commercially develop, manufacture, and distribute any such products or processes; and

WHEREAS, valuable inventions entitled “Development of Mesothelin-Specific Cancer Immunotherapy using an Ascitogenic Ovarian/Peritoneal Tumor Model” and “Control of Human Mesothelin-expressing Tumors By DNA Vaccines” (JHU Ref Nos. C04083 and C10013, respectively) were developed during the course of research conducted by Drs. Tzyy-Chouu Wu, Ralph Hruban, Chien-Fu Hung, and Elizabeth Jaffee (all hereinafter, “Inventors”); and

WHEREAS, JHU has acquired through assignment all rights, title and interest, with the exception of certain retained rights by the United States Government, in its interest in said valuable inventions; and

WHEREAS, Company desires to obtain certain rights in such inventions as herein provided, and to commercially develop, manufacture, use and distribute products and processes based upon or embodying said valuable inventions throughout the United States;

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

### ARTICLE 1 DEFINITIONS

All references to particular Exhibits, Articles or Paragraphs shall mean the Exhibits to, and Paragraphs and Articles of, this Agreement, unless otherwise specified. For the purposes of this Agreement and the Exhibits hereto, the following words and phrases shall have the following meanings:

**1.1 “AFFILIATED COMPANY”** as used herein in either singular or plural shall mean any corporation, company, partnership, joint venture or other entity, which controls, is controlled by or is under common control with Company. For purposes of this Paragraph 1.1, control shall mean the direct or indirect ownership of at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock, general partnership or membership interest of such entity.

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**1.2 “COMBINATION PRODUCT”** shall mean any product that comprises a LICENSED PRODUCT and at least one other therapeutically active component that is not a LICENSED PRODUCT. For the avoidance of doubt, such other therapeutically active components do not include solvents, diluents, carriers, excipients, buffers or the like used in formulating a LICENSED PRODUCT.

**1.3 “COMBINATION SERVICE”** shall mean any service or method that comprises (a) a LICENSED SERVICE and that is provided in combination with one or more bacteria-based therapeutics and/or prophylactics, one or more of which may be a LICENSED PRODUCT, and also may be combined with one or more other service(s) which is not a LICENSED SERVICE, or (b) a combination of a LICENSED SERVICE and one or more other services.

**1.4 “EFFECTIVE DATE”** of this License Agreement shall mean the date the last party hereto has executed this Agreement.

**1.5 “EXCLUSIVE LICENSE”** shall mean a grant by JHU to Company of its entire right and interest in the PATENT RIGHTS subject to rights retained by the United States Government, if any, in accordance with the Bayh-Dole Act of 1980 (established by P.L. 96-517 and amended by P.L. 98-620, codified at 35 USC § 200 et. seq. and implemented according to 37 CFR Part 401), and subject to the retained right of JHU to make, have made, provide and use for its and The Johns Hopkins Health Systems’ purposes LICENSED PRODUCT(S) and LICENSED SERVICE(S), including the ability to distribute any biological material disclosed and/or claimed in PATENT RIGHTS for nonprofit academic research use to non-commercial entities as is customary in the scientific community.

**1.6 “FIRST COMMERCIAL SALE”** shall mean, with respect to any LICENSED PRODUCT or LICENSED SERVICE and any country of the world, the first sale of such LICENSED PRODUCT or LICENSED SERVICE under this Agreement by Company, its AFFILIATED COMPANY, or SUBLICENSEE(S) to a non-affiliate third party in such country.

**1.7 “LICENSED FIELD”** shall mean all bacteria-based therapeutic and/or prophylactic uses for cancer treatment and/or prevention and all uses as a companion diagnostic for all bacteria-based, mesothelin-expressing cancer therapy or prophylaxis. For purposes of this Agreement, a “companion diagnostic” is defined as a test to assess the likelihood of efficacy before treatment and/or monitor the efficacy after treatment for any bacteria-based, mesothelin-expressing cancer therapy or prophylaxis.

**1.8 “LICENSED PRODUCT(S)”** as used herein in either singular or plural shall mean any process or method, material, compositions, drug, or other product, the manufacture, use or sale of which would constitute, but for the license granted to Company pursuant to this Agreement, an infringement of a VALID CLAIM of PATENT RIGHTS (infringement shall include, but is not limited to, direct, contributory, or inducement to infringe).

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**1.9 “LICENSED SERVICE(S)”** as used herein in either singular or plural shall mean the performance on behalf of a third party of any method or the manufacture of any product or the use of any product or composition which would constitute, but for the license granted to Company pursuant to this Agreement, an infringement of a VALID CLAIM of the PATENT RIGHTS, (infringement shall include, but not be limited to, direct, contributory or inducement to infringe).

**1.10 “NET SALES”** shall mean gross sales revenues and fees billed by Company, AFFILIATED COMPANIES and SUBLICENSEES from the sale of LICENSED PRODUCTS less trade discounts or rebates allowed; refunds, returns and recalls; and sales, use, tariff, import/export duties, or other excise taxes invoiced to and/or paid by the purchaser of the such LICENSED PRODUCT. NET SALES of a COMBINATION PRODUCT sold by Company, its SUBLICENSEE(S) and/or its AFFILIATED COMPANIES shall be calculated by multiplying the NET SALES of the COMBINATION PRODUCT by the fraction  $A/A+B$ , where A is the number of all LICENSED PRODUCTS in the COMBINATION PRODUCT, and B is the number of all other therapeutically active components which are not LICENSED PRODUCTS in the COMBINATION PRODUCT.

**1.11 “NET SERVICE REVENUES”** shall mean gross service revenues and fees billed by Company, AFFILIATED COMPANIES and SUBLICENSEES for the performance of LICENSED SERVICES less trade discounts or rebates allowed; refunds; and sales and/or use taxes imposed upon and with specific reference to the LICENSED SERVICE. NET SERVICE REVENUES of a COMBINATION SERVICE sold by Company, its SUBLICENSEE(S) and/or its AFFILIATED COMPANIES consisting of one or more services and one or more bacteria-based therapeutics or prophylactics shall be calculated by: (i) subtracting the separately available price of such non-licensed service(s) and such bacteria-based therapeutic(s) and/or prophylactic(s) in the COMBINATION SERVICE from the NET SERVICE REVENUES; or (ii) if any component is not sold separately the parties agree to negotiate a reduction in the royalty rate to reflect the fair value that the LICENSED SERVICE contributes to the overall COMBINATION SERVICE sold based on the fraction of the fair value of all LICENSED PRODUCTS and SERVICES divided by the fair value of all products and services in the COMBINATION SERVICE. In the event that any bacteria-based therapeutic and/or prophylactic is a LICENSED PRODUCT, the NET SERVICE REVENUES for purposes of royalty payments shall be based on the sales revenues and fees received from sale of the entire COMBINATION SERVICE, provided however, that the running royalty hereunder shall be imposed only once with respect to the sale of a single unit of a LICENSED PRODUCT.

NET SERVICE REVENUES of a COMBINATION SERVICE sold by Company, its SUBLICENSEE(S) and/or its AFFILIATED COMPANIES consisting of one or more services shall be calculated by: (i) subtracting the separately available price of non-licensed services in the COMBINATION SERVICE from the NET SERVICE REVENUES; or (ii) if any service is not sold separately the parties agree to negotiate a reduction in the royalty rate to reflect the fraction of the fair value that the LICENSED SERVICE contributes to the overall COMBINATION SERVICE sold based on the fraction of the fair value of all LICENSED SERVICES divided by the fair value of all services in the COMBINATION SERVICE.

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**1.12 “PATENT RIGHTS”** shall mean (i) the U.S. Patent Applications listed in Exhibit A of this Agreement, each of which is assigned to JHU, and the inventions disclosed and claimed therein, and (ii) any patent or patent application claiming priority thereto or common priority therewith including all divisions, continuations-in-part (but only to the extent that the claims of each such continuation-in-part application are directed to subject matter specifically described in (i)) and continuations thereof, all U.S. patents issuing thereon and reissues, reexaminations, renewals and extensions thereof, any corresponding foreign patent applications, and any patents, or other equivalent foreign patent rights issuing, granted or registered thereon. Upon the written request of Company, JHU shall (or JHU shall instruct its outside legal counsel to) provide to Company a complete listing of the issued and applied-for PATENT RIGHTS outstanding at the time, including the status of any applications, divisions, continuations, reexaminations, reissues, renewals, or registrations then outstanding.

**1.13 “PHASE II CLINICAL TRIAL”** shall mean a human clinical trial, for which a primary endpoint is a preliminary determination of efficacy or dose ranges in patients with the disease target being studied as required in 21 C.F.R. § 312.21 (b), as may be amended from time to time, or a similar clinical study prescribed by the regulatory authorities in a market other than the United States.

**1.14 “PHASE III CLINICAL TRIAL”** shall mean an expanded human clinical trial performed after preliminary evidence suggesting effectiveness has been obtained from a PHASE II CLINICAL TRIAL, and intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship and to provide an adequate basis for physician labeling as required in 21 C.F.R. § 312.21 (c), or a similar clinical study prescribed by the regulatory authorities in a market other than the United States.

**1.15 “REGULATORY APPROVAL”** shall mean all approvals, including licenses, registrations, and authorizations, of all governmental agencies in a country necessary for the manufacture, use or sale of a LICENSED PRODUCT or LICENSED SERVICE in the applicable country. As used herein, REGULATORY APPROVAL shall not include pricing or reimbursement approval.

**1.16 “SUBLICENSEE(S)”** as used herein in either singular or plural shall mean any person or entity other than an AFFILIATED COMPANY to which Company has granted a sublicense under this Agreement. SUBLICENSEE(S) shall also include any person or entity to which Company’s SUBLICENSEE(S) has granted a sublicense subject to JHU’s approval and the conditions hereunder.

**1.17 “TERRITORY”** shall mean world-wide.

**1.18 “VALID CLAIM”** shall mean those claims of a patent or patent application in any country that (i) has not expired; (ii) has not been disclaimed; (iii) has not been revoked, held

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invalid, or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in such country from which no further appeal has or may be taken; and (iv) in the case of a pending application was filed and is being prosecuted in good faith towards allowance.

## **ARTICLE 2 LICENSE GRANT**

**2.1 Grant.** Subject to the terms and conditions of this Agreement, JHU hereby grants to Company an EXCLUSIVE LICENSE to make, have made, use, import, offer for sale, sell and have sold the LICENSED PRODUCT(S) and to provide the LICENSED SERVICE(S) in the TERRITORY under the PATENT RIGHTS in the LICENSED FIELD. This Grant shall apply to the Company and any AFFILIATED COMPANY, except that any AFFILIATED COMPANY shall not have the right to sublicense others as set forth in Paragraph 2.2 below. If any AFFILIATED COMPANY exercises rights under this Agreement, such AFFILIATED COMPANY shall be bound by all terms and conditions of this Agreement, including but not limited to indemnity and insurance provisions and royalty payments, which shall apply to the exercise of the rights, to the same extent as would apply had this Agreement been directly between JHU and the AFFILIATED COMPANY. In addition, Company shall remain fully liable to JHU for all acts and obligations of AFFILIATED COMPANY such that acts of the AFFILIATED COMPANY shall be considered acts of the Company.

**2.2 Sublicense.** Company may sublicense the rights granted by JHU under Paragraph 2.1 to others under this Agreement and may extend the right to further sublicense the rights delivered hereunder to its SUBLICENSEE(S), subject to the terms and conditions of this Paragraph 2.2 and subject to JHU's prior written approval of the sublicense agreement(s). Such approval shall not be unreasonably withheld. As a condition to its validity and enforceability, each sublicense agreement shall: (a) incorporate by reference the terms and conditions of this Agreement, (b) be consistent with the terms, conditions and limitations of this Agreement, (c) name JHU as an intended third party beneficiary of the obligations of SUBLICENSEE without imposition of obligation or liability on the part of JHU or its Inventors to the SUBLICENSEE, and (d) specifically incorporate Paragraphs 6.2 "Representations by JHU", 7.1 "Indemnification", 10.1 "Use of Name", 10.4 "Product Liability" into the body of the sublicense agreement, and cause the terms used in therein to have the same meaning as in this Agreement. Company and its SUBLICENSEE(S) shall provide to JHU each proposed sublicense agreement, executed by both Company and SUBLICENSEE. To the extent that any terms, conditions or limitations of any sublicense agreement are inconsistent with this Agreement, those terms, conditions and limitations are null and void against JHU. Upon receipt of a sublicense agreement from Company, JHU shall have [ \* ] days to indicate whether or not JHU approves such sublicense agreement in accordance with this Paragraph 2.2. JHU's failure to provide timely notice in this regard shall be considered approval of the applicable sublicense agreement.

**2.3 Government Rights.** The United States Government may have acquired a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the inventions described in PATENT RIGHTS throughout the world.

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The rights granted herein are additionally subject to: (i) the requirement that any LICENSED PRODUCT(S) produced for use or sale within the United States shall be substantially manufactured in the United States (unless a waiver under 35 USC § 204 or equivalent is granted by the appropriate United States government agency), (ii) the right of the United States government to require JHU, or its licensees, including Company, to grant sublicenses to responsible applicants on reasonable terms when necessary to fulfill health or safety needs, and, (iii) other rights acquired by the United States government under the laws and regulations applicable to the grant/contract award under which the inventions were made.

### ARTICLE 3 FEES, ROYALTIES, & PAYMENTS

**3.1 License Fee.** Company shall pay to JHU a license fee as set forth in Exhibit B (the “License Fee”) upon the earlier of [ \* ] days following the EFFECTIVE DATE or [ \* ] days following the EFFECTIVE DATE and completion of an equity financing in which Company receives at least [ \* ]. JHU will not submit an invoice for the License Fee, which is nonrefundable and shall not be credited against royalties or other fees. Company’s obligation to pay the License Fee shall survive termination of this Agreement.

**3.2 Milestones License Fees.** In addition to the license fee as set forth in Paragraph 3.1, Company shall pay to JHU certain milestone license fees for the achievement of the applicable milestones by Company, AFFILIATED COMPANIES or SUBLICENSEES, as set forth in Exhibit B (the “Milestone License Fees”). For those milestones achieved by Company or AFFILIATED COMPANIES, Company shall pay to JHU the applicable Milestone License Fee(s) within [ \* ] days of such achievement, and for those milestones achieved by SUBLICENSEES, Company shall pay to JHU the applicable Milestone License Fee(s) within [ \* ] days of such achievement.

**3.3 Minimum Annual Royalties.** Company shall pay to JHU minimum annual royalties as set forth in Exhibit B (the “Minimum Annual Royalties”). These Minimum Annual Royalties shall be due, without invoice from JHU, within [ \* ] days of each anniversary of the EFFECTIVE DATE beginning with the first anniversary. Running royalties accrued under Paragraph 3.4 and paid to JHU during the one (1) year period preceding an anniversary of the EFFECTIVE DATE shall be credited against the Minimum Annual Royalties due on that anniversary date. The amount of all Minimum Annual Royalties paid for any year in excess of the actual running royalties for such year shall be carried forward and credited against running royalties owed in future years.

**3.4 Running Royalties.** Company shall pay to JHU a running royalty as set forth in Exhibit B, for each LICENSED PRODUCT(S) sold, and for each LICENSED SERVICE(S) provided, by Company, AFFILIATED COMPANIES and SUBLICENSEE(S), based on NET SALES and NET SERVICE REVENUES for the term of this Agreement, except as provided below. Such payments shall be made quarterly.

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All non-US taxes due on payments to JHU under this Agreement shall be paid by Company and shall not be deducted from royalty or other payments due to JHU. In the event that any amounts are required under law to be withheld from royalty or other payments otherwise due to JHU, Company shall notify JHU, provide to JHU appropriate documentation of such requirement, use reasonable commercial efforts to provide all forms, documents, and/or other information necessary to eliminate the withholding or reduce any taxes payable pursuant to this Paragraph or necessary to establish JHU's right to a tax credit in respect of any such taxes, only then shall Company withhold the appropriate amount of withholding taxes imposed hereunder, and pay such taxes on behalf of JHU. Company shall provide JHU with receipts or certificates showing the payment of the amounts withheld pursuant to this Paragraph. Any other taxes (other than any due on payments to JHU by Company) levied by any authorities in the TERRITORY shall be treated as described in Paragraphs 1.10 and 1.11 herein as appropriate.

In order to insure JHU the full royalty payments contemplated hereunder, Company agrees that in the event any LICENSED PRODUCT(S) shall be sold to an AFFILIATED COMPANY or SUBLICENSEE(S) or to a corporation, firm or association with which Company shall have any agreement, understanding or arrangement with respect to consideration (such as, among other things, an option to purchase stock or actual stock ownership, or an arrangement involving division of profits or special rebates or allowances) the royalties to be paid hereunder for such LICENSED PRODUCT(S) shall be based upon the greater of: 1) the net selling price (per NET SALES) at which the purchaser of LICENSED PRODUCT(S) resells such product to the end user, 2) the NET SERVICE REVENUES received from using the LICENSED PRODUCT(S) in providing a service, 3) the fair market value of the LICENSED PRODUCT(S) or 4) the net selling price (per NET SALES) of LICENSED PRODUCT(S) paid by the purchaser.

**3.5 Sublicense Consideration.** In addition to the running royalty as set forth under Paragraph 3.4, Company shall pay to JHU a share of the cash value of compensation received in consideration for the grant of a sublicense of the rights granted herein as set forth in Exhibit B ("Sublicense Consideration"). Sublicense Consideration shall be due, without the need for invoice from JHU, within [ \* ] days of Company's receipt of sublicensing income from its SUBLICENSEE. Company shall pay to JHU a share of all sublicensing income, including licensing fees, milestone payments, equity investments in Company to the extent such investments exceed [ \* ] of Fair Market Value (as defined herein below), and any other sublicensing revenue, excluding running royalty received from SUBLICENSEE, debt financing, equity investments at or below [ \* ] of Fair Market Value (as defined herein below), payments or other consideration for research contracts or development, sales and/or marketing activities, and reimbursement for patent costs or milestones payable to JHU under this Agreement. Company will provide all relevant information in its possession regarding exclusions from Sublicense Consideration which is not the confidential information of a third party, including, but not limited to, copies of research contracts or other contracts with a performance plan and commensurate budget for research, development, sales and/or marketing activities to be performed by Company, providing that the absence of such information shall not preclude exclusion from Sublicense Consideration.

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In the event that equity in lieu of cash or other consideration is received by Company in return for granting a sublicense, Company shall either arrange for JHU's share of such equity to be issued directly to JHU and in the name of "The Johns Hopkins University" or Company shall pay in cash to JHU the Fair Market Value, as defined below, of JHU's share of such equity. The term "Fair Market Value" shall mean (i) if the stock is publicly traded, the average price that the stock in question is publicly trading at for [ \* ] days prior to the announcement of the sublicense agreement, or (ii) if the stock is not publicly traded, the value of such stock as determined by an independent appraisal, including an average of up to three appraisals, prepared by an outside party or parties at Company's expense and which is reasonably acceptable to both the Company and to JHU.

**3.6 Patent Reimbursement.** Company will reimburse JHU for the reasonable, unreimbursed past costs associated with preparing, filing, maintaining and prosecuting PATENT RIGHTS within the LICENSED FIELD incurred by JHU on or before the EFFECTIVE DATE of this Agreement, not to exceed [ \* ] and excluding all costs previously paid by another licensee. Company shall reimburse JHU upon the earlier of [ \* ] days following the EFFECTIVE DATE and receipt of an invoice from JHU or [ \* ] days after the EFFECTIVE DATE and completion of an equity financing in which Company receives at least [ \* ]. In accordance with Paragraph 4.1 below, Company will reimburse JHU, within [ \* ] days of the receipt of an invoice from JHU, for all costs associated with the preparation, filing, maintenance, and prosecution of PATENT RIGHTS incurred by JHU subsequent to the EFFECTIVE DATE of this Agreement.

**3.7 Form of Payment.** All payments under this Agreement shall be made in U.S. Dollars by either check or wire transfer.

**3.8 Payment Information.** All check payments from Company to JHU shall be sent to:

Executive Director  
Johns Hopkins Technology Transfer  
The Johns Hopkins University  
100 N. Charles Street, 5<sup>th</sup> Floor  
Baltimore, MD 21201  
Attn: JHU Agreement # A19340

or such other addresses which JHU may designate in writing from time to time. Checks are to be made payable to "The Johns Hopkins University". Wire transfers may be made through:

[ \* ]  
Transit/Routing/ABA number: [ \* ]  
SWIFT code: [ \* ]  
CHIPS ABA number: [ \* ]  
Account Number: [ \* ]  
Type of Account: [ \* ]

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Reference: Johns Hopkins Technology Transfer  
(JHU Agreement Ref. # - A19340)  
Attn: Financial Manager

ACH info:

[ \* ]  
Transit/routing/ABA number: [ \* ]  
Account number: [ \* ]  
Type of account: [ \* ]  
(CTX format is preferred; CCD+ is also accepted)

Company shall provide notice of the date and amount of all ACH payments to JHU's Financial Manager by email or telephone. Company shall be responsible for any and all costs associated with wire transfers.

**3.9 Late Payments.** In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on the [ \* ] day following the due date thereof, calculated at the annual rate of the sum of (a) [ \* ] plus (b) the prime interest rate quoted by The Wall Street Journal on the date said payment is due, the interest being compounded on the last day of each calendar quarter, provided however, that in no event shall said annual interest rate exceed the maximum legal interest rate for corporations. Each such payment when made shall be accompanied by all interest so accrued. Said interest and the payment and acceptance thereof shall not negate or waive the right of JHU to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment including, but not limited to termination of this Agreement as set forth in Paragraph 9.2.

#### **ARTICLE 4 PATENT PROSECUTION, MAINTENANCE, & INFRINGEMENT**

**4.1 Prosecution & Maintenance.** JHU, at Company's expense, shall file, prosecute and maintain all patents and patent applications specified under PATENT RIGHTS in the LICENSED FIELD and, subject to the terms and conditions of this Agreement, Company shall be licensed thereunder. Title to all such patents and patent applications shall reside in JHU. JHU shall have full and complete control over all patent matters in connection therewith under the PATENT RIGHTS, provided however, that JHU shall (a) cause its patent counsel to timely copy Company on all official actions and written correspondence with any patent office, and (b) allow Company a reasonable opportunity to comment and advise JHU. JHU shall consider and reasonably incorporate all comments and advice. By concurrent written notification to JHU and its patent counsel at least [ \* ] days in advance (or later at JHU's discretion) of any filing or response deadline, or fee due date, Company may elect not to have a patent application filed in any particular country or not to pay expenses associated with prosecuting or maintaining any patent application or patent, provided that Company pays for all costs incurred up to JHU's receipt of such notification. Failure to provide such notification can be considered by JHU to be Company's authorization to proceed at Company's expense. Upon such notification, JHU may file, prosecute, and/or maintain such patent applications or patent at its own expense and for its

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own benefit, and any rights or license granted hereunder held by Company, AFFILIATED COMPANIES or SUBLICENSEE(S) relating to the PATENT RIGHTS which comprise the subject of such patent applications or patent and/or apply to the particular country, shall terminate.

**4.2 Notification.** Each party will notify the other promptly in writing when any infringement by another is uncovered or suspected.

**4.3 Infringement.** Company shall have the first right to enforce any patent within PATENT RIGHTS against any infringement or alleged infringement thereof, and shall at all times keep JHU informed as to the status thereof. Before Company commences an action with respect to any infringement of such patents, Company shall give careful consideration to the views of JHU and to potential effects on the public interest in making its decision whether or not to sue. Thereafter, Company may, at its own expense, institute suit against any such infringer or alleged infringer and control and defend such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Paragraph 4.5. However, no settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the prior written consent of JHU, which consent shall not be unreasonably withheld. This right to sue for infringement shall not be used in an arbitrary or capricious manner. JHU shall reasonably cooperate in any such litigation at Company's expense, including by allowing itself to be joined as a party of such litigation if required for purposes of standing.

If Company elects not to enforce any patent within the PATENT RIGHTS, then it shall so notify JHU in writing within [ \* ] days of receiving notice that an infringement exists, and JHU may, in its sole judgment and at its own expense, take steps to enforce any patent and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover, for its own account, any damages, awards or settlements resulting therefrom.

**4.4 Patent Invalidity Suit.** If a declaratory judgment action is brought naming Company as a defendant and alleging invalidity of any of the PATENT RIGHTS, JHU may elect to take over the sole defense of the action at its own expense. Company shall cooperate fully with JHU in connection with any such action.

**4.5 Recovery.** Any recovery of ordinary (non-punitive) damages by Company under Paragraph 4.3 shall be deemed to reflect loss of commercial sales, and Company shall pay to JHU an amount calculated by applying the royalty rate defined in Section 3.4 to the non-punitive damages of the recovery net of all reasonable costs and expenses associated with each suit or settlement. In the event a court awards punitive damages to Company in addition to ordinary damages, Company shall pay to JHU [ \* ] of such punitive damages net of all reasonable costs and expenses associated with each suit or settlement. If the cost and expenses exceed the recovery, then [ \* ] of the excess shall be credited against royalties payable by Company to JHU hereunder in connection with sales of LICENSED PRODUCT covered in the PATENT RIGHTS which are the subject of the infringement suit, in the country of such legal proceedings, provided, however, that any such credit under this Paragraph shall not exceed [ \* ] of the royalties otherwise payable to JHU with regard to sales in the country of such action in any one calendar year, with any excess credit being carried forward to future calendar years.

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**ARTICLE 5**  
**OBLIGATIONS OF THE PARTIES**

**5.1 Reports.** Company shall provide to JHU the following written reports according to the following schedules.

(a) Company shall provide quarterly Royalty Reports, substantially in the format of Exhibit C and due within [ \* ] days of the end of each calendar quarter following the EFFECTIVE DATE of this Agreement. Royalty Reports shall disclose the amount of LICENSED PRODUCT(S) and LICENSED SERVICE(S) sold, the total NET SALES and NET SERVICE REVENUES of such LICENSED PRODUCT(S) and LICENSED SERVICE(S), and the running royalties due to JHU as a result of NET SALES and NET SERVICE REVENUES by Company, AFFILIATED COMPANIES and SUBLICENSEE(S) thereof. Payment of any such royalties due shall accompany such Royalty Reports.

(b) Until Company, an AFFILIATED COMPANY or a SUBLICENSEE(S) has achieved a FIRST COMMERCIAL SALE of a LICENSED PRODUCT or LICENSED SERVICE, or received FDA market approval, Company shall provide semiannual Diligence Reports, due within [ \* ] days of the end of every June and December following the EFFECTIVE DATE of this Agreement. These Diligence Reports shall describe Company's, AFFILIATED COMPANIES or any SUBLICENSEE(S)'s technical efforts towards meeting its obligations under the terms of this Agreement.

(c) Company shall provide Annual Reports within [ \* ] days of the end of every December following the EFFECTIVE DATE of this Agreement. Annual Reports shall include:

- (i) evidence of insurance as required under Paragraph 10.4, or, a statement of why such insurance is not currently required, and
- (ii) identification of all AFFILIATED COMPANIES which have exercised rights pursuant to Paragraph 2.1, or, a statement that no AFFILIATED COMPANY has exercised such rights, and
- (iii) notice of all FDA approvals of any LICENSED PRODUCT(S) or LICENSED SERVICE(S) obtained by COMPANY, AFFILIATED COMPANY or SUBLICENSEE, the patent(s) or patent application(s) licensed under this Agreement upon which such product or service is based, and the commercial name of such product or service, or, in the alternative, a statement that no FDA approvals have been obtained.

**5.2 Records.** Company shall make and retain, for a period of [ \* ] years following the period of each report required by Paragraph 5.1, true and accurate records, files and books of account containing all the data reasonably required for the full computation and verification of sales and other information required in Paragraph 5.1. Such books and records shall be in accordance with generally accepted accounting principles consistently applied. Company shall

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permit the inspection and copying of such records, files and books of account by JHU or its agents during regular business hours upon [ \* ] business days' written notice to Company. Such inspection shall not be made more than once each calendar year. All costs of such inspection and copying shall be paid by JHU, provided that if any such inspection shall reveal that an error has been made in the amount equal to [ \* ] or more of such payment, such costs shall be borne by Company. As a condition to entering into any such agreement, Company shall include in any agreement with its AFFILIATED COMPANIES or its SUBLICENSEE(S) which permits such party to make, use, sell or import the LICENSED PRODUCT(S) or provide LICENSED SERVICE(S), a provision requiring such party to retain records of sales of LICENSED PRODUCT(S) and records of LICENSED SERVICE(S) and other information as required in Paragraph 5.1 and permit JHU to inspect such records as required by this Paragraph.

**5.3 Efforts.** Company shall exercise commercially reasonable efforts to develop and to introduce the LICENSED PRODUCT(S) and LICENSED SERVICE(S) into the commercial market as soon as practicable, consistent with sound and reasonable business practice and judgment; thereafter, until the expiration or termination of this Agreement, Company shall endeavor to keep LICENSED PRODUCT(S) and LICENSED SERVICE(S) reasonably available to the public. Company shall also exercise commercially reasonable efforts to develop LICENSED PRODUCT(S) suitable for different indications within the LICENSED FIELD, so that the PATENT RIGHTS can be commercialized as broadly and as speedily as good scientific and business judgment would deem possible.

**5.4 Developmental Obligations.** Commercially reasonable efforts shall be demonstrated, among other ways, by the achievement of the following the following events within the specified time from the EFFECTIVE DATE:

<u>Event</u>	<u>Date</u>
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]

In the event that unforeseen circumstances prevent the Company from achieving a diligence milestone, the Company and JHU will agree to discuss alternative commercially reasonable milestones. Company shall provide JHU with notice, as provided hereunder in Paragraph 10.6, within [ \* ] days of achieving each diligence milestone.

**5.5 Other Products.** If JHU provides the Company in writing with clinical or other compelling evidence demonstrating a significant commercial opportunity within the LICENSED FIELD which is not being developed or commercialized by Company, Company shall make reasonable efforts either to provide JHU with a development plan and start development or

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attempt to sublicense the particular market or use to a third party. If within [ \* ] months of such notification by JHU, Company has not initiated reasonable efforts to develop or sublicense that particular significant commercial opportunity, JHU may terminate this license for such particular significant commercial opportunity. This Paragraph shall not be applicable if Company reasonably demonstrates to JHU that commercializing such LICENSED PRODUCT(S) or LICENSED SERVICE(S) or granting such a sublicense in said market or use would have a potentially adverse commercial effect upon marketing or sales of the LICENSED PRODUCT(S).

**5.6 Patent Acknowledgement.** Company agrees that all packaging containing individual LICENSED PRODUCT(S) sold by Company, AFFILIATED COMPANIES and SUBLICENSEE(S) of Company will be marked with the number of the applicable patent(s) licensed hereunder in accordance with each country's patent laws.

## **ARTICLE 6 REPRESENTATIONS**

**6.1 Duties of the Parties.** JHU is not a commercial organization. It is an institute of research and education. Therefore, JHU has no ability to evaluate the commercial potential of any PATENT RIGHTS or LICENSED PRODUCT or other license or rights granted in this Agreement. It is therefore incumbent upon Company to evaluate the rights and products in question, to examine the materials and information provided by JHU, and to determine for itself the validity of any PATENT RIGHTS, its freedom to operate, and the value of any LICENSED PRODUCTS or SERVICES or other rights granted.

**6.2 Representations by JHU.** JHU warrants that it has good and marketable title to its interest in the inventions claimed under PATENT RIGHTS with the exception of certain retained rights of the United States Government, which may apply if any part of the JHU research was funded in whole or in part by the United States Government. JHU does not warrant the validity of any patents or that practice under such patents shall be free of infringement. EXCEPT AS EXPRESSLY SET FORTH IN THIS PARAGRAPH 6.2, COMPANY, AFFILIATED COMPANIES AND SUBLICENSEE(S) AGREE THAT THE PATENT RIGHTS ARE PROVIDED "AS IS", AND THAT JHU MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF LICENSED PRODUCT(S) AND LICENSED SERVICE(S) INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY. JHU DISCLAIMS ALL WARRANTIES WITH REGARD TO PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES, EXPRESSED OR IMPLIED, OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, JHU ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF JHU AND INVENTORS, FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, AND CONSEQUENTIAL DAMAGES, ATTORNEYS' AND EXPERTS' FEES, AND COURT COSTS (EVEN IF JHU HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THE MANUFACTURE, USE, OR SALE OF THE PRODUCT(S) AND

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SERVICE(S) LICENSED UNDER THIS AGREEMENT. COMPANY, AFFILIATED COMPANIES AND SUBLICENSEE(S) ASSUME ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT AND/OR SERVICE MANUFACTURED, USED, OR SOLD BY COMPANY, ITS SUBLICENSEE(S) AND AFFILIATED COMPANIES WHICH IS A LICENSED PRODUCT(S) OR LICENSED SERVICE(S) AS DEFINED IN THIS AGREEMENT.

## **ARTICLE 7 INDEMNIFICATION**

**7.1 Indemnification.** Company, AFFILIATED COMPANY and SUBLICENSEE shall indemnify, defend with counsel reasonably acceptable to JHU, and hold JHU, The Johns Hopkins Health Systems, their present and former trustees, officers, Inventors of PATENT RIGHTS, agents, faculty, employees and students harmless as against any judgments, fees, expenses, or other costs arising from or incidental to any product liability or other lawsuit, claim, demand or other action brought as a consequence of the practice of said inventions by any of the foregoing entities, whether or not JHU or said Inventors, either jointly or severally, is named as a party defendant in any such lawsuit and whether or not JHU or the Inventors are alleged to be negligent or otherwise responsible for any injuries to persons or property. Practice of the inventions covered by LICENSED PRODUCT(S) and LICENSED SERVICE(S), by an AFFILIATED COMPANY or an agent or a SUBLICENSEE(S) or a third party on behalf of or for the account of Company or by a third party who purchases LICENSED PRODUCT(S) and LICENSED SERVICE(S) from Company, shall be considered Company's practice of said inventions for purposes of this Paragraph. The obligation of Company to defend and indemnify as set out in this Paragraph shall survive the termination of this Agreement, shall continue even after assignment of rights and responsibilities to an affiliate or sublicensee, and shall not be limited by any other limitation of liability elsewhere in this Agreement.

**7.2 Indemnity Procedure.** Any Indemnitee seeking indemnification under this Agreement shall promptly notify Company of any claim, demand, action or other proceeding for which such Indemnitee intends to claim such indemnification. Company shall have the right to participate in consideration by the Indemnitee of the financial aspect only of the settlement of any claim, demand, action or other proceeding, but Company may not unreasonably withhold or delay approval of the financial aspect of any settlement. The failure of the Indemnitee to deliver notice to Company within a reasonable time after actual notice of any such claim or demand, or the commencement of any such action or other proceeding, if materially prejudicial to the ability to defend such claim, demand, action or other proceeding, shall relieve Company of any liability under this Section 7 with respect thereto. Each Indemnitee, its employees and agents, shall reasonably cooperate with Company and its legal representatives in the investigation of any claim, demand, action or other proceeding covered by this Section 7 at the expense of Company.

## **ARTICLE 8 CONFIDENTIALITY**

**8.1 Confidentiality.** If necessary, the parties will exchange information, which they consider to be confidential. The recipient of such information agrees to accept the disclosure of

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said information which is marked as confidential at the time it is sent to the recipient, and to employ all reasonable efforts to maintain the information secret and confidential, such efforts to be no less than the degree of care employed by the recipient to preserve and safeguard its own confidential information. The information shall not be disclosed or revealed to anyone except employees of the recipient who have a need to know the information and who have entered into a secrecy agreement with the recipient under which such employees are required to maintain confidential the proprietary information of the recipient and such employees shall be advised by the recipient of the confidential nature of the information and that the information shall be treated accordingly.

The obligations of this Paragraph 8.1 shall also apply to AFFILIATED COMPANIES and/or SUBLICENSEE(S) provided such information by Company. JHU's, Company's, AFFILIATED COMPANIES, and SUBLICENSEES' obligations under this Paragraph 8.1 shall extend until [ \* ] years after the termination of this Agreement.

**8.2 Exceptions.** The recipient's obligations under Paragraph 8.1 shall not extend to any part of the information:

- a. that can be demonstrated to have been in the public domain or publicly known and readily available to the trade or the public prior to the date of the disclosure; or
- b. that can be demonstrated, from written records to have been in the recipient's possession or readily available to the recipient from another source not under obligation of secrecy to the disclosing party prior to the disclosure; or
- c. that becomes part of the public domain or publicly known by publication or otherwise, not due to any unauthorized act by the recipient; or
- d. that is demonstrated from written records to have been developed by or for the receiving party without reference to confidential information disclosed by the disclosing party.
- e. that is required to be disclosed by law, government regulation or court order.

**8.3 Right to Publish.** JHU may publish manuscripts, abstracts or the like describing the PATENT RIGHTS and inventions contained therein provided confidential information of Company as defined in Paragraph 8.1, is not included or without first obtaining approval from Company to include such confidential information. Otherwise, JHU and the Inventors shall be free to publish manuscripts and abstracts or the like directed to the work done at JHU related to the licensed technology without prior approval.

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**ARTICLE 9**  
**TERM & TERMINATION**

**9.1 Term.** The term of this Agreement shall commence on the EFFECTIVE DATE and shall continue, in each country, until the date of expiration of the last to expire patent included within PATENT RIGHTS in that country or if no patents issue then for a term of twenty (20) years from the EFFECTIVE DATE of this Agreement.

**9.2 Termination By Either Party.** This Agreement may be terminated by either party, in the event that the other party (a) files or has filed against it a petition under the Bankruptcy Act, makes an assignment for the benefit of creditors, has a receiver appointed for it or a substantial part of its assets, or otherwise takes advantage of any statute or law designed for relief of debtors or (b) fails to perform or otherwise breaches any of its obligations hereunder, if, following the giving of notice by the terminating party of its intent to terminate and stating the grounds therefor, the party receiving such notice shall not have cured the failure or breach within thirty (30) days. In no event, however, shall such notice or intention to terminate be deemed to waive any rights to damages or any other remedy which the party giving notice of breach may have as a consequence of such failure or breach.

**9.3 Termination by Company.** Company may terminate this Agreement and the license granted herein, for any reason, upon giving JHU ninety (90) days written notice.

**9.4 Obligations and Duties upon Termination.** If this Agreement is terminated, both parties shall be released from all obligations and duties imposed or assumed hereunder to the extent so terminated, except as expressly provided to the contrary in this Agreement. Upon termination, both parties shall cease any further use of the confidential information disclosed to the receiving party by the other party. Termination of this Agreement, for whatever reason, shall not affect the obligation of either party to make any payments for which it is liable prior to or upon such termination. Termination shall not affect JHU's right to recover unpaid royalties, fees, reimbursement for patent expenses, or other forms of financial compensation incurred prior to termination. Upon termination Company shall submit a final royalty report to JHU and any royalty payments, fees, unreimbursed patent expenses and other financial compensation due JHU shall become immediately payable. Furthermore, upon termination of this Agreement, all rights in and to the licensed technology shall revert immediately to JHU at no cost to JHU. Upon termination of this Agreement, any SUBLICENSEE(S) shall become a direct licensee of JHU, provided that JHU's obligations to SUBLICENSEE(S) are no greater than JHU's obligations to Company under this Agreement. Company shall provide written notice of such to each SUBLICENSEE(S) with a copy of such notice provided to JHU.

**ARTICLE 10**  
**MISCELLANEOUS**

**10.1 Use of Name.** Company, AFFILIATED COMPANIES and SUBLICENSEE(S) shall not use the name of The Johns Hopkins University or The Johns Hopkins Health System or any of its constituent parts, such as the Johns Hopkins Hospital or any contraction thereof or the

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name of Inventors in any advertising, promotional, sales literature or fundraising documents without prior written consent from an authorized representative of JHU. Company, AFFILIATED COMPANIES and SUBLICENSEE(S) shall allow at least seven (7) business days notice of any proposed public disclosure for JHU's review and comment or to provide written consent.

**10.2 No Partnership.** Nothing in this Agreement shall be construed to create any agency, employment, partnership, joint venture or similar relationship between the parties other than that of a licensor/licensee. Neither party shall have any right or authority whatsoever to incur any liability or obligation (express or implied) or otherwise act in any manner in the name or on the behalf of the other, or to make any promise, warranty or representation binding on the other.

**10.3 Notice of Claim.** Each party shall give the other or its representative immediate notice of any suit or action filed, or prompt notice of any claim made, against them arising out of the performance of this Agreement or arising out of the practice of the inventions licensed hereunder.

**10.4 Product Liability.** Prior to initial human testing or FIRST COMMERCIAL SALE of any LICENSED PRODUCT(S) or LICENSED SERVICE(S) as the case may be in any particular country, Company shall establish and maintain, in each country in which Company, an AFFILIATED COMPANY or SUBLICENSEE(S) shall test or sell LICENSED PRODUCT(S) and LICENSED SERVICE(S), product liability or other appropriate insurance coverage in the minimum amount of Five Million Dollars (\$5,000,000) per claim and will annually present evidence to JHU that such coverage is being maintained. Upon JHU's request, Company will furnish JHU with a Certificate of Insurance of each product liability insurance policy obtained. JHU shall be listed as an additional insured in Company's said insurance policies. If such Product Liability insurance is underwritten on a 'claims made' basis, Company agrees that any change in underwriters during the term of this Agreement will require the purchase of 'prior acts' coverage to ensure that coverage will be continuous throughout the term of this Agreement.

**10.5 Governing Law.** This Agreement shall be construed, and legal relations between the parties hereto shall be determined, in accordance with the laws of the State of Maryland applicable to contracts solely executed and wholly to be performed within the State of Maryland without giving effect to the principles of conflicts of laws. Any disputes between the parties to the Agreement shall be brought in the state or federal courts of Maryland. Both parties agree to waive their right to a jury trial.

**10.6 Notice.** All notices or communication required or permitted to be given by either party hereunder shall be deemed sufficiently given if mailed by registered mail or certified mail, return receipt requested, or sent by overnight courier, such as Federal Express, to the other party at its respective address set forth below or to such other address as one party shall give notice of to the other from time to time hereunder. Mailed notices shall be deemed to be received on the third business day following the date of mailing. Notices sent by overnight courier shall be deemed received the following business day.

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If to Company: Aduro BioTech  
626 Bancroft Way, Suite 3C  
Berkeley, CA 94710-2225  
Attn: Chief Executive Officer

If to JHU: Executive Director  
Johns Hopkins Technology Transfer  
The Johns Hopkins University  
100 N. Charles Street  
5th Floor  
Baltimore, MD 21201  
Attn: Agreement # A19340

**10.7 Compliance with All Laws.** In all activities undertaken pursuant to this Agreement, both JHU and Company covenant and agree that each will in all material respects comply with such Federal, state and local laws and statutes, as may be in effect at the time of performance and all valid rules, regulations and orders thereof regulating such activities.

**10.8 Successors and Assigns.** Neither this Agreement nor any of the rights or obligations created herein, except for the right to receive any remuneration hereunder, may be assigned by either party, in whole or in part, without the prior written consent of the other party, except that either party shall be free to assign this Agreement in connection with any sale of substantially all of its assets without the consent of the other; provided that: (a) any such assignee shall agree in writing to be bound by the terms and conditions of this Agreement; and (b) the assigning party shall notify the other party of any such assignment. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the parties hereto.

**10.9 No Waivers; Severability.** No waiver of any breach of this Agreement shall constitute a waiver of any other breach of the same or other provision of this Agreement, and no waiver shall be effective unless made in writing. Any provision hereof prohibited by or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be deemed ineffective and deleted herefrom without affecting any other provision of this Agreement. It is the desire of the parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held by any governmental agency or court of competent jurisdiction to be void, illegal and unenforceable, the parties shall negotiate in good faith for a substitute term or provision which carries out the original intent of the parties.

**10.10 Entire Agreement; Amendment.** Company and JHU acknowledge that they have read this entire Agreement and that this Agreement, including the attached Exhibits constitutes the entire understanding and contract between the parties hereto and supersedes any and all prior or contemporaneous oral or written communications with respect to the subject matter hereof, all of which communications are merged herein. It is expressly understood and agreed that (i) there being no expectations to the contrary between the parties hereto, no usage of

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trade, verbal agreement or another regular practice or method dealing within any industry or between the parties hereto shall be used to modify, interpret, supplement or alter in any manner the express terms of this Agreement; and (ii) this Agreement shall not be modified, amended or in any way altered except by an instrument in writing signed by both of the parties hereto.

**10.11 Delays or Omissions.** Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party hereto, shall impair any such right, power or remedy to such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or in any similar breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

**10.12 Force Majeure.** If either party fails to fulfill its obligations hereunder (other than an obligation for the payment of money), when such failure is due to an act of God, or other circumstances beyond its reasonable control, including but not limited to fire, flood, civil commotion, riot, war (declared and undeclared), revolution, or embargoes, then said failure shall be excused for the duration of such event and for such a time thereafter as is reasonable to enable the parties to resume performance under this Agreement, provided however, that in no event shall such time extend for a period of more than one hundred eighty (180) days.

**10.13 Further Assurances.** Each party shall, at any time, and from time to time, prior to or after the EFFECTIVE DATE of this Agreement, at reasonable request of the other party, execute and deliver to the other such instruments and documents and shall take such actions as may be required to more effectively carry out the terms of this Agreement.

**10.14 Survival.** All representations, warranties, covenants and agreements made herein and which by their express terms or by implication are to be performed after the execution and/or termination hereof, or are prospective in nature, shall survive such execution and/or termination, as the case may be. This shall include Paragraphs 3.1 (License Fee), 3.9 (Late Payments), 5.2 (Records), and Articles 6, 7, 8, 9, and 10.

**10.15 No Third Party Beneficiaries.** Nothing in this Agreement shall be construed as giving any person, firm, corporation or other entity, other than the parties hereto and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof.

**10.16 Headings.** Article headings are for convenient reference and not a part of this Agreement. All Exhibits are incorporated herein by this reference.

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**10.17 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which when taken together shall be deemed but one instrument.

*[Signatures on following page.]*

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IN WITNESS WHEREOF, this Agreement shall take effect as of the EFFECTIVE DATE when it has been executed below by the duly authorized representatives of the parties.

THE JOHNS HOPKINS UNIVERSITY

/s/ Wesley D. Blakeslee, J.D  
\_\_\_\_\_  
Wesley D. Blakeslee, J.D.  
Executive Director  
Johns Hopkins Technology Transfer

3/24/2011  
\_\_\_\_\_  
(Date)

ADURO BIOTECH

/s/ Stephen T. Isaacs  
\_\_\_\_\_  
Name: Stephen T. Isaacs  
Title: Chairman & CEO

3/16/11  
\_\_\_\_\_  
(Date)

EXHIBIT A. PATENT RIGHTS  
EXHIBIT B. LICENSE FEE & ROYALTIES.  
EXHIBIT C. SALES & ROYALTY REPORT FORM.

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**EXHIBIT A**

**PATENT RIGHTS**

**[ \* ]**

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EXHIBIT B

LICENSE FEE & ROYALTIES

1. **License Fee.** The License Fee due under Paragraph 3.1 is Twenty-five Thousand U.S. Dollars (\$25,000).
2. **Milestone License Fees.** The Milestone License Fees due under Paragraph 3.2 for LICENSED PRODUCTS or LICENSED SERVICES developed by Company, AFFILIATED COMPANIES, or SUBLICENSEES are as follows:

- (i) [ \* ] upon [ \* ]; and
- (ii) [ \* ] upon [ \* ]; and
- (iii) [ \* ] upon [ \* ].

3. **Minimum Annual Royalties.** The Minimum Annual Royalties pursuant to Paragraph 3.3 are:

<u>Anniversary</u>	<u>Amount</u>
[ * ]	*
*	*
*	*
*	*
*	*
*	*
*	*
*	*
*	*

4. **Royalties.** The running royalty rate payable under Paragraph 3.4 is [ \* ].
5. **Sublicense Consideration.** The percent Sublicense Consideration payable under Paragraph 3.5 is as follows:
- (i) For a sublicense to a LICENSED PRODUCT(S) or LICENSED SERVICE(S) that [ \* ]:
- (a) [ \* ] if [ \* ];
- (b) [ \* ] if [ \* ]; and

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(c) [ \* ] if [ \* ].

(ii) For a sublicense to a LICENSED PRODUCT(S) or LICENSED SERVICE(S) that [ \* ]:

(a) [ \* ] if [ \* ];

(b) [ \* ] if [ \* ]; and

(c) [ \* ] if [ \* ].

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EXHIBIT C

QUARTERLY SALES & ROYALTY REPORT

FOR LICENSE AGREEMENT BETWEEN ADURO BIOTECH AND

THE JOHNS HOPKINS UNIVERSITY DATED

\_\_\_\_\_  
FOR PERIOD OF \_\_\_\_\_ TO \_\_\_\_\_

TOTAL ROYALTIES DUE FOR THIS PERIOD \$ \_\_\_\_\_

<u>PRODUCT ID</u>	<u>PRODUCT NAME</u>	<u>*JHU REFERENCE</u>	<u>1st COMMERCIAL SALE DATE</u>	<u>TOTAL NET SALES/SERVICES</u>	<u>ROYALTY RATE</u>	<u>AMOUNT DUE</u>
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\* Please provide the JHU Reference Number or Patent Reference

This report format is to be used to report quarterly royalty statements to JHU. It should be placed on Company letterhead and accompany any royalty payments due for the reporting period. This report shall be submitted even if no sales are reported.

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UNIVERSITY OF CALIFORNIA, BERKELEY  
OFFICE OF TECHNOLOGY LICENSING



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EXCLUSIVE LICENSE

BETWEEN

ADURO BIOTECH INC

AND

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

FOR

LISTERIA MONOCYTOGENES PHAGE INTEGRATION VECTOR

UC Case No.: [ \* ]  
U.S. Patent Nos. [ \* ];  
U.S. Patent Application Serial No. [ \* ];  
Foreign Patent Nos. [ \* ]

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**EXCLUSIVE LICENSE**

**FOR**

**LISTERIA MONOCYTOGENES PHAGE INTEGRATION VECTOR**

UC Case No.: [ \* ]  
U.S. Patent Nos. [ \* ];  
U.S. Patent Application Serial No.[ \* ];  
Foreign Patent Nos. [ \* ]

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This Exclusive License Agreement (“Agreement”) is effective March 15, 2012 (“Effective Date”) by and between **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**, a California corporation, whose legal address is 1111 Franklin Street, 12th Floor, Oakland, California 94607-5200, acting through its Office of Technology Licensing, at the University of California, Berkeley, 2150 Shattuck Avenue, Suite 510, Berkeley, CA 94704-1347 (“REGENTS”) and **ADURO BIOTECH, INC.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, Berkeley, CA 94710-2224 (“LICENSEE”). The parties agree as follows.

**1. BACKGROUND**

- 1.1 REGENTS has an assignment of the “[ \* ]”, invented by [ \* ], employed by the University of California, Berkeley (the “INVENTION”), as described in REGENTS’ Case No. [ \* ] and to the patents and patent applications under REGENTS’ PATENT RIGHTS as defined below, which are directed to the INVENTION.

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- 1.2 LICENSEE entered into a Secrecy Agreement with REGENTS effective April 13, 2010, terminating on April 13, 2015, for the purpose of evaluating the INVENTION. LICENSEE further entered into an Option to Negotiate an Exclusive License dated December 15, 2010 terminating on March 15, 2012 (the “Option”) with REGENTS granting LICENSEE an exclusive right to negotiate an option or exclusive license in REGENTS’ PATENT RIGHTS to the INVENTION, which Option covers LICENSEE’s commitment to reimburse REGENTS’ future patent costs during the period of good-faith negotiation for an exclusive license.
- 1.3 LICENSEE has provided REGENTS with a commercialization plan for the INVENTION and business strategy in order to evaluate its capabilities as a LICENSEE.
- 1.4 The development of the INVENTION was sponsored in part by various grants by U.S. Government agencies, and as a consequence, REGENTS elected to retain title to the INVENTION subject to the rights of the U.S. Government under 35 USC 200-212 and implementing regulations, including that REGENTS, in turn, has granted back to the U.S. Government a non-exclusive, non-transferable irrevocable, paid-up license to practice or have practiced the INVENTION for or on behalf of the U.S. Government throughout the world. These U.S. Government grants are National Institutes of Health Contract Nos. AI027655 and AI029619.
- 1.5 REGENTS and LICENSEE wish to have the INVENTION perfected and marketed so that products resulting therefrom may be available for public use and benefit on a timeline that is reasonable in light of the financing and development requirements of such products.
- 1.6 LICENSEE wishes to acquire, and REGENTS wishes to grant to LICENSEE, an exclusive license under the REGENTS’ PATENT RIGHTS for the purpose of undertaking development and to manufacture, use, sell, offer for sale and import LICENSED PRODUCT(S) as defined below.

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## 2. DEFINITIONS

- 2.1 “AFFILIATE” of LICENSEE means any entity that, directly or indirectly, Controls LICENSEE, is Controlled by LICENSEE, or is under common Control with LICENSEE. “Control” means (i) having the actual, present capacity to elect a majority of the directors of such affiliate, (ii) having the power to direct at least [ \* ] of the voting rights entitled to elect directors, or (iii) in any country where the local law will not permit foreign equity participation of a majority, ownership or control, directly or indirectly, of the maximum percentage of such outstanding stock or voting rights permitted by local law so long as control is secured by such ownership.
- 2.2 “CRE” shall mean efforts and diligence in developing and commercializing LICENSED PRODUCTS, and in undertaking investigations and actions required to obtain regulatory approvals, necessary to market LICENSED PRODUCTS in the LICENSED FIELD in the Territory, such reasonable efforts and diligence to be, on a country-by-country basis, in accordance with the efforts and resources LICENSEE would use for a product candidate owned by it or to which it has rights, which is of similar market potential as the applicable LICENSED PRODUCT, taking into account the competitiveness of the marketplace, the proprietary position of the LICENSED PRODUCT, the relative potential safety and efficacy of the LICENSED PRODUCT, the cost of goods and availability of capacity to manufacture and supply the LICENSED PRODUCT at commercial scale, the profitability of the applicable LICENSED PRODUCT, and other relevant factors including, without limitation, technical, legal, scientific or medical factors. CRE does not include LICENSEE [ \* ] a LICENSED PRODUCT (including active study of dosage, formulation, or safety issues) for [ \* ].
- 2.3 “LICENSED FIELD OF USE” means any and all uses.
- 2.4 “LICENSED METHOD” means any process or method the use or practice of which, but for the license pursuant to this Agreement, would infringe any VALID CLAIM under REGENTS’ PATENT RIGHTS in that country in which the LICENSED METHOD is used or practiced.

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- 2.5 “LICENSED PRODUCTS” means all products or component parts or services, the manufacture, use, SALE, offer for SALE, or import of which: a) would require the performance of the LICENSED METHOD; or b) but for the license granted pursuant to this Agreement, would infringe a VALID CLAIM under REGENTS’ PATENT RIGHTS.
- 2.6 “LICENSED SERVICE” means provision of a service for a third party, the performance of which comprises the use of a LICENSED METHOD or a LICENSED PRODUCT.
- 2.7 “LICENSED TERRITORY” means worldwide, where REGENTS PATENT RIGHTS exist.
- 2.8 “NET SALES” means amounts invoiced by LICENSEE or a sublicensee for SALES of LICENSED PRODUCTS, LICENSED SERVICES, and LICENSED METHODS in the Territory less the sum of the following actual and customary deductions where applicable: cash, trade or quantity discounts including, without limitation, discounts or rebates to governmental, supranational, buying groups (such as PAHO, UNICEF, or the Gulf Consortium), or managed care organizations, credits or deductions for rejected product, returns, expired product or bad debts; sales, use, tariff, import/export duties or other excise taxes or duties (but not income taxes derived from such sales); and handling and transportation charges; and value added taxes but only to the extent such tax is not subject to a credit and deduction to a taxing authority.
- 2.9 “REGENTS’ PATENT RIGHTS” means all of REGENTS’ rights, title and interests in the following:
- i. [ \* ];
  - ii. [ \* ];
  - iii. [ \* ];
  - iv. [ \* ];

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- v. [ \* ];
  - vi. [ \* ];
  - vii. [ \* ];
  - viii. [ \* ];
  - ix. [ \* ];
  - x. [ \* ];
  - xi. [ \* ];
  - xii. [ \* ];
  - xiii. and continuing applications thereof including divisions, substitutions, extensions and continuation-in-part applications (only to the extent, however, that claims in the continuation-in-part applications are entitled to the priority filing date of the parent patent application), any patents issuing on said application or continuing applications including reissues; and any corresponding foreign patents or applications.
- 2.10 “SALE” means, for LICENSED PRODUCTS and LICENSED SERVICES, the act of selling, leasing or otherwise transferring, providing, or furnishing such product or service, and for LICENSED METHOD the act of performing such method for any consideration. Correspondingly, “SOLD” means to have made or caused to be made a SALE.
- 2.11 “VALID CLAIM” shall mean a claim in an issued, unexpired patent or in a pending patent application (which claim is pending for no more than [ \* ] years) within Licensed Patent Rights that (a) has not been cancelled, withdrawn, abandoned or rejected by any administrative agency or other body of competent jurisdiction from which no appeal has or can be taken, (b) has not been revoked, held invalid, or

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declared unpatentable or unenforceable in a decision of a court or other body of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal, (c) has not been rendered unenforceable through disclaimer or otherwise, and (d) is not lost through an interference proceeding. If a claim is pending for more than [ \* ] years and latter issues in a patent, then as of the patent issue date, the claim again becomes a VALID CLAIM.

### 3. GRANT

- 3.1 Subject to the terms and conditions set forth in this Agreement, including the license granted to the U.S. Government and the rights reserved in Paragraph 3.3, REGENTS hereby grants and LICENSEE hereby accepts an exclusive worldwide royalty-bearing sublicensable license under REGENTS' PATENT RIGHTS to make, have made, use, have used, SELL, have SOLD, import, and have imported LICENSED PRODUCTS and LICENSED SERVICES, and to practice the LICENSED METHOD, in the LICENSED FIELD OF USE anywhere in the world to the extent such grant is legal, for ultimate use only by end users in the LICENSED TERRITORY.
- 3.2 The license under Paragraph 3.1 will be exclusive for a term commencing on the Effective Date and ending on the date of the last-to-expire VALID CLAIM under REGENTS' PATENT RIGHTS, unless earlier terminated as permitted herein.
- 3.3 Nothing in this Agreement will be deemed to limit the right of REGENTS to publish any and all technical data resulting from any research performed by REGENTS relating to the INVENTION. REGENTS expressly reserves the right to use the INVENTION and related technology for its educational and research purposes; to disseminate the other tangible materials associated with, or required to practice the INVENTION and/or the REGENTS' PATENT RIGHTS to researchers at nonprofit institutions for their educational and research purposes.
- 3.4 This Agreement will terminate immediately if LICENSEE files a claim, including in anyway, the assertion that any portion of the REGENTS' PATENT RIGHTS is invalid or unenforceable where the filing is by the LICENSEE, a third party on behalf of the LICENSEE, or a third party at the written urging of the LICENSEE.

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- 3.5 LICENSEE will have a continuing responsibility to keep REGENTS informed of the large/small entity status, as defined in 15 U.S.C. 632, of itself and its sublicensees.
- 3.6 The INVENTION was funded in part by the U.S. Government. In accordance with PL 96-517 as amended by PL 98-620, to the extent required by law or regulation, any products covered by patent applications or patents claiming the INVENTION and sold in the United States will be substantially manufactured in the United States.

#### **4. SUBLICENSES**

- 4.1 REGENTS also grants to LICENSEE the right to sublicense to AFFILIATES and third parties some or all of its rights hereunder provided that LICENSEE has exclusive rights under this Agreement to the rights being sublicensed at the time of sublicensing. LICENSEE agrees to use its CRE to ensure that all sublicensees fulfill their obligations under their sublicense. Every such sublicense will include:
- (a) a statement setting forth the date upon which LICENSEE'S exclusive rights, privileges, and license hereunder will expire;
  - (b) as applicable, all the rights of, and require the performance of all the obligations due to, REGENTS (and, if applicable, the United States Government) under this Agreement other than those rights and obligations specified in Article 5 (License Issue Fee) and Paragraph 6.5 (minimum annual royalty);
  - (c) a provision requiring payment of royalties to LICENSEE in an amount sufficient to permit LICENSEE to meet its royalty obligations to REGENTS at the rates and bases set forth in this Agreement; and

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(d) the same provision for indemnification of REGENTS as has been provided for in this Agreement.

- 4.2 In the event LICENSEE grants a sublicense to the REGENTS' PATENT RIGHTS, LICENSEE shall pay REGENTS [ \* ] of any SUBLICENSING REVENUE (the "SUBLICENSING REVENUE PERCENTAGE" or "SLP") received by LICENSEE from such sublicense where "SUBLICENSING REVENUE" means, up front license fee payments and/or annual license fees attributable to the grant of a sublicense of rights under this Agreement, but shall exclude, royalties, milestone payments (but subject to the last paragraph of this subsection), research funding plus reasonable overhead and profit, amounts at up to [ \* ] of fair market value directly for development, sales, and/or marketing activities, debt financing at up to [ \* ] of fair market value, purchase of equity at up to [ \* ] of fair market value reimbursement of patent filing, prosecution and maintenance expenses.

In the event a LICENSED PRODUCT(S) is modified or combined with other products or patents owned or controlled by LICENSEE or a third party as part of a therapeutic or prophylactic vaccine, the SLP shall be reduced (the "Adjusted SLP") to [ \* ]. For sake of clarity, LICENSED PRODUCT(S) and LICENSED PATENTS are not adequate or sufficient to produce a vaccine for use in humans. LICENSEE has made multiple modifications to the LICENSED PRODUCT(S) in one or more preclinical candidates to make suitable for use in humans, including without limitation removal of antibiotic resistance, addition of transcriptional terminators, and/or selection of a promoter. In addition, LICENSEE'S vaccine platform includes multiple proprietary elements, including but not limited to ActA deletion in vaccine strain, InlB deletion in vaccine strain, codon optimization in vaccine strain, selection of antigen in vaccine strain, selection of additional antigen in vaccine strain, manufacturing of vaccine, formulation of vaccine, and combination of vaccine with another therapy/therapeutic, and further modifications and combinations may be necessary.

In the event a LICENSED PRODUCT(S) is combined with other products to produce a commercial product that is not a vaccine, where SLP is the sublicensing revenue percentage set forth in Article 4.2 ("Sublicensing Revenue Percentage"), C is [ \* ] and B is the total combined Sublicensing Revenue Percentage:

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- or -

$$\text{Adjusted SLP} = [ * ]\% \times [ * ]\%/B$$

However, in no event shall the adjustments contemplated by this paragraph reduce the effective Sublicensing Revenue Percentage payable to Regents to less than [ \* ].

- 4.3 LICENSEE will notify REGENTS of each sublicense granted hereunder and furnish to REGENTS a copy of each such sublicense agreement, provided any provisions that are not relevant to LICENSEE'S fulfillment of its obligations under this Agreement may be redacted.
- 4.4 LICENSEE will deliver all reports due REGENTS and received from sublicensees.
- 4.5 AFFILIATES will have no licenses under REGENTS' PATENT RIGHTS except as granted by sublicense pursuant to this Agreement.
- 4.6 LICENSEE will collect and guarantee payment of all monies and other consideration due REGENTS as a consequence of sublicenses, and deliver all reports due REGENTS and received from sublicensees, provided LICENSEE may require sublicensees to make reports and payments directly to REGENTS in the interests of timing.
- 4.7 Upon termination of this Agreement for any reason, all sublicenses that are granted by LICENSEE pursuant to this Agreement where the sublicensee is in compliance with its sublicense agreement as of the date of such termination will remain in effect and, will be assigned to REGENTS except that REGENTS will not be bound to perform any duties or obligations set forth in any sublicenses that extend beyond the duties and obligations of REGENTS set forth in this Agreement.
- 4.8 If REGENTS (to the extent of the actual knowledge of the licensing professional responsible for administration of this case) or a third party discovers and notifies that licensing professional that the INVENTION is useful for a new and novel application covered by the LICENSED FIELD OF USE (the "NEW USE") based

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upon substantial and reliable scientific data, but for which LICENSED PRODUCTS have not been developed or are not currently under development by LICENSEE, then REGENTS, as represented by the Office of Technology Licensing, shall give written notice to LICENSEE with full details so that LICENSEE can make a decision as to development except for: 1) information that is subject to restrictions of confidentiality with third parties, and 2) information which originates with REGENTS' personnel who do not assent to its disclosure to LICENSEE.

LICENSEE shall have [ \* ] days to give REGENTS written notice stating whether LICENSEE elects to develop LICENSED PRODUCTS for the application, a longer period may be mutually agreed to consider the novel use and the scientific basis for the same.

If LICENSEE elects to develop and commercialize the proposed LICENSED PRODUCTS for the new application, LICENSEE shall submit a commercially reasonable development and commercialization plan within [ \* ] days of such notice and provide progress reports pursuant to Article 8.

If LICENSEE elects not to develop and commercialize the proposed LICENSED PRODUCTS for use in the new application, REGENTS may seek (a) third party(ies) to develop and commercialize the proposed LICENSED PRODUCTS for the new application. If REGENTS is successful in finding a third party, it shall refer such third party to LICENSEE. If the third party requests a sublicense under this Agreement, then LICENSEE shall report the request to REGENTS within [ \* ] days from the date of such written request. If the request results in a sublicense, then LICENSEE shall report it to REGENTS pursuant to Paragraph 4.3.

LICENSEE agrees to negotiate in good faith with such third party to agree upon a sublicense of rights to develop a product solely for the NEW USE on commercially reasonable terms. If LICENSEE and the third party are unable agree on the terms for such a sublicense, then within [ \* ] days after such refusal LICENSEE shall submit to REGENTS a report specifying the license terms proposed by the third party and a written justification for LICENSEE's refusal to grant the proposed sublicense. If REGENTS, at its sole discretion determines that the terms of the sublicense proposed by the third party are reasonable under the totality of the

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circumstances, taking into account LICENSEE's LICENSED PRODUCTS in development and the commercial and other circumstances and considerations relating to LICENSEE's development and commercialization efforts of LICENSED PRODUCTS, then REGENTS shall have the right to grant to the third party a license to make, have made, use, sell, offer for sale and import products for use in the LICENSED FIELD OF USE at substantially the same terms last proposed to LICENSEE by the third party providing the commercial terms of such license, including but not limited to royalty rates, are at least equal to those paid by LICENSEE.

**5. LICENSE ISSUE FEE**

- 5.1 LICENSEE will pay to REGENTS a non-creditable, non-refundable license issue fee of Twenty Five Thousand U.S. Dollars (\$25,000) due upon signing of this Agreement.
- 5.2 This fee is non-refundable and not an advance against royalties.

**6. ROYALTIES**

- 6.1 LICENSEE will pay to REGENTS earned royalties at the rate of [ \* ] of the NET SALES of LICENSED PRODUCT(S) OR LICENSED METHOD; subject to the following:
  - i. If LICENSEE [ \* ] to make any payment (including royalties or other license fees) to a third party to obtain a license or other patent rights [ \* ], such third party payments will be creditable against amounts owed to REGENTS in the order such amounts are owed until fully credited, provided that [ \* ] will credits reduce royalties owed to REGENTS by more than [ \* ] of amounts owed to REGENTS [ \* ].

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ii. Modified or Combined Royalty Adjustment

In the event a LICENSED PRODUCT(S) is modified by or combined with other products or patents owned or controlled by third party in order to produce product(s) for development or commercialization, whether by LICENSEE or a LICENSEE sublicensee, in which the commercial product is a therapeutic or prophylactic vaccine, the earned royalty due to REGENTS shall be adjusted to [ \* ].

In the event a LICENSED PRODUCT(S) is combined with other technologies patented by third party in order to produce product(s) for development or commercialization, whether by LICENSEE or a LICENSEE sublicensee, in which the commercial product is not a vaccine and the total combined royalty burden on Net Sales exceeds [ \* ], the earned royalty due to REGENTS shall be adjusted according to the following formula, where R is the royalty set in the first paragraph of this paragraph 6.1 (“Set Royalty”), C is [ \* ] and B is the total combined royalty burden.

Adjusted royalty =  $R \times (C/B)$

For example, if LICENSEE’s total combined royalty is [ \* ] and the Set Royalty is [ \* ], the adjusted royalty due to REGENTS would be [ \* ]  $\times$  [ \* ], or [ \* ]. Notwithstanding the foregoing, in no event shall the royalty due to REGENTS under the above formula for a product that is not a therapeutic or prophylactic vaccine be less than [ \* ] of the Set Royalty. If LICENSEE utilized the unadjusted Sublicensing Revenue Percentage in 4.2, then LICENSEE may not adjust Net Royalty from a sublicense under 6.1.

6.2 Royalties will be payable on SALES covered by both pending patent applications and issued patents.

6.3 Royalties accruing to REGENTS will be paid to REGENTS quarterly within [ \* ] days after the end of each calendar quarter, and [ \* ] days with respect to NET SALES by sublicensees.

6.4 LICENSEE will also pay to REGENTS an annual license maintenance fee of Five Thousand Dollars (\$5,000) beginning on the first anniversary date of the Effective Date and on each anniversary of the Effective Date thereafter during the term of the AGREEMENT until the first SALE by LICENSEE of a LICENSED PRODUCT.

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- 6.5 Beginning in the first calendar year after the first occurrence of NET SALES and in each succeeding calendar year thereafter, LICENSEE will pay to the REGENTS a minimum annual royalty of [ \* ] for the life of this Agreement. This minimum annual royalty will be paid to the REGENTS by January 30 of each year and will be credited against the earned royalty due and owing for the calendar year in which the minimum payment was made.
- 6.6 LICENSEE will pay the following one-time milestone payment:
- (a) For the first LICENSED PRODUCT, LICENSEE shall pay to REGENTS a milestone payment of [ \* ] upon [ \* ] and;
  - (b) For the first LICENSED PRODUCT, LICENSEE shall pay to REGENTS a milestone payment of [ \* ] upon [ \* ] and;
  - (c) For the first LICENSED PRODUCT, LICENSEE shall pay to REGENTS a milestone payment of [ \* ] upon [ \* ].
- 6.7 All payments due REGENTS will be payable in United States Dollars. When LICENSED PRODUCTS, LICENSED SERVICES, or LICENSED METHOD are SOLD for monies other than United States Dollars, royalties will first be determined in the foreign currency of the country in which the SALE was made and then converted into equivalent United States Dollars. The exchange rate will be that rate quoted in the *Wall Street Journal* on the average of last [ \* ] business days of the reporting period.
- 6.8 Payments due for SALES occurring in any country outside the United States will be reduced by any taxes, fees, or other charges imposed by the government of such country on the remittance of royalty income. LICENSEE will also be responsible for all bank transfer charges, shall cooperate with REGENTS in the recovery of any amounts paid by LICENSEE on REGENTS' behalf.

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- 6.9 LICENSEE will make all payments under this Agreement by check payable to “The Regents of the University of California” and forward it to REGENTS at the address shown in Article 23 (Notices).
- 6.10 No earned royalties will be collected or paid to REGENTS hereunder on SALES to, or for use by, the United States Government. LICENSEE will reduce the amount charged for such SALES by an amount equal to the earned royalty otherwise due REGENTS as provided herein.

7. DUE DILIGENCE

- 7.1 LICENSEE will use its CRE to proceed with the development, manufacture, and SALE of LICENSED PRODUCTS, LICENSED SERVICES, and the LICENSED METHOD, and will use its CRE to manufacture them in quantities sufficient to meet the market demand.
- 7.2 In addition to its obligations under Paragraph 7.1, LICENSEE specifically commits to achieving the following objectives in its due diligence activities under this Agreement:

Due Diligence Objective for Polyvalent Vaccine	Year Completed
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]

- 7.3 If LICENSEE is unable to meet any of its diligence obligations set forth in Paragraphs 7.1 and 7.2, then REGENTS will so notify LICENSEE of failure to perform. LICENSEE will have the right and option to extend the target date of any such due diligence obligation for a period of [ \* ] months upon the payment of [ \* ] within [ \* ] days of the date to be extended for each such extension option exercised by LICENSEE, and all following milestone dates shall be adjusted accordingly.

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LICENSEE may further extend the target date of any diligence obligation for an additional [ \* ] months upon payment of an additional [ \* ], and all following milestone dates shall be adjusted accordingly. Additional extensions may be granted only by mutual written agreement of the parties to this Agreement. These payments are in addition to the minimum royalty payments specified in Paragraph 6.5. Should LICENSEE opt not to extend the obligation or fail to meet it by the extended target date, then REGENTS will have the right and option either to terminate this Agreement or to reduce LICENSEE's exclusive license to a non-exclusive royalty-bearing license. This right, if exercised by REGENTS, supersedes the rights granted in Article 3. The right to terminate this Agreement or reduce LICENSEE's exclusive license granted hereunder to a non-exclusive license will be REGENTS' sole remedy for breach of Paragraph 7.1 or 7.2.

- 7.4 At the request of either party, any controversy or claim arising out of or relating to the diligence provisions of Paragraphs 7.1 and 7.2 will be settled by a single arbitrator as part of an arbitration conducted in San Francisco, California in accordance with the then current Licensing Agreement Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) will be binding on the parties and may be entered by either party in the court or forum having jurisdiction. In determination of due diligence, the arbitrator may determine solely the issues of fact or law with respect to termination of LICENSEE's rights under this Agreement but will not have the authority to award monetary damages or grant equitable relief.
- 7.5 To exercise either the right to terminate this Agreement or to reduce the license to a non-exclusive license for lack of diligence under Paragraph 7.1 or 7.2, REGENTS will give LICENSEE written notice of the deficiency. LICENSEE thereafter has [ \* ] days to cure the deficiency or to request arbitration. If REGENTS has not received a written request for arbitration or satisfactory tangible evidence that the deficiency has been cured by the end of the [ \* ] - day period, then REGENTS may, at its option, either terminate the Agreement or reduce LICENSEE's exclusive license to a non-exclusive license by giving written notice to LICENSEE. These notices will be subject to Article 23 (Notices).

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## **8. PROGRESS AND ROYALTY REPORTS**

- 8.1 For the period beginning March 31, 2012, LICENSEE will submit to REGENTS a semi-annual progress report covering LICENSEE's activities related to the development and testing of all LICENSED PRODUCTS, LICENSED SERVICES and LICENSED METHOD and the obtaining of necessary governmental approvals, if any, for marketing in the United States. These progress reports will be made for all development activities until the first SALE occurs in the United States.
- 8.2 Each progress report will be a sufficiently detailed summary of activities of LICENSEE and any sublicensees so that REGENTS may evaluate and determine LICENSEE's progress in development of LICENSED PRODUCTS, LICENSED SERVICES, and LICENSED METHOD, and in meeting its diligence obligations under Article 7, and will include (to the extent relevant at the time of reporting) the following: summary of work completed and in progress; current schedule of anticipated events and milestones, including diligence milestones under Paragraph 7.2; anticipated market introduction dates for the licensed territories; and sublicensee's activities during the reporting period.
- 8.3 LICENSEE also will report to REGENTS in its immediately subsequent progress and royalty reports, the date of first SALE.
- 8.4 After the first SALE anywhere in the world, LICENSEE will make quarterly royalty reports to REGENTS within [ \* ] days after the quarters ending March 31, June 30, September 30, and December 31, of each year. Each such royalty report will include at least the following:
- (a) The number of LICENSED PRODUCTS manufactured and the number SOLD;
  - (b) Gross revenue from SALE of LICENSED PRODUCTS, LICENSED SERVICES and LICENSED METHOD;
  - (c) NET SALES pursuant to Paragraph 2.8;
  - (d) Total royalties due REGENTS; and

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- (e) Names and addresses of any new sublicensees along with a summary of the material terms of each new sublicense agreement entered into during the reporting quarter.

8.5 If no SALES have occurred during the report period, a statement to this effect is required in the royalty report for that period.

## **9. BOOKS AND RECORDS**

- 9.1 LICENSEE will keep full, true, and accurate books and records containing all particulars that may be necessary for the purpose of showing the amount of royalties payable to REGENTS and LICENSEE's compliance with other obligations under this Agreement. Said books and records will be kept at LICENSEE's principal place of business or the principal place of business of the appropriate division of LICENSEE to which this Agreement relates. Said books and records and the supporting data will be open at all reasonable times during normal business hours upon reasonable notice, for [ \* ] years following the end of the calendar year to which they pertain, to the inspection and audit by representatives of REGENTS for the purpose of verifying LICENSEE's royalty statement or compliance in other respects with this Agreement. Such representatives will be bound to hold all information in confidence except as necessary to communicate LICENSEE's non-compliance with this Agreement to REGENTS.
- 9.2 The fees and expenses of REGENTS' representatives performing such an examination will be borne by REGENTS. However, if an error in underpaid royalties to REGENTS of more than [ \* ] of the total royalties due for any year is discovered, then the fees and expenses of these representatives will be borne by LICENSEE.

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**10. LIFE OF THE AGREEMENT**

10.1 Unless otherwise terminated by the operation of law or by acts of the parties in accordance with the terms of this Agreement, this Agreement will have the same terms as that of the licenses set forth in Section 3.2.

10.2 Any termination of this Agreement shall not affect the rights and obligations set forth in the following articles:

Article 2	Definitions
Article 4	Sublicenses
Article 9	Books and Records
Article 10	Life of the Agreement
Article 13	Disposition of Licensed Products Upon Termination
Article 16	Use of Names and Trademarks
Article 17	Limited Warranties and Limit of Liability
Article 19	Indemnification
Article 23	Notices
Article 24	Late Payments
Article 26	Confidentiality
Article 29	Applicable Law; Venue

10.3 Any termination of this Agreement will not relieve LICENSEE of its obligation to pay any monies due or owing at the time of such termination and will not relieve any obligations, of either party to the other party, accruing prior to termination.

**11. TERMINATION BY REGENTS**

If LICENSEE materially breaches any material term of this Agreement, then REGENTS may give written notice of such material breach (“Notice of Default”) to LICENSEE. If LICENSEE should fail to remedy such material breach within ninety (90) days of the effective date of such notice, REGENTS will have the right to terminate this Agreement and the licenses herein by a second written notice (“Notice of Termination”) to LICENSEE. If a Notice of Termination is sent to LICENSEE, this Agreement will automatically terminate on the effective date of such notice. Such termination will not relieve LICENSEE of its obligation to pay any royalty or license fees owing at the time of such termination and will not impair any accrued rights of REGENTS. These notices will be subject to Article 23 (Notices).

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**12. TERMINATION BY LICENSEE**

- 12.1 LICENSEE will have the right at any time to terminate this Agreement in whole or as to any portion of REGENTS' PATENT RIGHTS by giving notice in writing to REGENTS. Such notice of termination will be subject to Article 23 (Notices) and termination of this Agreement will be effective ninety (90) days after the effective date of such notice.
- 12.2 Any termination pursuant to Paragraph 12.1 will not relieve LICENSEE of any obligation or liability accrued hereunder prior to such termination or rescind anything done by LICENSEE or any payments made to REGENTS hereunder prior to the time such termination becomes effective, and such termination will not affect in any manner any rights of REGENTS arising under this Agreement prior to such termination.

**13. DISPOSITION OF LICENSED PRODUCTS UPON TERMINATION**

Upon termination of this Agreement, for a period of one year after the date of termination LICENSEE may complete and SELL any partially made LICENSED PRODUCTS and continue to render any previously commenced LICENSED SERVICES, and continue the practice of LICENSED METHOD only to the extent necessary to do so; provided, however, that all such SALES will be subject to the terms of this Agreement including, but not limited to, the payment of royalties at the rate and at the time provided herein and the rendering of reports thereon.

**14. PATENT PROSECUTION AND MAINTENANCE**

- 14.1 REGENTS will diligently prosecute and maintain the United States and foreign patent applications and patents under REGENTS' PATENT RIGHTS, subject to LICENSEE'S reimbursement REGENTS' out of pocket costs under Article 14.3

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below, and all patent applications and patents under REGENTS' PATENT RIGHTS will be held in the name of REGENTS. REGENTS will have sole responsibility for retaining and instructing patent counsel chosen together with LICENSEE, but continued use of such counsel at any point in the patent prosecution process subsequent to initial filing of a U.S. patent application covering the INVENTION shall be subject to the approval of LICENSEE. If LICENSEE rejects three of REGENTS' choice of prosecution counsel, then REGENTS may select new prosecution counsel without LICENSEE's consent. REGENTS shall promptly provide LICENSEE with copies of all documentation so that LICENSEE may be currently informed and apprised of the continuing prosecution and LICENSEE agrees to keep this documentation confidential in accordance with Article 26. LICENSEE may comment upon such documentation provided, however, that if LICENSEE has not commented upon such documentation in reasonable time for REGENTS to sufficiently consider LICENSEE's comments prior to the deadline for filing a response with the relevant government patent office, REGENTS will be free to respond appropriately without consideration of LICENSEE's comments. LICENSEE and LICENSEE's patent counsel will have the right to consult with patent counsel chosen by REGENTS.

- 14.2 REGENTS will use reasonable efforts to prepare or amend any patent application to include claims reasonably requested by LICENSEE to protect the LICENSED PRODUCTS contemplated to be SOLD or to be practiced under this Agreement.
- 14.3 Subject to Paragraphs 14.4 and 14.5, all past (unreimbursed), present, and future costs for preparing, filing, prosecuting, and maintaining all United States and foreign patent applications, and patents under REGENTS' PATENT RIGHTS will be borne by LICENSEE, so long as the licenses granted to LICENSEE herein are exclusive. To date the unreimbursed past patent costs are approximately Twenty Thousand Two Hundred Eighty U.S. Dollars (U.S.\$20,280) Payments are due within [ \* ] days after receipt of invoice from REGENTS. If, however, REGENTS reduces the exclusive licenses granted herein to non-exclusive licenses pursuant to Paragraphs 7.3, 7.4, or 7.5 and REGENTS grants additional license(s), the costs of preparing, filing, prosecuting and maintaining such patent applications and patents will be divided equally among the licensed parties from the effective date of each subsequently granted license agreement.

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14.4 LICENSEE's obligation to underwrite and to pay all domestic and foreign patent filing, prosecution, and maintenance costs will continue for so long as this Agreement remains in effect, provided, however, that LICENSEE may terminate its obligations with respect to any given patent application or patent in any or all designated countries upon [ \* ] months' written notice to REGENTS. REGENTS will use its best efforts to curtail patent costs when such a notice is received from LICENSEE. REGENTS may continue prosecution and/or maintenance of such applications or patents at its sole discretion and expense; provided, however, that LICENSEE will have no further right or licenses thereunder.

**15. MARKING**

LICENSEE agrees to mark LICENSED PRODUCT(S) (or their containers or labels) made, sold, licensed or otherwise disposed of in the United States under the license granted in this Agreement with the patent numbers of any applicable U.S. patent(s) in accordance with applicable U.S. laws. All LICENSED PRODUCTS shipped to, manufactured, or sold in other countries will be marked in such manner as to conform with the patent laws and practice of such countries.

**16. USE OF NAMES AND TRADEMARKS**

Nothing contained in this Agreement will be construed as conferring any right to use in advertising, publicity or other promotional activities any name, trademark, trade name, or other designation of either party hereto by the other (including any contraction, abbreviation, or simulation of any of the foregoing). Unless required by law or consented to in writing by REGENTS, the use by LICENSEE of the name "The Regents of the University of California" or the name of any University of California campus in advertising, publicity or other promotional activities is expressly prohibited.

**17. LIMITED WARRANTIES AND LIMITATION OF LIABILITY**

17.1 REGENTS warrants to LICENSEE that it has the lawful right to grant this license.

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- 17.2 This license and the associated INVENTION are provided WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESSED OR IMPLIED. REGENTS MAKES NO REPRESENTATION OR WARRANTY THAT THE INVENTION, REGENTS' PATENT RIGHTS, LICENSED PRODUCT(S), LICENSED SERVICES OR LICENSED METHOD WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.
- 17.3 SUBJECT TO LICENSEE'S DUTIES UNDER ARTICLE 19 FOR CLAIMS OF THIRD PARTIES, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INCIDENTAL, SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES RESULTING FROM EXERCISE OF THIS LICENSE OR THE USE OF THE INVENTION, REGENTS' PATENT RIGHTS, LICENSED METHOD, OR LICENSED PRODUCT(S).
- 17.4 Nothing in this Agreement is or will be construed as:
- (a) A warranty or representation by REGENTS as to the validity, enforceability or scope of any REGENTS' PATENT RIGHTS; or
  - (b) A warranty or representation that anything made, used, or SOLD under any license granted in this Agreement is or will be free from infringement of patents of third parties; or
  - (c) An obligation to bring or prosecute actions or suits against third parties for patent infringement, except as provided in Article 18; or
  - (d) Conferring by implication, estoppel, or otherwise any license or rights under any patents of REGENTS other than REGENTS' PATENT RIGHTS as defined herein, regardless of whether such patents are dominant or subordinate to REGENTS' PATENT RIGHTS; or
  - (e) An obligation to furnish any know-how not provided in the patents and patent applications under REGENTS' PATENT RIGHTS

## **18. PATENT INFRINGEMENT**

- 18.1 In the event that a party (for the REGENTS, to the extent of actual knowledge of the licensing professional responsible for administration of this Agreement) learns

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of the substantial infringement of any REGENTS' PATENT RIGHTS under this Agreement, they will promptly provide the other party with notice and reasonable evidence of such infringement ("Infringement Notice"). During the period and in a jurisdiction where LICENSEE has exclusive rights under this Agreement, neither party will notify a third party, including the infringer, of the infringement without first obtaining consent of the other party, which consent will not be unreasonably withheld. If agreed by the parties, both parties will use diligent efforts, in cooperation with each other, to terminate such infringement without litigation.

- 18.2 If the infringing activity of potential commercial significance has not been abated within [ \* ] days following the effective date of the Infringement Notice, LICENSEE may institute suit for patent infringement against the infringer. REGENTS may voluntarily join such suit at its own expense, but may not thereafter commence suit against the infringer for the acts of infringement that are the subject of LICENSEE's suit or any judgment rendered in that suit. LICENSEE may not join REGENTS in a suit initiated by LICENSEE without REGENTS' prior written consent. If, in a suit initiated by LICENSEE, REGENTS is involuntarily joined other than by LICENSEE, LICENSEE will pay any costs incurred by REGENTS arising out of such suit, including but not limited to, any legal fees of counsel that REGENTS selects and retains to represent it in the suit.

If, within [ \* ] days following the effective date of the Infringement Notice, the infringing activity of potential commercial significance has not been abated and if LICENSEE has not brought suit against the infringer, REGENTS may institute suit for patent infringement against the infringer. If REGENTS institutes such suit, LICENSEE may not join such suit without REGENTS' consent and may not thereafter commence suit against the infringer for the acts of infringement that are the subject of REGENTS' suit or any judgment rendered in that suit.

- 18.3 Such legal action as is decided upon will be at the expense of the party on account of whom suit is brought and all recoveries recovered thereby will belong to such party, provided that legal action brought jointly by REGENTS and LICENSEE and participated in by both, will be at the joint expense of the parties and all recoveries will be allocated in the following order: a) to each party reimbursement in equal amounts of the attorney's costs, fees, and other related expenses to the extent each

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party paid for such costs, fees, and expenses until all such costs, fees, and expenses are consumed for each party; and b) any remaining amount shared jointly by them in proportion to the share of expenses paid by each party, but in no event will REGENTS' share be less than [ \* ] of such remaining amount if REGENTS is a party.

- 18.4 Each party will cooperate with the other in litigation instituted hereunder but at the expense of the party on account of whom suit is brought. Such litigation will be controlled by the party bringing the action, except that REGENTS may be represented by counsel of its choice in any suit brought by LICENSE.
- 18.5 Any agreement made by LICENSEE for the purposes of settling litigation or other dispute shall comply with the requirements of Article 4 (Sublicenses) of this Agreement.

## 19. INDEMNIFICATION

- 19.1 LICENSEE will, and will require its sublicensees, to indemnify, hold harmless, and defend REGENTS, its officers, employees, and agents, sponsor(s) of the research that led to the INVENTION, the inventors of any patents and patent applications in REGENTS' PATENT RIGHTS, and their employers ("REGENTS INDEMNITEES") against any and all claims, suits, losses, damages, costs, fees, and expenses resulting from or arising of exercise of this license or any sublicense, including without limitation any cause of action relating to product liability. This indemnification will include, but not be limited to, any product liability; provided that LICENSEE and sublicensees shall not be responsible for any losses caused by breach of this Agreement by REGENTS."
- 19.2 LICENSEE, at its sole cost and expense, will insure its activities in connection with any work performed hereunder and will obtain, keep in force, and maintain the following insurance:
- (a) prior to clinical trials, Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

Each Occurrence	\$ 500,000
Products/Completed Operations Aggregate	\$ 0.
Personal and Advertising Injury	\$ 0.
General Aggregate	\$1,000,000

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- (b) upon the earlier of any clinical trials, Commercial Form General Liability Insurance (contractual Liability included) with limits as follows:

Each Occurrence	\$5,000,000
Products/Completed Operations Aggregate	\$5,000,000
Personal and Advertising Injury	\$ 0.
General Aggregate	\$3,000,000

- (c) upon the earlier of the first commercial sale of a LICENSED PRODUCT, LICENSED SERVICE and LICENSED METHOD, Commercial Form General Liability Insurance (contractual Liability included) with limits as follows:

Each Occurrence	\$ 5,000,000
Products/Completed Operations Aggregate	\$10,000,000
Personal and Advertising Injury	\$ 5,000,000
General Aggregate	\$10,000,000

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination or expiration of this Agreement. The insurance shall have a retroactive date of placement prior to or coinciding with the first commercial sale of Licensed Product; and

- (d) worker's compensation as legally required in the jurisdiction in which LICENSEE is doing business.

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- 19.3 The coverage and limits referred to in Subparagraphs 19.2a, 19.2b and 19.2c above will not in any way limit the liability of LICENSEE under this Article. Upon the execution of this Agreement, LICENSEE will furnish REGENTS with certificates of insurance evidencing compliance with all requirements. Such certificates will:
- (a) provide for [ \* ] days' ([ \* ] days for non-payment of premium) advance written notice to REGENTS of any cancellation of insurance coverages; LICENSEE will promptly notify REGENTS of any material reduction of the insurance coverages below the amounts required hereunder; and
  - (b) indicate that REGENTS has been endorsed as an additional insured under the coverage described above in Subparagraph 19.2.
  - (c) include a provision that the coverage will be primary and will not participate with, nor will be excess over, any valid and collectable insurance or program of self-insurance maintained by REGENTS.
- 19.4 REGENTS will promptly notify LICENSEE in writing of any claim or suit brought against REGENTS for which REGENTS intends to invoke the provisions of this Article 19. LICENSEE will keep REGENTS informed of its defense of any claims pursuant to this Article 19.

## **20. COMPLIANCE WITH LAWS**

LICENSEE will comply with all applicable international, national, state, regional, and local laws and regulations in performing its obligations hereunder and in its use, manufacture, SALE or import of the LICENSED PRODUCTS, LICENSED SERVICES, or practice of the LICENSED METHOD. LICENSEE understands that REGENTS is subject to United States laws and regulations (including the Arms Export Control Act, as amended, and the Export Administration Act of 1979), controlling the export of technical data, computer software, laboratory prototypes and other commodities, and REGENTS' obligations under this Agreement are contingent on compliance with such laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE will not export such technical data and/or commodities to certain foreign countries without prior approval of such agency. REGENTS neither represents that a license will not be required nor that, if required, it will be issued.

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**21. GOVERNMENT APPROVAL OR REGISTRATION**

If this Agreement or any associated transaction is required by the law of any nation to be either approved or registered with any governmental agency, LICENSEE will assume all legal obligations to do so. LICENSEE will notify REGENTS if it becomes aware that this Agreement is subject to a United States or foreign government reporting or approval requirement. LICENSEE will make all necessary filings and pay all costs including fees, penalties, and all other out-of-pocket costs associated with such reporting or approval process.

**22. ASSIGNMENT**

Neither this Agreement nor any right or obligation hereunder may be assigned, delegated or otherwise transferred, in whole or in part, by either party without the prior express written consent of the other; provided, however, that either party may, without written consent of the other, assign this Agreement and its rights and delegate its obligations hereunder to its successors, or in connection with the transfer or sale of all or substantially all of such party's assets or business related to this Agreement, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment in violation of this Section 22 shall be void. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the parties. The REGENTS may assign to an invention management organization without LICENSEES approval, provided that the organization is managing the inventions on behalf of the University of California, Berkeley.

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**23. NOTICES**

All notices under this Agreement shall be in writing and may be delivered in person, or mailed by registered or certified U.S. mail, or sent by nationally-recognized overnight courier. All such notices shall be deemed delivered at the following address.

To REGENTS:           Office of Technology Licensing  
2150 Shattuck Avenue, Suite 510  
Berkeley, CA 94704-1347  
Attn.: Director (UC Case No.: [ \* ])

To LICENSEE:          Aduro Biotech  
626 Bancroft Way  
Berkeley, CA 94710-2224  
Attn.: Steven Bodovitz <sbodovitz@adurobiotech.com>

If received on a day other than a business day, then such notice shall be deemed delivered on the next business day at the address of receipt. Either party may change its address upon written notice to the other party.

**24. LATE PAYMENTS**

If monies owed to REGENTS under this Agreement are not received by REGENTS when due, LICENSEE will pay to REGENTS interest charges at a rate of ten percent (10%) per annum. Such interest will be calculated from the date payment was due until actually received by REGENTS. Such accrual of interest will be in addition to, and not in lieu of, enforcement of any other rights of REGENTS related to such late payment. Acceptance of any late payment will not constitute a waiver under Article 25 (Waiver) of this Agreement.

**25. WAIVER**

The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement will not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party. None of the terms and conditions of this Agreement can be waived except by the written consent of the party waiving compliance.

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**26. CONFIDENTIALITY**

- 26.1 Each party will secure and hold the other party's proprietary business and technical information, patent prosecution material and other proprietary information, including the negotiated terms of this Agreement, in confidence and against disclosure to third parties with at least the same degree of care as it exercises to protect its own data and license agreements of a similar nature. This obligation will expire [ \* ] years after the termination or expiration of this Agreement.
- 26.2 Nothing contained herein will in any way restrict or impair the right of LICENSEE or REGENTS to use, disclose, or otherwise deal with any information or data which:
- (a) at the time of disclosure to a receiving party is generally available to the public or thereafter becomes generally available to the public by publication or otherwise through no act of the receiving party;
  - (b) the receiving party can show by written record was in its possession prior to the time of disclosure to it hereunder and was not acquired directly or indirectly from the disclosing party;
  - (c) is independently made available to the receiving party without restrictions as a matter of right by a third party; or
  - (d) is subject to disclosure under the California Public Records Act or other requirements of law.
- 26.3 REGENTS will be free to release to the inventors and senior administrators employed by REGENTS the terms and conditions of this Agreement upon their request. If such release is made, REGENTS will inform such employees of the confidentiality obligations set forth above and will request that they do not disclose such terms and conditions to others. Should a third party inquire whether a license to REGENTS' PATENT RIGHTS is available, REGENTS may disclose the existence of this Agreement and the extent of the grant in Articles 3 and 4 to such third party, but will not disclose the name of LICENSEE unless LICENSEE has already made such disclosure publicly, except where REGENTS is required to release information under either the California Public Records Act or other applicable law, provided REGENTS gives prior written notice to LICENSEE of such disclosure. REGENTS can publicly identify LICENSEE's corporate name and contact information as an entity with which REGENTS has an agreement that involves the commercialization of technology developed at the University of

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California, Berkeley; however this exception does not cover other information about this AGREEMENT, including INVENTIONS and INVENTORS, when used in association with LICENSEE's name

- 26.4 LICENSEE and REGENTS agree to destroy or return to the disclosing party proprietary information received from the other in its possession within [ \* ] days following the effective date of termination of this Agreement. However, each party may retain one copy of proprietary information of the other solely for archival purposes in non-working files for the sole purpose of verifying the ownership of the proprietary information, provided such proprietary information will be subject to the confidentiality provisions set forth in Article 26.1. LICENSEE and REGENTS agree to provide each other, within [ \* ] days following termination of this Agreement, with a written notice that proprietary information has been returned or destroyed.

## **27. FORCE MAJEURE**

Except for LICENSEE's obligation to make any payments to REGENTS hereunder (assuming that the ability of LICENSEE to recover revenue and make payments is unimpaired by the force majeure), the parties to this Agreement shall be excused from any performance required hereunder if such performance is rendered impossible or unfeasible due to any catastrophes or other major events beyond their reasonable control, including, without limitation, war, riot, and insurrection; laws, proclamations, edicts, ordinances, or regulations; strikes, lockouts, or other serious labor disputes; and floods, fires, explosions, or other natural disasters. When such events have abated, the parties' respective obligations hereunder will resume.

## **28. SEVERABILITY**

The provisions of this Agreement are severable, and in the event that any provision of this Agreement will be determined to be invalid or unenforceable under any controlling body of law, such invalidity or enforceability will not in any way affect the validity or enforceability of the remaining provisions hereof.

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**29. APPLICABLE LAW AND VENUE**

THIS AGREEMENT WILL BE CONSTRUED, INTERPRETED, AND APPLIED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, excluding any choice of law rules that would direct the application of the laws of another jurisdiction, but the scope and validity of any patent or patent application under REGENTS' PATENT RIGHTS will be determined by the applicable law of the country of such patent or patent application. Any legal action brought by the parties relating to this Agreement will be conducted in San Francisco, California.

**30. SCOPE OF AGREEMENT**

This Agreement incorporates the entire agreement between the parties with respect to the subject matter hereof, and this Agreement may be altered or modified only by written amendment duly executed by the parties hereto.

**31. HEADINGS**

Section and subsection headings are inserted for convenience of reference only and do not form part of this Agreement.

**32. COUNTERPARTS**

This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of this page intentionally left blank]

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33. ELECTRONIC COPY

The parties to this document agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by their duly authorized officers or representatives.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA		ADURO BIOTECH	
By	<u>/s/ Irvin J. Mettler</u> Irvin J. Mettler, Ph.D. Associate Director Office of Technology Licensing	By	<u>/s/ Stephen Isaacs</u>
		Printed Name	<u>Stephen Isaacs</u>
		Title	<u>CEO</u>
Date	<u>March 15, 2012</u>	Date	<u>March 15, 2012</u>

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “**Agreement**”) is made effective as of January 31, 2013 (the “**Effective Date**”) by and between BioSante Pharmaceuticals, Inc. a Delaware corporation with a principal place of business at 111 Barclay Boulevard, Suite 400, Lincolnshire, Illinois 60069 (“**Seller**”), and Aduro GVAX Inc., a Delaware corporation with a principal place of business at 626 Bancroft Way, #3C, Berkeley, CA 94710-2224 (“**Buyer**”). Seller and Buyer are each hereafter referred to individually as a “**Party**” and together as the “**Parties**”.

WHEREAS, Seller desires to sell, and Buyer desires to purchase, the Purchased Assets (as defined below) in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

### 1. DEFINITIONS

Whenever used in the Agreement with an initial capital letter, the terms defined in this Article 1 shall have the meanings specified.

1.1 “**Affiliate**” shall mean any corporation, firm, limited liability company, partnership or other entity that directly controls or is controlled by a Party to this Agreement. For purposes of this Section 1.1, “control” means ownership, directly or indirectly through one or more Affiliates, of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or fifty percent (50%) or more of the equity interests in the case of any other type of legal entity, status as a general partner in any partnership, or any other arrangement whereby a Party controls or has the right to control the Board of Directors or equivalent governing body of a corporation or other entity.

1.2 “**Applicable Law**” shall mean, with respect to any Person, each and any of the following to the extent applicable to such Person: federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, rule, regulation, statute or treaty, in each of the foregoing cases, as amended or may be amended.

1.3 “**Assignment and Assumption Agreement**” shall have the meaning set forth in Section 3.2.3.

1.4 “**Assignment of Contracts**” shall have the meaning set forth in Section 3.2.3.

1.5 “**Assumed Liabilities**” shall have the meaning set forth in Section 2.3.

1.6 “**Bill of Sale**” shall have the meaning set forth in Section 3.2.2.

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1.7 “**BLA**” shall mean a biologics license application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed with the FDA seeking Regulatory Approval to market and sell any GVAX Product in the United States.

1.8 “**Books and Records**” shall mean all Regulatory Documentation, Technology, books, files, papers, agreements, correspondence, databases, information systems, programs, software, documents and records (regardless of medium, whether in physical or electronic format and stored in computer memory or other storage device) related to the Purchased Assets or the Assumed Liabilities.

1.9 “**Buyer Indemnitees**” shall have the meaning set forth in Section 10.1.2.

1.10 “**Closing**” shall have the meaning set forth in Section 3.2.1.

1.11 “**Closing Date**” shall have the meaning set forth in Section 3.2.1.

1.12 “**Closing Payment**” shall have the meaning set forth in Section 4.1.1.

1.13 “**Confidential Information**” shall mean with respect to a Party (the “**Receiving Party**”), all information which is disclosed by the other Party (the “**Disclosing Party**”) to the Receiving Party hereunder or to any of its employees, consultants, Affiliates, licensees or sublicensees, except to the extent that the Receiving Party can demonstrate by written record or other suitable physical evidence that such information, (a) as of the date of disclosure is demonstrably known to the Receiving Party or its Affiliates other than by virtue of a prior confidential disclosure to such Party or its Affiliates; (b) as of the date of disclosure is in, or subsequently enters, the public domain, through no fault or omission of the Receiving Party; (c) is obtained from a Third Party having a lawful right to make such disclosure free from any obligation of confidentiality to the Disclosing Party; or (d) is independently developed by or for the Receiving Party without reference to or reliance upon any Confidential Information of the Disclosing Party; provided, however, that with respect to the Purchased Assets, Seller shall be deemed to be the Receiving Party as of the Closing and shall not be entitled to the benefit of (a) or (d) above with respect thereto.

1.14 “**Copyright Assignment**” shall have the meaning set forth in Section 3.2.2.

1.15 “**Development**” and “**Develop**” shall mean, with respect to any GVAX Product, all activities with respect to such GVAX Product relating to research and development in connection with seeking, obtaining and/or maintaining any Regulatory Approval for such GVAX Product in the Territory, including without limitation, all pre-clinical research and development activities, all human clinical studies, all activities relating to developing the ability to manufacture any GVAX Product or any component thereof (including, without limitation, process development work), and all other activities relating to seeking, obtaining and/or maintaining any Regulatory Approvals from the FDA and/or any Foreign Regulatory Authority.

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1.16 “**Domain Name Assignment**” shall have the meaning set forth in Section 3.2.2.

1.17 “**Drug Approval Application**” shall mean any application for Regulatory Approval (including pricing and reimbursement approvals) required prior to any commercial sale or use of a GVAX Product in any country or jurisdiction in the Territory, including, without limitation, (a) any BLA, NDA or MAA filed with the FDA or any Foreign Regulatory Authority, and (b) any equivalent application filed with any Foreign Regulatory Authority for Regulatory Approval (including pricing and reimbursement approvals) required prior to any commercial sale or use of a GVAX Product in any country or jurisdiction in the Territory.

1.18 “**Encumbrance**” shall mean any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

1.19 “**Excluded Assets**” shall have the meaning set forth in Section 2.2.

1.20 “**Excluded Liabilities**” shall have the meaning set forth in Section 2.4.

1.21 “**First Commercial Sale**” shall mean, on a country-by-country basis, the date of the first arm’s length transaction, transfer or disposition for value to a Third Party of a GVAX Product by or on behalf of Buyer or any Affiliate of Buyer in such country as part of a country-wide commercialization effort.

1.22 “**FDA**” shall mean the United States Food and Drug Administration and any successor agency or authority thereto.

1.23 “**Foreign Regulatory Authority**” shall mean any applicable supranational, national, federal, state or local regulatory agency, department, bureau or other governmental entity of any country or jurisdiction in the Territory (other than the FDA in the United States), having responsibility in such country or jurisdiction for any Regulatory Approvals of any kind in such country or jurisdiction, and any successor agency or authority thereto.

1.24 “**GVAX**” shall mean a composition comprising autologous or allogeneic tumor cells that have been genetically modified to express GM-CSF and are rendered proliferation incompetent by irradiation, or autologous or allogeneic tumor cells admixed, administered or co-administered with a bystander cell line that expresses GM-CSF and rendered proliferation incompetent by irradiation.

1.25 “**GVAX-Other Field**” shall mean any therapy relating to the treatment of cancer in humans, outside of the GVAX-Pancreas Field and the GVAX-Prostate Field, utilizing the Purchased Technology.

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1.26 “**GVAX-Other Product**” shall mean (a) any product or service of Buyer or its Affiliates or Sublicensees, the manufacture, use, sale or performance of which infringes any Valid Claim included in the Purchased Patent Rights (excluding the GVAX-Pancreas Patent Rights and the GVAX-Prostate Patent Rights) in the GVAX-Other Field, (b) any product or service developed in whole or in part through the use of a process that is covered by a Valid Claim included in the Purchased Patent Rights (excluding the GVAX-Pancreas Patent Rights and the GVAX-Prostate Patent Rights) in the GVAX-Other Field, or (c) any product in the GVAX-Other Field not covered by (a) or (b) but that is developed and/or manufactured as a result of the use of the Purchased Technology.

1.27 “**GVAX-Pancreas Field**” shall mean a combination therapy relating to the treatment of pancreas cancer in humans utilizing both the Purchased Technology and one or more of any listeria vaccines in any formulation existing now or in the future or any Other Vaccines.

1.28 “**GVAX-Pancreas Patent Rights**” shall mean the Purchased Patent Rights relating to the GVAX-Pancreas cancer vaccines listed on Schedule A.

1.29 “**GVAX-Pancreas Product**” shall mean (a) any product or service of Buyer or its Affiliates or Sublicensees, the manufacture, use, sale or performance of which infringes any Valid Claim included in the GVAX-Pancreas Patent Rights in the GVAX-Pancreas Field, (b) any product or service developed in whole or in part through the use of a process that is covered by a Valid Claim included in the GVAX-Pancreas Patent Rights in the GVAX-Pancreas Field, or (c) any product in the GVAX-Pancreas Field not covered by (a) or (b) but that is developed and/or manufactured as a result of the use of the Purchased Technology.

1.30 “**GVAX-Prostate Field**” shall mean a combination therapy relating to the treatment of prostate cancer in humans utilizing both the Purchased Technology and one or more of any listeria vaccines in any formulation existing now or in the future or any Other Vaccines.

1.31 “**GVAX-Prostate Patent Rights**” shall mean the Purchased Patent Rights relating to the GVAX-Prostate cancer vaccines listed on Schedule A.

1.32 “**GVAX-Prostate Product**” shall mean (a) any product or service of Buyer or its Affiliates or Sublicensees, the manufacture, use, sale or performance of which infringes any Valid Claim included in the GVAX-Prostate Patent Rights in the GVAX-Prostate Field, (b) any product or service developed in whole or in part through the use of a process that is covered by a Valid Claim included in the GVAX-Prostate Patent Rights in the GVAX-Prostate Field, or (c) any product in the GVAX-Prostate Field not covered by (a) or (b) but that is developed and/or manufactured as a result of the use of the Purchased Technology.

1.33 “**GVAX Product**” shall mean any GVAX-Other Product, any GVAX-Pancreas Product, or any GVAX-Prostate Product.

1.34 “**Governmental Entity**” shall mean any court, arbitrational tribunal, administrative agency or commission or other governmental, quasi-governmental or regulatory authority, agency or instrumentality, including without limitation, the FDA and Foreign Regulatory Authorities.

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1.35 “**Hussman Agreement**” shall mean the Letter Agreement by and between Seller and The John P. Hussman Foundation dated as of July 13, 2011 and attached Operating Terms and appendices.

1.36 “**IND**” shall mean an investigational new drug application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed or to be filed with the FDA with regard to any GVAX Product.

1.37 “**Indemnifying Party**” shall have the meaning set forth in Section 10.2.

1.38 “**JHU**” shall mean The Johns Hopkins University, a Maryland corporation.

1.39 “**JHU License Agreements**” shall mean that certain Restated and Amended License Agreement between JHU and Seller dated as of March 3, 2011, which amends and restates in the entirety that certain License Agreement between JHU and Cell Genesys, Inc. (“**Cell Genesys**”) dated as of June 15, 2000, as amended by a First Amendment to the License Agreement dated as of March 27, 2008, that certain License Agreement between JHU and Cell Genesys, Inc., dated March 12, 2001, as amended by a First Amendment to the License Agreement dated as of March 27, 2008, and that certain License Agreement between JHU and Cell Genesys, Inc., dated October 1, 1999, as amended by a First Amendment to the License Agreement dated as of August 30, 2003.

1.40 “**Liability**” shall mean any liability or obligation of any kind, character or description, whether known or unknown, absolute or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, conditional or unconditional, accrued or unaccrued, liquidated or unliquidated, vested or unvested, joint or several, due or to become due, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on financial statements.

1.41 “**MAA**” shall mean an application filed with the relevant Foreign Regulatory Authorities in Europe seeking Regulatory Approval to market and sell any GVAX Product in Europe or any country or territory therein.

1.42 “**MIT License Agreement**” shall mean that certain Amended and Restated Exclusive Patent License Agreement between The Massachusetts Institute for Technology, The Whitehead Institute for Research and Cell Genesys, Inc. dated as of December 17, 1998, as amended by a First Amendment to the Amended and Restated Exclusive Patent License Agreement dated as of September 27, 2005, and as amended by a Second Amendment to the Amended and Restated Exclusive Patent License Agreement, dated as of May 26, 2011.

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1.43 “**NDA**” shall mean a new drug application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed with the FDA seeking Regulatory Approval to market and sell any GVAX Product in the United States.

1.44 “**Net Sales**” shall mean the gross amounts actually received by Buyer or its Affiliates for all GVAX Products sold by Buyer or its Affiliates or Sublicensees to Third Parties throughout the Territory, less any deductions allowed under U.S. G.A.A.P. to the extent not already taken, including, without limitation, the following amounts incurred or paid by Buyer or its Affiliates or Sublicensees with respect to sales of GVAX Products:

(a) trade, cash and quantity discounts or rebates actually allowed or taken, including discounts or rebates to governmental or managed care organizations;

(b) reimbursements, credits or allowances actually given or made for rejection or return of previously sold GVAX Products (including Medicare and similar types of rebates);

(c) any charges for insurance, freight, and other transportation costs directly related to the delivery of GVAX Products;

(d) any tax, tariff, duty or governmental charge levied on the sales, transfer, transportation or delivery of a GVAX Product (including any tax such as a value added or similar tax or government charge) borne by the seller thereof, other than franchise or income tax of any kind whatsoever;

(e) any import or export duties or their equivalent borne by the seller;

(f) any amounts received in connection with conducting clinical trials;

(g) sales to government organizations, charitable non-governmental organizations, indigent programs and sales of GVAX Products at a loss or for materially reduced profit margins; and

(h) the aggregate amount of all royalty payments made by Buyer to one or more Third Parties in any country in the Territory as consideration for a license to an issued patent or patents with respect to the GVAX component of a GVAX Product, in the absence of which the GVAX Product could not legally be used or sold in such country.

“Net Sales” shall not include sales or transfers between Buyer and its Affiliates or Sublicensees, unless the GVAX Product is consumed by the Affiliate or Sublicensee.

1.45 “**Other Vaccines**” shall mean one or more Buyer bacterial vaccines (other than listeria vaccines) that Buyer elects to include within the scope of the combination therapies contemplated by this Agreement.

1.46 “**Patent Assignment**” shall have the meaning set forth in Section 3.2.2.

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1.47 “**Patent Rights**” shall mean the rights and interests in and to issued patents and pending patent applications (including inventor’s certificates and utility models) in any country or jurisdiction within the Territory, including all provisionals, substitutions, continuations, continuations-in-part, divisionals, supplementary protection certificates, renewals, all letters patent granted thereon, and all reissues, reexaminations, extensions, confirmations, revalidations, registrations, patents of addition thereof, PCTs and foreign counterparts.

1.48 “**Person**” shall mean any individual, corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Entity.

1.49 “**Purchased Price**” shall have the meaning set forth in Section 3.1.

1.50 “**Purchased Assets**” shall have the meaning set forth in Section 2.1.

1.51 “**Purchased Patent Rights**” shall mean all Patent Rights which are included in the Purchased Assets.

1.52 “**Purchased Technology**” shall mean and include all Technology which is included in the Purchased Assets.

1.53 “**RCT Non-Exclusive License Agreement**” shall mean that certain Non-exclusive License Agreement between Research Corporation Technologies, Inc. and Cell Genesys, Inc., dated July 1, 1999.

1.54 “**Regulatory Approval**” shall mean any and all filings and approvals (including pricing and reimbursement approvals only in those jurisdictions requiring reimbursement approval required before marketing can commence), product and establishment licenses, registrations or authorizations of any kind of the FDA or any Foreign Regulatory Authority necessary for the development, pre-clinical and/or human clinical testing, manufacture, quality testing, supply, use, storage, importation, export, transport, marketing and sale of a GVAX Product (or any component thereof) in any country or other jurisdiction in the Territory. “Regulatory Approval” shall include, without limitation, any INDs and drug master files.

1.55 “**Regulatory Documentation**” shall mean all applications, registrations, licenses, authorization and approvals (including all Regulatory Approvals), all correspondence submitted to or received from the FDA or any Foreign Regulatory Authority (including minutes and official contact reports relating to any communications with the FDA or any Foreign Regulatory Authority) and all supporting documents and data contained in any of the foregoing (including any INDs or foreign equivalents, any manufacturing facility validation and/or licensure, any Drug Approval Applications, orphan drug applications, and any other documents related to Regulatory Approvals) that was provided to Seller by Cell Genesys upon the acquisition of Cell Genesys by Seller, or is in Seller’s possession or control, that is related to GVAX, including, without limitation, vaccines or products related to or necessary or useful in connection with GVAX Products.

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1.56 “**Royalty Payments**” shall mean the royalty payments payable by Buyer to Seller in accordance with Sections 4.1.2 through 4.1.6.

1.57 “**Royalty Term**” shall mean, with respect to each GVAX Product, the period commencing on the Closing Date and continuing on a country-by-country, and product-by-product basis until the later of either (a) the expiration date of the last to expire of the Purchased Patent Rights covering the GVAX Product or any other applicable governmental or regulatory exclusivity period, including orphan drug exclusivity following approval (in either case, the “**Regulatory End Date**”), or (b) the seventh (7<sup>th</sup>) anniversary of the First Commercial Sale of such GVAX Product in that country; provided, however, that (i) if Net Sales in such country for any twelve-month period ending on the same month and day as the Regulatory End Date (a “**Measurement Year**”) but following the Regulatory End Date are less than 80% of the Net Sales in such country for the Measurement Year with the highest Net Sales during the Royalty Term, then the Royalty Term for such country shall expire as of the last day of the most recently completed Measurement Year; and (ii) if Net Sales in such country for any Measurement Year are less than 90% of the Net Sales in such country for the immediately preceding Measurement Year then the Royalty Term for such country shall expire as of the last day of the most recently completed Measurement Year.

1.58 “**Seller Designee**” shall have the meaning set forth in Section 6.2.

1.59 “**Seller Indemnitees**” shall have the meaning set forth in Section 10.1.1.

1.60 “**Sublicensee**” shall mean any Third Party to whom Buyer grants a license or sublicense of some or all of the rights granted to Buyer under this Agreement, but excluding the John P. Hussman Foundation under the Hussman Agreement.

1.61 “**Sublicense Income**” shall mean all payments received by Buyer or its Affiliates from its Sublicensees for the grant by Buyer of a sublicense of the (a) GVAX-Pancreas Patent Rights and Purchased Technology to develop, have developed, make, have made, use have used sell, offer for sale, have sold import, have imported, export, have exported, commercialize or have commercialized a GVAX-Pancreas Product, or (b) the GVAX-Prostate Patent Rights and Purchased Technology to develop, have developed, make, have made, use have used sell, offer for sale, have sold import, have imported, export, have exported, commercialize or have commercialized a GVAX-Prostate Product; it being understood that Sublicense Income shall specifically not include any other amounts received by Buyer from its Sublicensees, including, without limitation, (i) payments made by or on behalf of a Sublicensee which constitute grants or are required to be used to support or fund research, development or commercialization activities to be undertaken by Buyer, (ii) payments made by or on behalf of a Sublicensee which may be required to be repaid by Buyer (such as loans or advances that are subject to reimbursement, including convertible debt), (iii) payments made to JHU under the JHU Agreements, (iv) royalty payments, (v) purchases or grants of equity of Buyer, (vi) purchase of debt, and (vii) patent costs.

1.62 “**Technology**” shall mean and include any and all unpatented, proprietary ideas, inventions, discoveries, Confidential Information, biologic materials, cell lines, CMC data,

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drug master files, data, results, formulae, designs, specifications, methods, processes, formulations, techniques, ideas, know-how, technical information (including, without limitation, structural and functional information), manufacturing processes and descriptions, process information, pre-clinical information, clinical information, and any and all proprietary biological, chemical, pharmacological, toxicological, pre-clinical, clinical, assay, control and manufacturing data and materials that was provided to Seller by Cell Genesys upon the acquisition of Cell Genesys by Seller, or is in Seller's possession or control, that is related to GVAX, including, without limitation, vaccines or products related to or necessary or useful in connection with GVAX Products.

1.63 "**Territory**" shall mean all countries and jurisdictions of the world.

1.64 "**Third Party**" shall mean any Person other than Buyer, Seller and their respective Affiliates.

1.65 "**Trademark Assignment**" shall have the meaning set forth in Section 3.2.2.

1.66 "**Transaction Documents**" shall have the meaning set forth in Section 7.1(a).

1.67 "**Transferred Contracts**" shall mean any written, oral, implied or other agreement, contract, understanding, arrangement, instrument, warranty, assignment, power of attorney, certificate, purchase order, work order, commitment, covenant, assurance or undertaking of any nature listed on Schedule A.

1.68 "**UC License Agreements**" shall mean that certain Exclusive License Agreement between The Regents of the University of California and Cell Genesys, Inc., dated March 1, 2007 and that certain Non-exclusive License and Bailment Agreement between The Regents of the University of California and Cell Genesys, Inc., dated March 1, 2007.

1.69 "**Valid Claim**" shall mean a claim in an issued, unexpired patent or in a pending patent application within the Purchased Patent Rights that (a) has not been finally cancelled, withdrawn, abandoned or rejected by any administrative agency or other body of competent jurisdiction, (b) has not been revoked, held invalid, or declared unpatentable or unenforceable in a decision of a court or other body of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal, (c) has not been rendered unenforceable through disclaimer or otherwise, and (d) is not lost through an interference proceeding.

## **2. SALE AND PURCHASE OF ASSETS**

### **2.1 Sale and Purchase of Assets.**

2.1.1 Subject to the terms and conditions of this Agreement, and except for the Excluded Assets, at the Closing, Seller shall sell, transfer, convey, assign and deliver to

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Buyer, and Buyer shall purchase and accept from Seller, free and clear from any Encumbrances, all right, title and interest of Seller in and to all of the assets of Seller related to or comprising GVAX vaccines and any assets necessary or reasonably useful to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop, have developed, commercialize, and have commercialized GVAX Products including, without limitation, (i) all patents, patent applications and other Patent Rights, and all other intellectual property, Technology, Regulatory Approvals, Regulatory Documentation, the JHU License Agreements, the Hussman Agreement, the UC License Agreements, and the MIT License Agreement; (ii) all finished product inventories, work-in-process, inventories, product-in-transit inventories and other inventories of GVAX vaccines; (iii) all laboratory supplies, cell lines, reagents and related research materials owned by Seller as of the Closing Date that are used in connection with or related to GVAX vaccines; and (iv) all assets listed on Schedule A attached hereto (the “**Purchased Assets**”).

## 2.2 **Excluded Assets.**

2.2.1 Notwithstanding anything to the contrary in this Agreement, Seller shall not sell, transfer or assign, and Buyer shall not purchase or otherwise acquire, any right, title or interest of Seller in any of Seller’s other assets, including, without limitation, the assets listed on Schedule B attached hereto (collectively, the “**Excluded Assets**”).

## 2.3 **Assumption of Liabilities.**

2.3.1 At the Closing, Buyer shall assume as of the Closing only the Liabilities of Seller specifically identified below in this Section 2.3.1 (the “**Assumed Liabilities**”), unless otherwise specifically excluded under Section 2.4.1:

(a) the Liabilities and obligations of Seller under the Transferred Contracts, but only to the extent such obligations: (i) are to be performed after the Closing; (ii) do not arise from or relate to any breach or default by Seller or any of its Affiliates of any provision of any of the Transferred Contracts or any event, circumstance or condition occurring or existing on or prior to the Closing that, with notice or lapse of time, would constitute or result in a breach or default thereof and (iii) do not arise from actions taken (or omitted from being taken) by Seller or any of its Affiliates on or prior to the Closing (or except to the extent that Buyer expressly agrees to assume from or reimburse Seller for such Liabilities prior to the Closing Date);

(b) Liabilities related to Regulatory Approvals, Regulatory Documentation and other regulatory matters pertaining to the Purchased Assets, including, without limitation, those regulatory obligations owed to the FDA, and any corresponding Foreign Regulatory Authorities, to the extent arising after the Closing Date;

(c) Liabilities related to preparing, filing, prosecuting, obtaining and maintaining all Purchased Patent Rights pertaining to the Purchased Assets after the Closing Date, which filing, prosecution and maintenance shall be in the sole discretion of Buyer; and

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(d) Liabilities arising out of or directly relating to ownership or use of the Purchased Assets after the Closing Date.

#### 2.4 **Excluded Liabilities.**

2.4.1 Buyer shall not assume, nor shall Buyer become responsible for, any Liabilities of Seller or Seller's Affiliates other than the Assumed Liabilities, which excluded Liabilities include, without limitation, any Liabilities of Seller arising out of or relating to the ownership or use of the Purchased Assets prior to the Closing Date, known or unknown, contingent or mature, or any Liabilities that do not arise out of or relate to the Purchased Assets (collectively, the "**Excluded Liabilities**").

### 3. PURCHASE PRICE AND CLOSING

#### 3.1 **Purchase Price.**

3.1.1 **Price.** Upon and subject to the terms and conditions set forth in this Agreement, Buyer will pay to Seller, by wire transfer of immediately available funds: (a) the Closing Payment on the Closing Date; (b) the Royalty Payments, if any, in accordance with Sections 4.1.2 through 4.1.6; and (c) the Sublicense Income, if any, in accordance with Section 4.2.2. The Closing Payment, the Royalty Payments and the Sublicense Income, if any, are collectively referred to as the "**Purchase Price.**"

3.1.2 **Taxes.** All sales, use, excise, personal property or other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be borne and paid by Seller when due. Each Party shall, at its own expense, timely file any tax return or other document with respect to such taxes or fees that are its responsibility (and the other Party shall cooperate with respect thereto as necessary). In addition, each Party shall be responsible for paying their own income taxes and be responsible for filing their own income tax returns in connection with this Agreement.

3.1.3 **Bulk Sales.** The Parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer; it being understood that any Liabilities arising out of the failure of Seller to comply with the requirements and provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction are Excluded Liabilities.

3.1.4 **Exclusive License Agreement.** As of the Closing, the Exclusive License Agreement by and between Seller as "Licensor" and Aduro BioTech, Inc., a Delaware corporation as "Licensee" dated March 24, 2011 shall automatically terminate and shall be of no further force or effect.

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### 3.2 **Closing.**

3.2.1 **Closing Date.** The closing of the purchase and sale contemplated by this Agreement (the “**Closing**”) shall be consummated on or before February 15, 2013, at the offices of Sheppard, Mullin, Richter & Hampton, LLP, 30 Rockefeller Plaza, New York, NY 10112, or at such other place or date as shall be agreed upon by Buyer and Seller. Buyer and Seller shall each endeavor to consummate the Closing by January 31, 2013. The time and date on which the Closing is actually held is referred to herein as the “**Closing Date**.”

3.2.2 **Sellers’ Closing Deliveries.** At the Closing, Seller shall (i) take all steps necessary to place Buyer in actual possession and control of the Purchased Assets, and (ii) deliver the following items, duly executed by Seller, as applicable, all of which shall be in form and substance attached as an exhibit to this Agreement or otherwise mutually agreed upon by Buyer and Seller:

- (a) A Bill of Sale, substantially in the form of Exhibit A hereto (the “**Bill of Sale**”);
- (b) A trademark assignment, substantially in the form of Exhibit B hereto (the “**Trademark Assignment**”);
- (c) A patent assignment, substantially in the form of Exhibit C hereto (the “**Patent Assignment**”);
- (d) A domain name assignment, substantially in the form of Exhibit D attached hereto (the “**Domain Name Assignment**”);
- (e) A copyright assignment, substantially in the form of Exhibit E hereto (the “**Copyright Assignment**”);

(f) Duly executed consent of all Third Parties required by Seller to consummate the transactions contemplated hereby, in form and substance reasonably satisfactory to Buyer, including consents to the assignment of the Transferred Contracts;

(g) Payoff and release letters from creditors of Seller, together with UCC termination or amendments, as applicable, with respect to financing statements filed against any of the Purchased Assets, terminating all Encumbrances on any of the Purchased Assets, in form and substance reasonably satisfactory to Buyer;

(h) Resolutions of Seller’s board of directors authorizing the execution, delivery and performance of this Agreement and of all other documents to be executed and delivered in connection herewith;

(i) A certificate executed on behalf of Seller by its President or Chief Executive Officer, dated as of the Closing Date, certifying that:

(i) the representations and warranties of Seller set forth in this Agreement, or in any written statement or certificate that shall be delivered to Buyer by Seller under this Agreement are true and correct on and as of the date made and as of the Closing Date as if made on the date thereof; and (ii) Seller has

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performed all obligations and covenants required to be performed by it under this Agreement and any other agreement or document entered into in connection herewith prior to the Closing Date; and

(j) The Books and Records.

3.2.3 Buyer's and Seller's Closing Deliveries. At the Closing, Buyer and Seller shall deliver the following items, duly executed:

(a) An Assignment and Assumption Agreement, substantially in the form of Exhibit F hereto (the "**Assignment and Assumption Agreement**");

(b) An Assignment of Contracts, substantially in the form of Exhibit G hereto (the "**Assignment of Contracts**");

(c) A certificate executed on behalf of Buyer by its President or Chief Executive Officer, dated as of the Closing Date, certifying that:

(i) the representations and warranties of Buyer set forth in this Agreement, or in any written statement or certificate that shall be delivered to Seller by Buyer under this Agreement are true and correct on and as of the date made and as of the Closing Date as if made on the date thereof; and (ii) Buyer has performed all obligations and covenants required to be performed by it under this Agreement and any other agreement or document entered into in connection herewith prior to the Closing Date; and

(d) Such other certificates, instruments or documents required pursuant to the provisions of this Agreement or otherwise necessary or appropriate to transfer the Purchased Assets and Assumed Liabilities in accordance with the terms hereof and consummate the transaction contemplated hereby, and to vest in Buyer full and complete title to the Purchased Assets, free and clear of all Encumbrances.

3.2.4 Pre-Closing Actions. From the Effective Date until the Closing Date, Seller shall not take any action with respect to the Purchased Assets except in the ordinary course of business, and shall use commercially reasonable efforts to preserve intact the Purchased Assets. Seller shall promptly notify Buyer of any event or occurrence not in the ordinary course of business of Seller that it proposes to take with respect to the Purchased Assets, each of which shall require the prior written consent of Buyer, and shall promptly notify Buyer of any event of which Seller is aware which reasonably could be expected to have an adverse effect on Seller or the Purchased Assets.

#### 4. PAYMENTS AND ROYALTIES

##### 4.1 Payments for Purchased Assets.

4.1.1 Closing Payment. Buyer shall pay to Seller One Million Dollars (\$1,000,000) at the Closing (the "**Closing Payment**").

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**4.1.2 GVAX-Pancreas Product Royalty Payments.** In further consideration of the Purchased Assets, and subject to the other terms of this Agreement (including the remainder of this Section 4), (a) commencing on the date of the First Commercial Sale of each GVAX-Pancreas Product sold by Buyer and/or its Affiliates in each country in the Territory and continuing for the duration of the Royalty Term in such country, Buyer shall pay to Seller a royalty equal to [ \* ] of Net Sales of any GVAX-Pancreas Product sold by Buyer and/or its Affiliates in such country in the Territory; and (b) Buyer shall pay to Seller a one time milestone payment of [ \* ] upon reaching [ \* ]. Notwithstanding anything to the contrary in this Section 4.1.2, in no event shall the cumulative, aggregate payments made to Seller by Buyer pursuant to this Section 4.1.2 during the Royalty Term exceed the amount of [ \* ].

**4.1.3 GVAX-Prostate Product Royalty Payments.** In further consideration of the Purchased Assets, and subject to the other terms of this Agreement (including the remainder of this Section 4), (a) commencing on the date of the First Commercial Sale of each GVAX-Prostate Product sold by Buyer and/or its Affiliates in each country in the Territory and continuing for the duration of the Royalty Term in such country, Buyer shall pay to Seller a royalty equal to [ \* ] of Net Sales of any GVAX-Prostate Product sold by Buyer and/or its Affiliates in such country in the Territory; and (b) Buyer shall pay to Seller a one time milestone payment of [ \* ] upon [ \* ]. Notwithstanding anything to the contrary in this Section 4.1.3, in no event shall the cumulative, aggregate payments made to Seller by Buyer pursuant to this Section 4.1.3 during the Royalty Term exceed the amount of [ \* ].

**4.1.4 GVAX-Other Product Royalty Payments.** In further consideration of the Purchased Assets, and subject to the other terms of this Agreement (including the remainder of this Section 4), (a) commencing on the date of the First Commercial Sale of each GVAX-Other Product sold by Buyer and/or its Affiliates in each country in the Territory and continuing for the duration of the Royalty Term in such country, Buyer shall pay to Seller a royalty equal to [ \* ] of Net Sales of any GVAX-Other Product sold by Buyer and/or its Affiliates in such country in the Territory; and (b) Buyer shall pay to Seller a one time milestone payment in the following amounts upon reaching the corresponding milestones for each GVAX-Other Product reaching such milestone, as follows:

- (a) [ \* ] upon [ \* ];
- (b) [ \* ] upon [ \* ];
- (c) [ \* ] upon [ \* ]; and
- (d) [ \* ] upon [ \* ].

**4.1.5** Notwithstanding anything to the contrary in this Section 4.1, in no event shall the cumulative, aggregate payments made to Seller by Buyer pursuant to this Section 4.1 during the Royalty Term exceed the amount of [ \* ], excluding the Closing Payment and milestone payments set forth in clauses (a) – (d) of Section 4.1.4.

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4.1.6 One Royalty. Only one royalty, calculated at the highest applicable royalty rate under this Section 4.1, shall be payable to Seller hereunder for each sale of a GVAX Product.

#### 4.2 Other Consideration.

4.2.1 Hussman Agreement. In further consideration for the Purchased Assets, Buyer will pay to Seller [ \* ] of all amounts received by Buyer or any Affiliate of Buyer from milestones and royalties under the Hussman Agreement, net of related costs borne by Buyer.

##### 4.2.2 Sublicensing Income.

(a) Sublicense Income – Pancreas Products. Buyer shall pay Seller the percentage of Sublicense Income received by Buyer or any Affiliate of Buyer pursuant to any sublicenses of GVAX-Pancreas Patent Rights and/or related Technology granted hereunder as set forth below: (i) [ \* ] of applicable Sublicense Income with respect to sublicenses entered into [ \* ]; and (ii) [ \* ] of applicable Sublicense Income with respect to sublicenses entered into [ \* ]. Notwithstanding anything to the contrary set forth in the preceding sentence, in the case of any sublicense entered into after Buyer has spent at least [ \* ] in the aggregate for all expenses of any kind incurred in connection with the development, testing and commercialization of all GVAX Products, each percentage specified in the preceding sentence shall be reduced to [ \* ]. Notwithstanding anything to the contrary in this Section 4.2.2(a), in no event shall the cumulative, aggregate payments made to Buyer by Seller pursuant to this Section 4.2.2(a) exceed the amount of [ \* ].

(b) Sublicense Income – Prostate Products. Buyer shall pay Seller the percentage of Sublicense Income received by Buyer or any Affiliate of Buyer pursuant to any sublicenses of GVAX-Prostate Patent Rights and/or related Technology granted hereunder as set forth below: (i) [ \* ] of applicable Sublicense Income with respect to sublicenses entered into [ \* ]; (ii) [ \* ] of applicable Sublicense Income with respect to sublicenses entered into [ \* ]; and (iii) [ \* ] of applicable Sublicense Income with respect to sublicenses entered into [ \* ]. Notwithstanding anything to the contrary set forth in the preceding sentence, in the case of any sublicense entered into after Buyer has spent at least [ \* ] in the aggregate for all expenses of any kind incurred in connection with the development, testing and commercialization of all GVAX Products, each percentage specified in the preceding sentence shall be reduced to [ \* ], Notwithstanding anything to the contrary in this Section 4.2.2(b), in no event shall the cumulative, aggregate payments made to Seller by Buyer pursuant to this Section 4.2.2(b) exceed the amount of [ \* ].

#### 4.3 Payment Terms.

4.3.1 Payment of Royalties and Milestones. Unless otherwise expressly provided, Buyer shall make any royalty payments owed to Seller hereunder in arrears, within [ \* ] days from the end of each quarter in which the Net Sales giving rise to such payments are received by Buyer. Buyer will pay to Seller the amounts due under the Hussman Agreement

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pursuant to Section 4.2.1 within [ \* ] days from receipt of such amounts. Buyer shall make any milestone payments owed to Seller hereunder within [ \* ] days following the date on which such milestone is achieved. Each royalty payment shall be accompanied by a report specifying: Net Sales in each country's currency; the royalties payable, including an accounting of deductions taken in the calculation of Net Sales; if any proceeds on Net Sales were received in currencies other than United States Dollars, the applicable exchange rate to convert from each country's currency to United States Dollars under this Section 4.3; and the royalties payable in United States Dollars.

4.3.2 Accounting. All payments hereunder shall be made in the United States in United States Dollars. Conversion of foreign currency to United States Dollars shall be made at the conversion rate existing in the United States (as reported in *The Wall Street Journal*) on the last business day of the quarter immediately preceding the applicable calendar quarter. If *The Wall Street Journal* ceases to be published, then the rate of exchange to be used shall be that reported in such other business publication of national circulation in the United States as the Parties reasonably agree.

4.3.3 Tax Withholding; Restrictions on Payment. All payments hereunder shall be made free and clear of any taxes, duties, levies, fees or charges, except for withholding taxes (to the extent applicable). Buyer shall make any applicable withholding payments due on behalf of Seller and shall provide Seller upon request with such written documentation regarding any such payment as available to Buyer relating to an application by Seller for a foreign tax credit for such payment with the United States Internal Revenue Service. If by law, regulations or fiscal policy of a particular country in the Territory, remittance of royalties in United States Dollars is restricted or forbidden, written notice thereof shall promptly be given to Seller, and payment of the royalty shall be made by the deposit thereof in local currency to the credit of Seller in a recognized banking institution reasonably designated by Seller by written notice to Buyer. When in any country in the Territory the law or regulations prohibit both the transmittal and the deposit of royalties on sales in such country, royalty payments shall be suspended for as long as such prohibition is in effect and as soon as such prohibition ceases to be in effect, all royalties that Buyer would have been under an obligation to transmit or deposit but for the prohibition shall forthwith be deposited or transmitted, to the extent allowable.

#### 4.4 Records Retention; Review.

4.4.1 Royalties. Commencing as of the date of First Commercial Sale of the first GVAX Product hereunder, Buyer and its Affiliates shall keep for at least [ \* ] years from the end of the calendar year to which they pertain accurate records of sales by Buyer or its Affiliates, as the case may be, of each GVAX Product, in sufficient detail to allow the accuracy of the payments hereunder to be confirmed.

4.4.2 Review. Subject to the other terms of this Section 4.4.2, at the request of Seller, which shall not be made more frequently than once per calendar year during the Royalty Term, upon at least [ \* ] days' prior written notice from Seller, and at the expense of Seller (except as otherwise provided herein), Buyer shall permit an independent certified public

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accountant reasonably selected by Seller and reasonably acceptable to Buyer to inspect (during regular business hours) the relevant records required to be maintained by Buyer under this Section 4.4. In every case the accountant must have previously entered into a confidentiality agreement with both Parties substantially similar to the provisions of Section 5 and limiting the disclosure and use of such information by such accountant to authorized representatives of the Parties and the purposes germane to this Section 4.4. Results of any such review shall be binding on both Parties absent manifest error. Each Party agrees to treat the results of any such accountant's review of the other Party's records under this Section 4.4 as Confidential Information of the other Party subject to the terms of Section 5. If any review reveals a deficiency in the calculation and/or payment of royalties by Buyer, then (a) Buyer shall promptly pay Seller the amount remaining to be paid, and (b) if such underpayment is by ten percent (10%) or more, Buyer shall pay the reasonable out-of-pocket costs and expenses incurred by Seller in connection with the review. If any review reveals an overpayment by Buyer, then Seller shall promptly pay such excess amount to Buyer, or at Buyer's option, Buyer may credit such amount against future royalty payments owed to Seller.

4.4.3 Updates and Reports. Buyer shall provide Seller with brief written reports no less frequently than quarterly during the Royalty Term summarizing Buyer's efforts to Develop and commercialize GVAX Products hereunder. Quarterly reports shall be made no later than [ \* ] days following the end of each calendar quarter. In addition, Buyer shall provide Seller with prompt written notice of the occurrence of the First Commercial Sale of any GVAX Product in any country. All reports and updates and other information provided by Buyer to Seller under this Agreement (including under this Section 4), shall be considered Confidential Information of Buyer, subject to the terms of Section 5 hereof.

## 5. TREATMENT OF CONFIDENTIAL INFORMATION

5.1 Confidential Obligations. Seller and Buyer each recognize that the other Party's Confidential Information constitutes highly valuable and proprietary confidential information. Seller and Buyer each agree that during the Royalty Term and for [ \* ] years thereafter, it will keep confidential, and will cause its employees, consultants, Affiliates and sublicensees to keep confidential, all Confidential Information of the other Party. Neither Seller nor Buyer nor any of their respective employees, consultants, Affiliates or sublicensees shall use Confidential Information of the other Party for any purpose whatsoever other than exercising any rights granted to it or reserved by it hereunder. Without limiting the foregoing, each Party may disclose information to the extent such disclosure is reasonably necessary to (a) file and prosecute patent applications and/or maintain patents which are filed or prosecuted in accordance with the provisions of this Agreement, or (b) file, prosecute or defend litigation in accordance with the provisions of this Agreement or (c) comply with Applicable Law or court orders; provided, however, that if a Party is required to make any such disclosure of the other Party's Confidential Information in connection with any of the foregoing, it will give reasonable advance notice to the other Party of such disclosure requirement and will use reasonable efforts to assist such other Party in efforts to secure confidential treatment of such information required to be disclosed. From and after the Closing Date, the Purchased Assets shall be the Confidential Information of Buyer.

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5.2 **Limited Disclosure and Use.** Seller and Buyer each agree that any disclosure of the other Party's Confidential Information to any officer, employee, consultant or agent of the other Party or any of its Affiliates shall be made only if and to the extent necessary to carry out its rights and responsibilities under this Agreement, shall be limited to the maximum extent possible consistent with such rights and responsibilities and shall only be made to the extent any such Persons are bound by written confidentiality obligations to maintain the confidentiality thereof and not to use such Confidential Information except as expressly permitted by this Agreement. Seller and Buyer each further agree not to disclose or transfer the other Party's Confidential Information to any Third Parties under any circumstance without the prior written approval from the other Party (such approval not to be unreasonably withheld), except as otherwise required by law, and except as otherwise expressly permitted by this Agreement. Each Party shall take such action, and shall cause its Affiliates and sublicensees to take such action, to preserve the confidentiality of each other's Confidential Information as it would customarily take to preserve the confidentiality of its own Confidential Information, using, in all such circumstances, not less than reasonable care. Each Party, upon the request of the other Party, will return all the Confidential Information disclosed or transferred to it by the other Party pursuant to this Agreement, including all copies and extracts of documents and all manifestations in whatever form, within [ \* ] days of such request or, if earlier, the termination or expiration of this Agreement; provided however, that a Party may retain one (1) copy of all other Confidential Information in inactive archives solely for the purpose of establishing the contents thereof.

5.3 **Publicity.** Neither Party may publicly disclose the existence or terms or any other matter of fact regarding this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, however, that (a) either Party may make such a disclosure to the minimum extent required by law or by the requirements of any nationally recognized securities exchange, quotation system or over-the-counter market on which such Party has its securities listed or traded, or (b) either Party may disclose the existence and high level terms (including without limitation high level financial terms) of this Agreement to any investors, prospective investors, lenders and other potential financing sources, and may provide a copy of this Agreement to any such Persons who have executed a non-disclosure agreement with respect to such copy, and Seller may file a copy of this Agreement with the SEC as an exhibit to its public filing to the extent required to comply with applicable securities laws, provided that Seller seeks confidential treatment thereof. In the event that such disclosure is required as aforesaid, the disclosing Party shall make reasonable efforts to provide the other Party with notice beforehand and to coordinate with the other Party with respect to the wording, content, scope and timing of any such disclosure. The Parties, upon the execution of this Agreement, will mutually agree to a press release with respect to this transaction for publication. Once such press release or any other written statement is approved for disclosure by both Parties, either Party may make subsequent public disclosure of the contents of such statement without the further approval of the other Party.

5.4 **Use of Name.** Except as provided in Section 5.3, neither Party shall employ or use the name of the other Party in any promotional materials or advertising without the prior express written permission of the other Party.

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## 6. POST-CLOSING COVENANTS

6.1 **Hussman Agreement.** Following the Closing, Buyer shall have the option, in its sole discretion, of finalizing the Hussman Agreement. In the event that Buyer elects to finalize the Hussman Agreement, Buyer will receive a credit for 75% of the costs incurred by Buyer in connection therewith including, without limitation, legal costs against any payment obligations to Seller, except that it may not apply such credit to the Closing Payment or to the pass-through payment obligations to licensors in connection with the Transferred Contracts. Buyer will provide Seller with an accounting of its expenses related to the Hussman Agreement every six (6) months.

6.2 **Observer Rights.** Following the Closing, Buyer will grant observer rights status to one Seller designee who has at least [ \* ] years of expertise in the development of GVAX and who is not involved in supporting directly or indirectly any competitive products, and approved in advance by Buyer in its reasonable discretion (the “**Seller Designee**”), to attend scientific advisory board meetings related solely to the Purchased Assets, to the extent Seller desires such rights. The Seller Designee shall agree in writing with Buyer to hold such meetings and all discussions and information received in confidence and trust. Buyer reserves the right to withhold any information and to exclude the Seller Designee from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between Buyer and its counsel or result in disclosure of trade secrets or a conflict of interest, or any other competitive information.

6.3 **Technology Transfer Assistance.** In order to enable Buyer to exercise its rights in the Purchased Assets, following the Closing Seller will promptly provide to Buyer all necessary cooperation and assistance reasonably requested by Buyer in connection with transferring any Technology related to the Purchased Assets. The foregoing may include providing Buyer access to Seller’s employees Stephen M. Simes, Phillip B. Donenberg and Jeffrey W. Winkelman, as long as they remain employees of Seller, in order for Buyer to ask questions and causing its employees to furnish to Buyer such information as Buyer may reasonably request from time to time. In any event, the Technology transfer shall be completed within [ \* ] days after the Closing Date.

## 7. REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 **Seller Representations.** Seller represents and warrants to Buyer that:

(a) The execution and delivery of this Agreement and the other documents to be executed and delivered by Seller in connection with this Agreement (the “**Transaction Documents**”) and the performance of the transactions contemplated hereby and thereby have been duly authorized by (i) all appropriate Seller corporate action, and (ii) is permitted pursuant to the terms of that certain Agreement and Plan of Merger dated as of October 3, 2012 between Seller and ANIP Acquisition Company d/b/a ANI Pharmaceuticals, Inc.

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(b) This Agreement and the other Transaction Documents are legal and valid obligations binding upon Seller and enforceable in accordance with their terms, and the execution, delivery and performance of this Agreement and the other Transaction Documents by the Parties do not conflict with any agreement, instrument or understanding to which Seller is a party or by which it is bound.

(c) Seller has the full right and legal authority to enter into this Agreement and the other Transaction Documents and to consummate the transaction contemplated therein without violating the rights of any Third Party and no consent, approval, license, permit, order or authorization of, or registration, declaration, notice or filing with, the FDA or any other Governmental Entity is required in connection with the execution, delivery and performance by Seller of this Agreement or the other Transaction Documents to which it is a party or the consummation by Seller of the transactions contemplated hereby and thereby.

(d) Schedule A sets forth a true, correct and complete list of all Purchased Assets, including all patents, patent applications and other Patent Rights, and all other intellectual property, contracts, Technology, Regulatory Approvals, Regulatory Documentation, related to or comprising the GVAX vaccines.

(e) The Purchased Assets constitute all of the assets, tangible and intangible, of any nature whatsoever of Seller related to or comprising GVAX vaccines and any assets necessary or reasonably useful to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop, have developed, commercialize, and have commercialized GVAX Products, and Seller has good and marketable title to all the Purchased Assets free and clear of all Encumbrances.

(f) Seller is the sole and exclusive owner, or is the exclusive licensee (unless specifically designated as non-exclusive on Schedule A) pursuant to the Transferred Contracts, of the Purchased Assets.

(g) To the best of Seller's knowledge, Purchased Patent Rights have been properly filed and prosecuted and Seller is not aware of any Third Party patent, patent application or other intellectual property rights that would be infringed (i) by practicing any process or method or by making, using or selling any composition which is claimed or disclosed in, or which constitutes, Purchased Technology, or (ii) by making, using, offering for sale, selling or importing GVAX Products. To the best of Seller's knowledge, Seller is not aware of any infringement or misappropriation by a Third Party of the Purchased Technology.

(h) Except as specifically set forth on Schedule C attached hereto, each Transferred Contract is assignable by Seller to Buyer without the consent of any other Person. True and complete copies of all Transferred Contracts (including all amendments, modifications, supplements and waivers thereof) have been delivered to Buyer by Seller. Each Transferred Contract is currently valid and in full force and effect, and is enforceable by Seller in accordance with its terms. Seller is not in material default, and no party has notified Seller that it is in material default, under any Transferred Contract, and no event has occurred, and no circumstance or conditions exists that might, with or without notice or lapse of time, result in any

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default, breach or acceleration of performance, cancellation, termination or modification to any Transferred Contract. Except as set forth in the Transferred Contracts, there are no Liabilities of Seller in connection with any of the Transferred Contracts.

(i) All patents and technology and all rights therein that are licensed to Hussman under the Hussman Agreement are included as part the Purchased Assets, including without limitation, MIT Patents, JHU Patents, BioSante Patents and BioSante Technology (each as defined in the Hussman Agreement) and have been delivered to Hussman in connection with the Hussman Agreement. As of the Closing Date, all obligations of BioSante under the Hussman Agreement have been duly fulfilled. Buyer has no obligation to Hussman to deliver to Hussman any additional intellectual property and the consummation of the transactions contemplated hereunder shall not give rise to an obligation for Seller to deliver any further intellectual property to Hussman.

(j) All rights and obligations of Cell Genesys under the JHU License Agreements have been duly and validly assigned to Seller. Neither JHU nor Seller is in default of any of its obligations under the JHU License Agreements, nor has either party to the JHU License Agreements asserted that the other party is in default of its obligations under the JHU License Agreements. The JHU License Agreements are valid and binding agreements, enforceable by Seller against JHU in accordance with its terms, and Seller has not consented to any amendment or waiver to such agreements.

(k) As of the Effective Date, the Seller has not entered into any licenses, sub-licenses or assignments with respect to any GVAX vaccines or other bacterial vaccines or related intellectual property rights licensed by Seller under the JHU License Agreements, other than pursuant to the Hussman Agreement and the Exclusive License Agreement by and between Seller as "Licensor" and Aduro BioTech, Inc., a Delaware corporation as "Licensee" dated March 24, 2011.

(l) Seller is, and at all times during the three (3) years prior to the date hereof, has been, in compliance in all material respects with all Applicable Law with respect to the Purchased Assets, and no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) (A) may constitute or result in a material violation by Seller of, or a failure of Seller to comply with in any material respect, any Applicable Law with respect to the Purchased Assets, or (B) may give rise to any obligation of Seller to undertake, or to bear all or any portion of the cost of, any recall, withdrawal, retrieval or other remedial action with respect to the Purchased Assets.

(m) There is no pending or, to Seller's knowledge, no threatened litigation relating to the Purchased Assets.

(n) Seller has not received, at any time during the three (3) years prior to the date hereof, any written, or to the knowledge of Seller, oral notice or other communication with respect to the Purchased Assets from any Governmental Entity or any other Person regarding any actual, alleged, possible or potential material violation of, or failure to comply in any material respect with, any Applicable Law, and to the knowledge of Seller, no investigation

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or review (other than routine inspections by the FDA and other Governmental Entities concerned with the safety, efficacy, reliability, manufacture, investigation, sale and marketing of pharmaceuticals) by any Governmental Entity is or at any time during the three (3) years prior to the date hereof has been, pending or threatened with respect to the Purchased Assets.

(o) Schedule A contains a complete and accurate list of all Regulatory Approvals held by Seller with respect to the Purchased Assets. Each Regulatory Approval is in the name of Seller and in full force and effect. Seller further represents and warrants that Seller is, and at all times during the three (3) years prior to the date hereof has been, in compliance in all material respects with all of the terms and requirements of each Regulatory Approval. To the knowledge of Seller, no event has occurred or circumstance exists that would reasonably be expected to (with or without notice or lapse of time, or both) constitute or result directly or indirectly in a material violation of or a failure to comply in any material respect with any term or requirement of any Regulatory Approval or result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any material modification to, any Regulatory Approval. In the three (3) years prior to the date hereof, Seller has not received any written, or to the knowledge of Seller, any oral notice or other communication from any Governmental Entity or any other Person regarding any actual, alleged, possible or potential material violation of or failure to comply in any material respect with any term or requirement of any Regulatory Approval, or revocation, withdrawal, suspension, cancellation, termination of or material modification to any Regulatory Approval. Seller has provided Buyer with the complete and accurate copy of each Regulatory Approval, and all correspondence with the FDA relating thereto, used to obtain any Regulatory Approval. Seller has not disclosed any of the dossiers relating to the regulatory marketing authorizations, licenses, permits and registrations which are included in the Regulatory Approvals to any Third Party except the appropriate Governmental Entities responsible for regulation of dealings in medicinal products or except as required to comply in any material respect with all Applicable Laws.

(p) In the past three (3) years, no Governmental Entity has stated or declared to Seller, nor to Seller's knowledge to any other Person, that GVAX or any GVAX-related product is defective, unsafe for its intended use or fails to meet in any material respect applicable standards promulgated by such Governmental Entity.

(q) To the knowledge of Seller, all preclinical studies and clinical trials among the Purchased Assets have been conducted in compliance with Applicable Laws in all material respects, and to the knowledge of Seller there are no facts, circumstances or conditions that would reasonably be expected to result in any material adverse effect upon the use, integrity or validity of any pre-clinical or clinical trial or of any related results or conclusions of any clinical trial conducted, supported or permitted by or on behalf of Seller. Seller is not subject to an FDA consent decree or any similar order of a Foreign Regulatory Authority or Governmental Entity.

(r) To the knowledge of Seller, no Person working on any research, study or trial conducted, supported or permitted by or on behalf of Seller has been or is currently, to the knowledge of Seller, debarred or disqualified by the FDA or any other Governmental Entity from participating in such research, studies or trials, or any healthcare program.

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(s) Neither Seller, nor any officer, employee, or, to the knowledge of Seller, agent of Seller, has made any false statement or failed to disclose a material fact in, the applications, approvals, reports or other submissions to the FDA or other Governmental Entity or in or from any other records and documentation prepared or maintained to comply with the requirements of the FDA or other Governmental Entity, or committed an act, made a statement or failed to make a statement, that (in any such case) establishes a reasonable basis for the FDA to invoke its policy respecting “Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities,” set forth in 56 Fed. Reg. 46191 (September 10, 1991). Neither Seller, nor any officer, employee or, and to the knowledge of Seller, agent of Seller or principal investigator or sub-investigator of any clinical investigation sponsored by Seller has, on account of actions taken for or on behalf of Seller, been convicted of any crime under 21 U.S.C. Section 335a(a) or any similar state or non-U.S. Applicable Law or under 21 U.S.C. Section 335a(b) or any similar state or non-U.S. Applicable Law.

7.2 **Buyer Representations.** Buyer represents and warrants to Seller that:

(a) The execution and delivery of this Agreement and the other Transaction Documents and the performance of the transactions contemplated hereby and thereby have been duly authorized by all appropriate Buyer corporate action; and

(b) This Agreement and the other Transaction Documents are legal and valid obligations binding upon Buyer and enforceable in accordance with their terms, and the execution, delivery and performance of this Agreement and the other Transaction Documents by the Parties do not conflict with any agreement, instrument or understanding to which Buyer is a party of or by which it is bound.

(c) Buyer has the full right and legal authority to enter into this Agreement and the other Transaction Documents and to consummate the transaction contemplated therein without violating the rights of any Third Party and no consent, approval, license, permit, order or authorization of, or registration, declaration, notice or filing with, the FDA or any other Governmental Entity is required in connection with the execution, delivery and performance by Buyer of this Agreement or the other Transaction Documents to which it is a party or the consummation by Buyer of the transactions contemplated hereby and thereby.

7.3 **No Additional Warranties.** Except as otherwise set forth herein, EACH PARTY ACKNOWLEDGES AND AGREES THAT ALL TECHNOLOGY TRANSFERRED OR SERVICES PROVIDED HEREUNDER ARE PROVIDED WITHOUT ANY ADDITIONAL WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT THERETO, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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## 8. CONDITIONS TO CLOSING

8.1 **Conditions Precedent to Obligations of Buyer.** The obligations of Buyer to close are subject to the satisfaction of the following conditions, unless waived by Buyer in writing:

8.1.1 **Representations and Warranties.** The representations and warranties of Seller set forth in this Agreement, or in any written statement or certificate that shall be delivered to Buyer by Seller under this Agreement, shall be true and correct on and as of the date made and as of the Closing Date as if made on the date thereof.

8.1.2 **Performance of Obligations.** Seller shall have performed in all material respects all obligations and covenants required to be performed by Seller under this Agreement and any other agreement or document entered into in connection herewith prior to the Closing Date.

8.1.3 **No Material Adverse Change.** There shall have been no material adverse change, loss or damage with respect to the Purchased Assets from the date hereof through the Closing Date.

8.1.4 **Due Diligence.** Buyer shall have completed to its sole satisfaction a due diligence review of the Purchased Assets.

8.1.5 **Bridge Financing.** Buyer shall have signed agreements from investors to purchase debt or equity of Buyer in a bridge financing of at least \$5,500,000 on terms satisfactory to Buyer in its sole discretion.

8.1.6 **JHU.** Buyer and JHU shall have entered into a Patent and Technology License and Material Transfer Agreement in a form satisfactory to Buyer in its sole discretion.

8.1.7 **Closing Deliveries.** Seller shall have delivered to Buyer all of the closing documents and agreements set forth in Sections 3.2.2 and 3.2.3.

8.2 **Conditions Precedent to Obligations of Seller.** The obligations of Seller to close are subject to the satisfaction of the following conditions, unless waived by Seller in writing:

8.2.1 **Representations and Warranties.** The representations and warranties of Buyer set forth in this Agreement, or in any written statement or certificate that shall be delivered to Seller by Buyer under this Agreement shall be true and correct on and as of the date made and as of the Closing Date as if made on the date thereof.

8.2.2 **Performance of Obligations.** Buyer shall have performed in all material respects all obligations and covenants required to be performed by it under this Agreement and any other agreement or document entered into in connection herewith prior to the Closing Date.

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8.2.3 Closing Deliveries. Buyer shall have delivered to Sellers all of the closing documents and agreements set forth in Section 3.2.3.

8.2.4 Closing Payment. Buyer shall be ready to wire the Closing Payment in immediately available funds to an account designated by Seller in writing.

## 9. TERMINATION

9.1 Circumstances for Termination. At any time prior to the Closing, this Agreement may be terminated by written notice:

9.1.1 by the mutual written consent of Buyer and Seller;

9.1.2 by either Buyer or Seller if the other party is in material breach of any provision of this Agreement, which breach would give rise to a failure to satisfy any condition set forth in Section 8.1.1 and 8.1.2, or Section 8.2.1 and 8.2.2, as applicable, provided that the terminating party is not, on the date of termination, in material breach of any material provision of this Agreement;

9.1.3 by either Buyer or Seller if the Closing has not occurred on or prior to February 15, 2013, or such later date as agreed to by Buyer and Seller in writing, for any reason, provided that the terminating party shall not have breached its obligations hereunder in any manner that shall have contributed to the failure to consummate the Closing by such date; and

9.1.4 by either Buyer or Seller if satisfaction of a closing condition of the terminating party in Section 8 is impossible, provided that the terminating party is not, on the date of termination, in material breach of any material provision of this Agreement.

9.2 Effect of Termination. If this Agreement is terminated in accordance with Section 9.1, all obligations of the parties hereunder shall terminate, except for the obligations set forth in this Section 9, Section 11 and Section 12; provided, however, that such termination shall not release either party from any Liability that has already accrued as of the effective date of such termination, and shall not constitute a waiver or release of, or otherwise be deemed to prejudice or adversely affect, any rights, remedies or claims, whether for damages or otherwise, which a party may have hereunder, at law, equity or otherwise or which may arise out of or in connection with such termination.

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## 10. INDEMNIFICATION

### 10.1 Indemnification.

10.1.1 Buyer Indemnity. Buyer shall indemnify, defend and hold harmless Seller, its Affiliates and their respective directors, officers, employees, stockholders and agents and their respective successors, heirs and assigns (the “**Seller Indemnitees**”) from and against any Liability, damage, loss or expense (including reasonable attorneys’ fees and expenses of litigation) incurred by or imposed upon such Seller Indemnitees, or any of them, in connection with any claims, suits, actions, demands or judgments, including, without limitation, personal injury and product liability matters, to the extent arising out of (a) Buyer’s breach of any of its representations, warranties or obligations under this Agreement, and (b) the Assumed Liabilities, including the ownership or use of the Purchased Assets from and after the Closing Date.

10.1.2 Seller Indemnity. Subject to Section 10.1.1 above, Seller shall indemnify, defend and hold harmless Buyer, its Affiliates and their respective directors, officers, employees, stockholders and agents, and their respective successors, heirs and assigns (the “**Buyer Indemnitees**”), from and against any Liability, damage, loss or expense (including reasonable attorneys’ fees and expenses of litigation) incurred by or imposed upon such Buyer Indemnitees, or any of them, in connection with any claims, suits, actions, demands or judgments, including, without limitation, personal injury and product liability matters, to the extent arising out of (a) Seller’s breach of any of its representations, warranties or obligations under this Agreement, and (b) any Excluded Liability. Notwithstanding the foregoing, the maximum indemnification obligation of Seller under Section 10.1.2(a) relating to any breach of any representation or warranty set forth in Section 7.1, other than a breach of any representation or warranty set forth in Sections 7.1(a), (b), (c), (e), or (f) shall not exceed the aggregate amount paid or payable by Buyer under this Agreement. The limitations provided for in this Section 10.1.2 shall not apply to any indemnification obligation of Seller arising from the fraud or willful misconduct of Seller.

10.2 Survival. The representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is two years from the Closing Date; provided, that the representations and warranties in Sections 7.1(a), (b), and (c) and 7.2(a), (b) and (c) shall survive indefinitely. All covenants and agreements of the Parties contained herein shall survive the Closing indefinitely or for the period explicitly specified therein. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching Party to the breaching Party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

10.3 Indemnification Procedures. In the event that any Indemnitee is seeking indemnification under Section 10.1 above from a Party (the “**Indemnifying Party**”), the other Party shall notify the Indemnifying Party of such claim with respect to such Indemnitee as soon as reasonably practicable after the Indemnitee receives notice of the claim, and the Party (on

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behalf of itself and such Indemnitee) shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration) and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim. The indemnification obligations under Section 10 shall not apply to any harm suffered as a direct result of any delay in notice to the Indemnifying Party hereunder or to amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the consent of the Indemnifying Party, which consent shall not be withheld or delayed unreasonably. The Indemnitee, its employees and agents, shall reasonably cooperate with the Indemnifying Party and its legal representatives in the investigation of any claim, demand, action or other proceeding covered by Section 10.1.

10.4 **Right of Set-Off.** Buyer shall have the right, in its sole discretion, to off-set against any Royalty Payments or other payments owed by Buyer to Seller under this Agreement, other than the Closing Payment, the aggregate amount of any Liabilities, damages, losses or expenses incurred by or imposed upon Buyer as a result of (a) any indemnification obligations of Seller under Section 10.2, and/or (b) Seller's breach of this Agreement; provided, however, that the foregoing shall not have the effect of limiting any Liability of Seller to Buyer for the prompt payment to Buyer of any amounts owed. The remedies provided in this Agreement shall be cumulative and shall not preclude any Party from asserting any other right, or seeking any other remedies, against the other Party.

## 11. DISPUTES

11.1 **Jurisdiction and Venue.** The Parties agree that all actions or proceedings arising in connection with this Agreement shall be initiated and tried exclusively in the state and federal courts located in New York City, New York. The aforementioned choice of venue is intended by the Parties to be mandatory and not permissive in nature, thereby precluding the possibility of litigation between the Parties with respect to or arising out of this Agreement in any jurisdiction other than that specified in this Section 11.1. Each Party hereby waives any right it may have to assert the doctrine of *forum non conveniens* or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this paragraph, and stipulates that the state and federal courts located in New York City, New York shall have *in personam* jurisdiction and venue over each of them for the purposes of litigating any dispute, controversy or proceeding arising out of or related to this Agreement. Each Party hereby authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this Section 11 by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices as set forth in this Agreement, or in the manner set forth in Section 12.1 of this Agreement for the giving of notice. Any final judgment rendered against a party in any action or proceeding shall be conclusive as to the subject of such final judgment and may be enforced in other jurisdictions in any manner provided by Applicable Law.

## 12. MISCELLANEOUS

12.1 **Notification.** All notices, requests and other communications hereunder shall be in writing, shall be addressed to the receiving Party's address set forth below or to such other address as a Party may designate by notice hereunder, and shall be either (i) delivered by

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hand, (ii) made by facsimile transmission (to be followed with written fax confirmation), (iii) sent by private courier service providing evidence of receipt, or (iv) sent by registered or certified mail, return receipt requested, postage prepaid. The addresses and other contact information for the Parties are as follows:

If to Seller:	BioSante Pharmaceuticals, Inc 111 Barclay Boulevard, Suite 400 Lincolnshire, Illinois 60069 Attn: President & CEO
With a copy to:	Oppenheimer, Wolff & Donnelly Campbell Mithum Building, Suite 2000 222 South Ninth Street Minneapolis, Minnesota 55402-1609 Attn: Ms. Amy Culbert, Esq.
If to Buyer:	Aduro GVAX Inc. 626 Bancroft Way, #3C Berkeley, CA 94710-2224 Attn: President & CEO
With a copy to:	Sheppard, Mullin, Richter & Hampton LLP 4 Embarcadero Center, Suite 1700 San Francisco, CA 94111 Attn: William Manierre, Esq.

All notices, requests and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving Party at the address of such Party set forth above, (ii) if made by telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by the recipient, (iii) if sent by private courier, on the day such notice is delivered to the recipient, or (iv) if sent by registered or certified mail, on the fifth (5<sup>th</sup>) business day following the day such mailing is made.

12.2 **Language.** This Agreement has been prepared in the English language and the English language shall control its interpretation.

12.3 **Governing Law.** This Agreement will be construed, interpreted and applied in accordance with the laws of the State of New York (excluding its body of law controlling conflicts of law).

12.4 **Entire Agreement.** This is the entire Agreement between the Parties with respect to the subject matter hereof and supersedes all prior representations, understandings and agreements between the Parties with respect to the subject matter hereof. No modification shall be effective unless in writing with specific reference to this Agreement and signed by the Parties.

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12.5 **Waiver.** The terms or conditions of this Agreement may be waived only by a written instrument executed by the Party waiving compliance. The failure of either Party at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to enforce the same. No waiver by either Party of any condition or term shall be deemed as a continuing waiver of such condition or term or of another condition or term.

12.6 **Headings.** Section and subsection headings are inserted for convenience of reference only and do not form part of this Agreement.

12.7 **Assignment.** Neither this Agreement nor any right or obligation hereunder may be assigned, delegated or otherwise transferred, in whole or part, by either Party without the prior express written consent of the other; provided, however, that either Party may, without the written consent of the other, assign this Agreement and its rights and delegate its obligations hereunder to its Affiliates, or in connection with the transfer or sale of all or substantially all of such Party's assets or business related to this Agreement, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment in violation of this Section 12.7 shall be void. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the Parties.

12.8 **Force Majeure.** Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither shall be deemed in breach of its obligations, if such failure or delay is due to natural disasters or any causes beyond the reasonable control of such Party. In event of such force majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder.

12.9 **Construction.** The Parties hereto acknowledge and agree that: (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

12.10 **Severability.** If any provision(s) of this Agreement are or become invalid, are ruled illegal by any court of competent jurisdiction or are deemed unenforceable under then current Applicable Law from time to time in effect during the Term hereof, it is the intention of the Parties that the remainder of this Agreement shall not be affected thereby provided that a Party's rights under this Agreement are not materially affected. The Parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid, illegal or unenforceable, it being the intent of the Parties that the basic purposes of this Agreement are to be effectuated.

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12.11 **Further Assurances.** Each Party agrees to execute, acknowledge and deliver such further instructions and documents, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

12.12 **Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative in two (2) originals.

ADURO GVAX INC.

BIOSANTE PHARMACEUTICALS, INC.

By: /s/ Stephen T. Isaacs  
Name: Stephen T. Isaacs  
Title: President & CEO

By: /s/ Stephen M. Simes  
Name: Stephen M. Simes  
Title: President & CEO

SOLELY FOR PURPOSES OF SECTION 3.1.4:

Aduro BioTech, Inc.

By: /s/ Stephen T. Isaacs  
Name: Stephen T. Isaacs  
Title: President & CEO

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

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**PATENT AND TECHNOLOGY LICENSE  
AND MATERIALS TRANSFER AGREEMENT**

**BY AND BETWEEN**

**THE JOHNS HOPKINS UNIVERSITY**

**&**

**ADURO BIOTECH, INC.**

**JHU Agreement: # -A21083**

**PATENT AND TECHNOLOGY LICENSE AND  
MATERIALS TRANSFER AGREEMENT**

THIS PATENT AND TECHNOLOGY LICENSE AND MATERIALS TRANSFER AGREEMENT (this “Agreement”) is dated as of January 31, 2013 (the “Effective Date”) and entered into by and between THE JOHNS HOPKINS UNIVERSITY, a Maryland corporation having an address at 3400 N. Charles Street, Baltimore, Maryland, 21218-2695 (“JHU”) and ADURO BIOTECH, INC., a Delaware corporation having an address at 626 Bancroft Way, Suite 3C, Berkeley, California 94710-2225 (“Company”):

**RECITALS**

WHEREAS, as a center for research and education, JHU is interested in licensing intellectual property and proprietary materials in a manner that will benefit the public by facilitating the distribution of useful products and the utilization of new processes, but is without capacity to commercially develop, manufacture, and distribute any such products or processes; and

WHEREAS, valuable invention(s) were developed during the course of research at JHU and are listed as follows: “Formulation of Toll-like Receptor Ligand with Whole Cell Tumor Vaccine to Enhance Anti-tumor Responses” (JHU Ref No. C05152) invented by Drs. Kim Young, Megan Davis, Charles Drake and Drew Pardoll; “Combinatorial TEGVAX with Blockade of Immune Checkpoint Pathways Augments Anti-tumor Responses In Vivo” (JHU Ref No. C11641) invented by Drs. Kim Young, Juan Fu and Drew Pardoll; and “GVAX Formulated with Cyclic Dinucleotide (STINGVAX) is a Potent Cancer Vaccine” (JHU Ref No. C12043) invented by Juan Fu and Drew Pardoll; and,

WHEREAS, JHU has certain rights in GVAX cell lines and technologies described in JHU Ref No. C12266 “Breast Cancer Cell Lines” disclosed by Leisha Emens; JHU Ref#: C12273 “Myeloma Cell Lines” disclosed by Ivan Borrello and Kimberly Noonan; JHU Ref#: C12276 “An Allogeneic Colon Cancer Cell Vaccine Administered with a GM-CSF Producing Bystander Cell Line” disclosed by Lei Zheng, Richard Schulick, Drew Pardoll, Elizabeth Jaffee and Daniel Laheru; JHU Ref No. C12267 “IND filing ref#: BB IND 11019” disclosed by Leisha Emens; JHU Ref#: C12274 “Myeloma IND Filing” disclosed by Ivan Borrello and Kimberly Noonan; JHU Ref#: C12275 “Prostate cancer IND Filing” disclosed by George Drake; (all hereinafter, “Inventors”)

WHEREAS, JHU has acquired rights, title and interest, with the exception of certain retained rights by the United States Government and joint rights of Company, to the inventions as part of the Licensed Patent Rights; and

WHEREAS, Company desires to obtain certain rights in such patent rights, cell lines, and technology as herein provided, and to commercially develop, manufacture, use and distribute products and processes based upon or embodying said valuable inventions, cell lines, and/or technologies throughout the United States;

**[\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## **ARTICLE 1 DEFINITIONS**

All references to particular Exhibits, Articles or Sections shall mean the Exhibits to, and Articles and Sections of, this Agreement, unless otherwise specified. For the purposes of this Agreement and the Exhibits hereto, the following words and phrases shall have the following meanings:

**1.1 “ADDITIONAL CELL LINES”** shall have the meaning set forth in Section 5.8.

**1.2 “AFFILIATE(S)”** means any corporation, company, partnership, joint venture or other entity which controls or is controlled by Company. Control shall mean the direct or indirect ownership of at least fifty percent (50%) of the securities or other ownership interests representing the equity, voting stock, general partnership or membership interest of such entity.

**1.3 “CELL LINES”** shall mean cell lines listed in Exhibit B hereto. Cell Lines shall also include any additional cell lines transferred to Company pursuant to Section 5.8 of this Agreement.

**1.4 “COMBINATION PRODUCT”** shall have the meaning set forth in Section 1.18.

**1.5 “DEVELOPED IP”** shall have the meaning set forth in Section 2.5.

**1.6 “EUROPEAN UNION”** shall mean the member states listed as member states in [www.europa.eu](http://www.europa.eu) or any successor web site.

**1.7 “FDA”** shall mean the U.S. Food and Drug Administration.

**1.8 “FIELD”** shall mean any use of GVAX-related products (including without limitation GVAX in combination with other elements) including, without limitation, human, veterinarian or diagnostic uses.

**1.9 “FIRST COMMERCIAL SALE”** shall mean, with respect to any Licensed Product or Licensed Service and any country of the world, the first sale of such Licensed Product or Licensed Service under this Agreement by Company, its Affiliates, or Sublicensee(s) to a non-affiliate third party in such country.

**1.10 “GVAX”** shall mean an allogeneic cell line or cell lines of the same tumor type as the cancer of interest that (i) has been genetically modified to express GM-CSF, and (ii) has been rendered proliferation-incompetent by irradiation.

**1.11 “INDEMNITEE”** shall have the meaning set forth in Section 7.1.

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**1.12 “LICENSED IP”** means the Licensed Patent Rights, Licensed Technology, and Cell Lines. For clarity, Licensed IP shall not include (i) any information, technology, patent rights, materials, and cell lines already owned or controlled by Company or to which Company already has access, or independently developed by Company, (ii) any information, technology, patent rights, materials, and cell lines licensed to, provided to or to which access is given, or owned by the Company under an agreement other than this Agreement, and (iii) any intellectual property that is provided to Company as part of this Agreement, but is not accepted by Company or is removed from this Agreement by the Company by written thirty (30) days’ notice from the Company to JHU.

**1.13 “LICENSED PATENT RIGHTS”** include (i) the patent applications listed in Exhibit A hereto, and (ii) any patent or patent application claiming priority thereto or common priority therewith including all divisions, continuations-in-part (but only to the extent that the claims of each such continuation-in-part application are directed to subject matter specifically described in (i)), and all divisions and continuations thereof, all U.S. patents issuing thereon and reissues, reexaminations, renewals and extensions thereof, any corresponding foreign patent applications, and any patents, or other equivalent foreign patent rights issuing, granted or registered thereon.

**1.14 “LICENSED PRODUCT(S)”** as used herein in either singular or plural shall mean any process or method, material, compositions, drug, or other product, the manufacture, use or sale of which by Company, its Affiliates and/or Sublicensees (i) would constitute, but for a license granted to Company, an infringement of a Valid Claim of Licensed Patent Rights (infringement shall include, but is not limited to, direct, contributory, or inducement to infringe) or (ii) necessarily uses or incorporates Licensed Technology and/or Cell Lines.

**1.15 “LICENSED SERVICE(S)”** as used herein in either singular or plural shall mean the performance on behalf of a third party by Company, its Affiliates and/or Sublicensees of any method or the manufacture of any product or the use of any product or composition which (i) would constitute, but for a license granted to Company, an infringement of a Valid Claim of Licensed Patent Rights (infringement shall include, but not be limited to, direct, contributory or inducement to infringe) or (ii) necessarily uses or incorporates Licensed Technology and/or Cell Lines.

**1.16 “LICENSED TECHNOLOGY”** as used herein includes all of JHU’s technology, to the extent reasonably required to practice or use, or otherwise specific to, the Licensed Patent Rights, Cell Lines, or GVAX including, without limitation, JHU’s unpatented, proprietary data, results, formulae, designs, specifications, methods, processes, formulations, techniques, know-how, technical information (including, without limitation, structural and functional information), process information, regulatory filings, drug master files, pre-clinical information, clinical information, and any and all proprietary biological, chemical, pharmacological, toxicological, pre-clinical, clinical, assay, chemistry, manufacturing and control data created, developed, and fixed in any tangible medium of expression solely by one or more of the JHU inventors prior to the Effective Date of this Agreement and that is owned by JHU and is not subject to any third party encumbrance that would prevent transfer to Company and to the extent that the provision of such information to Company does not violate the Health Insurance Portability and Accountability Act

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(HIPAA) privacy rules. Licensed Technology specifically excludes Licensed Patents and Cell Lines. While such information may be provided as part of the Technology Transfer, Licensed Technology shall not include any information which: (a) is within the public domain prior to the time of provision by JHU or thereafter becomes within the public domain other than as a result of provision to a third party by Company or any of its representatives in violation of this Agreement; (b) was, on or before the date of provision to Company in the possession of Company as evidenced by records, however maintained; (c) is acquired by Company from a third party having the right to provide the same; or (d) is hereafter developed by Company, as evidenced by records, however maintained. Licensed Technology existing as of the Effective Date of this Agreement includes, without limitation, the Licensed Technology listed in Exhibit C hereto.

**1.17 “MINIMUM ANNUAL ROYALTIES”** shall have the meaning set forth in Section 3.3.

**1.18 “NET SALES REVENUES”** shall mean consideration received by Company, its Affiliates and Sublicensees from the sale of Licensed Products in the first arm’s length transaction, less deductions appropriate under US GAAP (to the extent not already reflected in the cash received) including, without limitation, administrative warehouse and service fees paid by Company for third party commercial wholesalers and distributors, payments that are returned by Company pursuant to applicable law, trade discounts or rebates allowed, refunds, returns and recalls, and sales, use, VAT, tariff, import/export duties, or other excise taxes that to be collected by Company and paid to governmental authorities or are invoiced to purchaser and/or paid and remitted by Company to third parties in connection with sale of such Licensed Product. Net Sales Revenues of a Licensed Product with more than one therapeutically active component (“Combination Product”) sold by Company, its Sublicensees or Affiliates shall be calculated by multiplying the Net Sales Revenue of the Combination Product by the fraction  $A/A+B$ , where A is the number of all therapeutically active components covered by the Licensed IP hereunder in the Combination Product, and B is the number of all other therapeutically active components in the Combination Product which are not covered by the Licensed IP hereunder. If Licensed Product is given away as part of a kit, or it is not sold but accompanies a product that is sold, then the sale price for the Licensed Product shall be deemed to be the proportional amount of the sale price based on a comparison at the fair market value of each component of the kit or of all products included in the sale. Any noncash consideration received in consideration for the sale of a Licensed Product will be reasonably valued by Company at fair market value.

**1.19 “NET SERVICE REVENUES”** shall mean cash received by Company or its Affiliates or Sublicensees for the performance of Licensed Services in the first arm’s length transaction, less deductions appropriate under US GAAP (to the extent not already reflected in the cash received) such as sales and/or use taxes imposed upon and with specific reference to the Licensed Services. Net Service Revenues of a combination service sold by Company, its Sublicensee(s) and/or its Affiliates shall be calculated by: (i) subtracting the separately available price of therapeutic and/or prophylactic in the combination service from the Net Service Revenues; or (ii) if such therapeutic and/or prophylactic is not sold separately the parties agree to negotiate a reduction in the royalty rate to reflect the fair value that the Licensed Services attributed to the overall combination service sold, but in no event shall the royalty rates be reduced by greater than [ \* ]. In the event that such therapeutic and/or prophylactic is a Licensed

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Product, the Net Service Revenues for purposes of royalty payments shall be based on the sales revenues and fees received from sale of the entire combination service, provided however, that the running royalty hereunder shall be imposed only once with respect to the sale of a single unit of a Licensed Product. Any noncash consideration received in consideration for the sale of a Licensed Services will be reasonably valued by Company at fair market value.

**1.20 “PHASE 1 CLINICAL TRIAL”** shall mean the initial introduction of an investigational new drug into humans in a study designed to determine the metabolism and pharmacological actions of the drug in humans, the side effects associated with the increasing doses, and, if possible, to gain early evidence of effectiveness, which study meets the requirements of 21 C.F.R. § 312.21(a), as may be amended from time to time, or a similar clinical study prescribed by the regulatory authorities in a market other than the United States.

**1.21 “PHASE 2 CLINICAL TRIAL”** shall mean clinical studies conducted to evaluate the effectiveness of the drug for a particular indication or indications in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug, which studies meet the requirements of 21 C.F.R. § 312.21(b), as may be amended from time to time, or a similar clinical study prescribed by the regulatory authorities in a market other than the United States.

**1.22 “PHASE 3 CLINICAL TRIAL”** shall mean expanded clinical studies intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug and to provide an adequate basis for the physician labeling, which trials meet the requirements of 21 C.F.R. § 312.21(c), or a similar clinical study prescribed by the regulatory authorities in a market other than the United States.

**1.23 “REGULATORY APPROVAL”** shall mean all approvals, including licenses, registrations, and authorizations, of all governmental agencies in a country necessary for the manufacture, use or sale of a Licensed Product or Licensed Service in the applicable country. As used herein, Regulatory Approval shall not include pricing or reimbursement approval.

**1.24 “STINGVAX”** shall mean GVAX plus cyclic dinucleotides and/or derivatives and/or formulations of cyclic dinucleotides.

**1.25 “SUBLICENSE INCOME”** shall have the meaning set forth in Section 3.8.

**1.26 “SUBLICENSEE(S)”** as used herein in either singular or plural shall mean any person or entity other than an Affiliate to which Company has granted a sublicense under this Agreement. Sublicensee(s) shall also include any person or entity to which Company’s Sublicensee(s) has granted a sublicense subject to JHU’s approval and the conditions hereunder.

**1.27 “TEGVAX”** shall mean GVAX plus toll-like receptor ligands.

**1.28 “TERRITORY”** shall mean world-wide.

**1.29 “VALID CLAIM”** shall mean those claims of a patent or patent application in any country that (i) have not expired; (ii) have not been disclaimed; (iii) have not been revoked,

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held invalid, or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in such country from which no further appeal has or may be taken; and (iv) in the case of a pending application, was filed and is being prosecuted in good faith towards allowance for not more than [ \* ] years.

## ARTICLE 2 LICENSE GRANT

**2.1 Grant.** Subject to the terms and conditions of this Agreement, JHU hereby grants to Company (i) an exclusive license with the right to grant sublicenses in accordance with Section 2.2, hereof, to the Licensed Patent Rights and (ii) an exclusive license with the right to grant sublicenses in accordance with Section 2.2, hereof, to JHU's interest in Cell Lines; to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, develop and commercialize, Licensed Products and to provide Licensed Services in the Territory for the Field and (iii) a nonexclusive license, with the right to grant sublicenses in accordance with Section 2.2, hereof, to use Licensed Technology to make, have made, use, have used, sell, offer for sale and have sold, import, have imported, develop and commercialize, Licensed Products and to provide Licensed Services in the Territory for the Field.

The grant of patent rights herein may be subject to rights retained by the United States government in accordance with 35 U.S.C. 200-205 and P.L. 96-517, as amended by P.L. 98-620, and subject to the retained right of JHU to make, have made, provide and use for its and The Johns Hopkins Health Systems' noncommercial research, educational and clinical testing purposes Licensed Product and Licensed Service, including the ability to distribute any biological material covered under Licensed Patent Rights and/or Cell Lines for nonprofit academic research use to nonprofit entities as is customary in the scientific community. If such biological materials are shared for nonprofit academic research use by a third party, JHU will transfer the biological materials through an agreement that prohibits commercial use of the transferred material, as well as any progeny or derivatives, including, without limitation, master cell banks and working cell lines. In addition, the United States Government may have acquired a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the inventions described in Licensed Patent Rights throughout the world. The rights granted herein are additionally subject to: the requirement that any Licensed Product(s) produced for use or sale within the United States shall be substantially manufactured in the United States (unless a waiver under 35 USC § 204 or equivalent is granted by the appropriate United States government agency), and the right of the United States government to require JHU, or its licensees, including Company, to grant sublicenses to responsible applicants on reasonable terms when necessary to fulfill health or safety needs.

Company acknowledges that its rights are therefore subject to the foregoing paragraph.

**2.2 Sublicense.** Company may sublicense to one or more Sublicensees the rights granted by JHU under this Agreement, and upon notification to JHU, may extend the right to further sublicense such sublicensed rights subject to the terms and conditions of this Section 2. As a condition to its validity and enforceability, each sublicense agreement shall: (a) incorporate by reference the terms and conditions of this Agreement, (b) be consistent with the terms,

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conditions and limitations of this Agreement, (c) name JHU as an intended third-party beneficiary of the obligations of Sublicensee without imposition of obligation or liability on the part of JHU or its Inventors to the Sublicensee, and (d) specifically incorporate Sections 6.2 “Representations by JHU”, 7.1 “Indemnification”, 10.1 “Use of Name”, 10.4 “Product Liability” into the body of the sublicense agreement, and cause the terms used in therein to have the same meaning as in this Agreement. Company and its Sublicensee(s) shall provide to JHU each proposed sublicense agreement, executed by both Company and Sublicensee. To the extent that any terms, conditions or limitations of any sublicense agreement are inconsistent with this Agreement, those terms, conditions and limitations are null and void against JHU.

**2.3 Other Third-party Obligations.** JHU and Company agree that the rights granted to Company to the Cell Lines and Licensed IP are subject to the Third-party Obligations specifically identified in Exhibit B and D hereto.

**2.4 Global Access for Essential Medicines.** This Agreement is subject to the provisions of Exhibit E: GLOBAL ACCESS FOR ESSENTIAL MEDICINES.

**2.5 Certain Developed IP.** If JHU, working independently (including having obtained funding to conduct additional clinical trials), develops new and useful proprietary data, information and/or other intellectual property of any kind relating to the Licensed IP (“**Developed IP**”), to the extent that JHU has the right to offer to Company and grant a license to such Developed IP, JHU will disclose the Developed IP to Company and Company agrees to negotiate in good faith with JHU for the right to use the Developed IP as part of the development and commercialization of Licensed Products

### ARTICLE 3 FEES, ROYALTIES, & PAYMENTS

**3.1 License Fee.** Company agrees to pay to JHU the license fee set forth in Exhibit F payable in two equal installments as follows: (i) within [ \* ] days following execution of this Agreement and (ii) on the first anniversary of the Effective Date of this Agreement, assuming that the Technology Transfer has been completed to the reasonable satisfaction of the Company, including, without limitation, the transfer to Company of all Cell Lines Company has reasonably requested.

**3.2 Milestones License Fees.** Company will pay to JHU milestone payments for the Licensed Products developed by Company, its Affiliates, and/or Sublicensees within [ \* ] days of achieving the milestones listed in Exhibit F.

**3.3 Minimum Annual Royalties.** Company will pay the minimum annual royalties (“Minimum Annual Royalties”) as set forth in Exhibit F. These Minimum Annual Royalties shall be due within [ \* ] days of each anniversary of the Effective Date beginning with the second anniversary of the Effective Date (running royalties accrued and paid to JHU during the one-year period preceding an anniversary of the relevant Effective Date of this Agreement shall be credited against the Minimum Annual Royalties due on that anniversary date). The amount of all Minimum Annual Royalties paid for any year in excess of the actual running royalties for such year shall be carried forward and credited against running royalties owed in future years.

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**3.4 Running Royalties.** Company shall pay to JHU a running royalty as set forth in Exhibit F for each Licensed Product sold and for each Licensed Service provided by Company, its Affiliates and Sublicensee(s) based on Net Sales Revenues and Net Service Revenues for the term of this Agreement. Running royalty payments shall be made quarterly within [ \* ] days of the end of the calendar quarter. The royalty rate shall be reduced by [ \* ] in the event there is no Valid Claim of the Licensed Patent Rights in the relevant country covering the Licensed Product or Licensed Service, as the case may be.

**3.5 Royalty Offset.** In the event that a license to third party intellectual property is required in order to make, have made, use, have used, import, have imported, offer for sale, sell and have sold a Licensed Product or Licensed Service, the royalty rate shall be abatable by up to [ \* ] of the consideration payable to the third party (i.e. up to [ \* ]), provided that the applicable running royalty payable to JHU shall not drop below [ \* ] of the running royalty herein calculated before the abatement.

**3.6 One Royalty/One Set of Milestones.** In no event shall a Licensed Product or Licensed Service require the payment of two royalties and/or two sets of milestones by Company under the agreements listed below between the Parties. For clarity, this provision applies to amounts that may be owed by Company hereunder and also under that certain Restated and Amended License Agreement between JHU and BioSante Pharmaceuticals, Inc., dated as of March 3, 2011, which amends and restates in the entirety that certain License Agreement between JHU and Cell Genesys, Inc. ("Cell Genesys") dated as of June 15, 2000, as amended by a First Amendment to the License Agreement dated as of March 27, 2008, that certain License Agreement between JHU and Cell Genesys, Inc., dated March 12, 2001, as amended by a First Amendment to the License Agreement dated as of March 27, 2008, and that certain License Agreement between JHU and Cell Genesys, Inc., dated October 1, 1999, as amended by a First Amendment to the License Agreement dated as of August 30, 2003 (the "JHU Agreements"). If there is an overlap in payment obligations on a single Licensed Product or Licensed Service under the agreements listed herein, the higher royalty rate or the larger set of milestones (when taken in the aggregate) shall be the amount payable by Company. In addition, Company shall not be required to pay any milestones already paid prior to the date hereof, or pay milestones twice for a single indication or Licensed Product. JHU has not received any written notice that would indicate that any milestones are currently due or due and payable under any of the foregoing agreements.

**3.7 Taxes.** All required non-U.S. withholding related to Licensed Product or Licensed Service sold under this Agreement shall be paid by Company or its Affiliates and shall not be deducted from royalty or other payments due to JHU. If Company is required by law to withhold non-U.S. taxes, JHU will provide reasonable assistance to Company in its efforts to file such requests as are available under the regulations applicable to the jurisdiction and the taxing agency to eliminate the withholding and/or qualify the royalty payments made hereunder for reduced rates of income tax withholding under any applicable income tax treaty.

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**3.8 Sublicense Consideration.** In addition to the running royalty as set forth under Section 3.4, Company shall pay to JHU the agreed percentage set forth below of the cash value of compensation received by Company from a third party in consideration of the grant of a sublicense to such third party of the rights granted by JHU to Company under this Agreement, including all relevant sublicensing licensing fees, milestone payments, and equity investments in Company or its Affiliate(s) to the extent such investments exceed [ \* ] of Fair Market Value (as defined herein below), provided that the following are specifically excluded from this provision: running royalties, loans, debt financing, equity investments at or below [ \* ] of Fair Market Value (as defined herein below), payments or other consideration or reimbursement for services, research or development, sales and/or marketing activities, and reimbursement for patent costs or milestones payable to JHU under this Agreement (“Sublicense Income”). As documentation, Company will provide to JHU all relevant information in its possession to the extent reasonably required to confirm amounts payable hereunder in respect of Sublicense Income and which is not the confidential information of a third party, including, but not limited to, copies of research contracts or other contracts with a performance plan and commensurate budget for research, development, sales and/or marketing activities to be performed by Company, providing that the absence of such information shall not preclude exclusion from Sublicense Income.

- (i) [ \* ] if [ \* ];
- (ii) [ \* ] if [ \* ]; and
- (iii) For [ \* ], [ \* ].

In the event that equity in lieu of cash or other consideration is received by Company in return for granting a sublicense, Company shall either arrange for JHU’s share of such equity to be issued directly to JHU and in the name of “The Johns Hopkins University” or Company shall pay in cash to JHU the Fair Market Value, as defined below, of JHU’s share of such equity. The term “Fair Market Value” shall mean (i) if the stock is publicly traded, the average price that the stock in question is publicly trading at for [ \* ] days prior to the announcement of the sublicense agreement, or (ii) if the stock is not publicly traded, the value of such stock as determined in its most recent round of financing.

Notwithstanding anything to the contrary in this Agreement or any JHU Agreement, if (i) Company sublicenses to a third party intellectual property rights licensed to Company by JHU pursuant to multiple agreements and (ii) in two or more of such agreements with JHU, Company has agreed to pay to JHU a percentage of sublicense income (as defined in each such agreement) that Company receives from Sublicensees, then the relevant percentages of sublicense income shall not be aggregated and applied to all sublicense income. Instead Company shall calculate the sublicense income payable to JHU under each relevant agreement based on Company’s reasonable estimate of the value allocable to each set of sublicensed rights, when considered in light of the entire transaction and all other relevant factors.

**3.9 Form of Payment.** All payments under this Agreement shall be made in U.S. Dollars by either check or wire transfer.

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**3.10 Payment Information.** All check payments from Company to JHU shall be sent to:

Executive Director  
Johns Hopkins Technology Transfer  
The Johns Hopkins University  
100 N. Charles Street, 5<sup>th</sup> Floor  
Baltimore, MD 21201  
Attn: JHU Agreement # A21083

or such other addresses which JHU may designate in writing from time to time. Checks are to be made payable to “The Johns Hopkins University”. Wire transfers may be made through:

**ACH** - currently a domestic system (U.S. payments)

[ \* ]

Transit/routing/ABA number: [ \* ]

Account number: [ \* ]

Type of account: [ \* ]

CTX format is preferred; CCD+ is also accepted

**Reference:** JHU Tech Transfer

(JHU Agreement A21083)

**FED WIRE - Domestic**

[ \* ]

Transit/routing/ABA number: [ \* ]

Account number: [ \* ]

Type of account: [ \* ]

**Reference:** JHU Tech Transfer

(JHU Agreement A21083)

**FED WIRE - International**

[ \* ]

SWIFT code: [ \* ]

Account number: [ \* ]

Type of account: [ \* ]

**Reference:** JHU Tech Transfer

(JHU Agreement A21083)

**CHIPS ABA number:** N/A

**IBAN number:** N/A

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Company shall provide notice of the date and amount of all ACH payments to JHU's Financial Manager by email or telephone. Company shall be responsible for any and all costs associated with wire transfers.

**3.11 Late Payments.** In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on the [ \* ] day following the due date thereof, calculated at the annual rate of the sum of (a) [ \* ] plus (b) the prime interest rate quoted by The Wall Street Journal on the date said payment is due, the interest being compounded on the last day of each calendar quarter, provided however, that in no event shall said annual interest rate exceed the maximum legal interest rate for corporations. Each such payment when made shall be accompanied by all interest so accrued. Said interest and the payment and acceptance thereof shall not negate or waive the right of JHU to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment including, but not limited to termination of this Agreement as set forth in Section 9.2.

## **ARTICLE 4**

### **PATENT PROSECUTION, MAINTENANCE, & INFRINGEMENT**

#### **4.1 Prosecution & Maintenance.**

(a) JHU shall be responsible for the maintenance and prosecution of the TEGVAX patent rights among the Licensed Patent Rights (JHU Ref# C05152 and C11641). JHU shall (a) cause its patent counsel to timely copy Company on all official actions and written correspondence with any patent office, and (b) allow Company a reasonable opportunity to comment and advise JHU. JHU shall consider and reasonably incorporate all comments and advice. Company shall be responsible for the maintenance and prosecution of the STINGVAX Patent Rights (JHU Ref# C12043). JHU will be notified, in advance, of the filing and prosecution of all patents and patent applications and have a full opportunity for input, which will be carefully considered by Company. By concurrent written notification to JHU and its patent counsel at least [ \* ] days in advance (or later at JHU's discretion) of any filing or response deadline, or fee due date, Company may elect not to have a patent application filed in any particular country or not to pay expenses associated with the prosecution or maintaining any patent application or patent, provided that Company pays for all costs incurred up to JHU's receipt of such notification. Failure to provide such notification can be considered by JHU to be Company's authorization to proceed at Company's expense. Upon such notification, JHU may file, prosecute, and/or maintain such patent applications or patent at its own expense and for its own benefit, and any rights or license granted hereunder held by Company, Affiliates or Sublicensee(s) relating to the Licensed Patent Rights which comprise the subject of such patent applications or patent and/or apply to the particular country, shall terminate.

(b) Company will reimburse JHU for all reasonable documented past costs, and all reasonable future costs associated with preparing, filing, maintaining and prosecuting the Licensed Patent Rights within the Field. JHU shall provide an invoice of all past patent costs (to the extent not already invoiced and/or paid) after execution of this Agreement. Unreimbursed past patent expenses are currently estimated at about \$[ \* ] (this amount does not include estimate for national phase filings for TEGVAX IP (JHU Ref# C11641)). The patent costs shall be due within [ \* ] days of receipt of an invoice from JHU.

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**4.2 Notification.** Each party will notify the other promptly in writing when any infringement by another is uncovered or suspected.

**4.3 Patent Enforcement.** Company shall have the first right to enforce and defend any patent within Licensed Patent Rights and in the Field against any infringement or alleged infringement thereof, and shall at all times keep JHU informed as to the status thereof. Before Company commences an action with respect to any infringement of such patents, Company shall give careful consideration to the views of JHU and to potential effects on the public interest in making its decision whether or not to sue. Thereafter, Company may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such suit in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom subject to Section 4.5. However, no settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the prior written consent of JHU, which consent shall not be unreasonably withheld. This right to sue for infringement shall not be used in an arbitrary and capricious manner. JHU shall reasonably cooperate in any such litigation at Company's expense, including by allowing itself to be joined as a party to such litigation if required for purposes of standing. If Company elects not to enforce any patent within the Licensed Patent Rights, then it shall so notify JHU in writing within [ \* ] days of receiving notice that an infringement exists, and JHU may, in its sole judgment and at its own expense, take steps to enforce any patent and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover, for its own account, any damages, awards or settlements resulting therefrom.

**4.4 Patent Invalidity Suit.** If a declaratory judgment action is brought naming Company as a defendant and alleging invalidity of any of the Licensed Patent Rights, JHU may elect to take over the sole defense of the action at its own expense. Company shall cooperate fully with JHU in connection with any such action.

**4.5 Recovery.** Any recovery of ordinary (non-punitive) damages by Company under Section 4.3 shall be deemed to reflect loss of commercial sales, and Company shall pay to JHU an amount calculated by applying the royalty rate defined in Section 3.4 to the non-punitive damages of the recovery net of all costs and expenses associated with each suit or settlement. In the event a court awards punitive damages to Company in addition to ordinary damages, Company shall pay to JHU [ \* ] of such punitive damages awarded in respect of the Licensed IP, net of all reasonable costs and expenses associated with each suit or settlement. If the cost and expenses exceed the recovery, then [ \* ] of the excess shall be credited against royalties payable by Company to JHU hereunder in connection with sales of Licensed Product covered in the Licensed Patent Rights which are the subject of the infringement suit, in the country of such legal proceedings, provided, however, that any such credit under this Section shall not exceed [ \* ] of the royalties otherwise payable to JHU with regard to sales in the country of such action in any one calendar year, with any excess credit being carried forward to future calendar years.

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**ARTICLE 5**  
**OBLIGATIONS OF THE PARTIES**

**5.1 Reports.** Company shall provide to JHU the following written reports according to the following schedules.

(a) Company shall provide calendar-quarterly royalty reports, substantially in the form of Exhibit G and due within [ \* ] days of the end of each calendar quarter following the Effective Date of this Agreement beginning after the First Commercial Sale of a Licensed Product or Licensed Service. Royalty Reports shall disclose the amount of Licensed Product(s) and Licensed Service(s) sold, the total Net Sales Revenues and Net Service Revenues of such Licensed Product(s) and Licensed Service(s), and the running royalties due to JHU as a result of Net Sales Revenues and Net Service Revenues by Company, Affiliates and Sublicensee(s) thereof. Payment of any such royalties due shall accompany such Royalty Reports.

(b) Until Company, an Affiliate or a Sublicensee(s) has achieved a First Commercial Sale of a Licensed Product or Licensed Service, or received FDA market approval, Company shall provide semiannual Diligence Reports, due within [ \* ] days of the end of every June and December following the Effective Date of this Agreement. These Diligence Reports shall describe Company's, Affiliate(s)'s or any Sublicensee(s)'s technical efforts towards meeting its obligations under the terms of this Agreement.

(c) Company shall provide Annual Reports within [ \* ] days of the end of every December following the Effective Date of this Agreement. Annual Reports shall include:

- (i) evidence of insurance as required under Section 10.4, or, a statement of why such insurance is not currently required, and
- (ii) identification of all Affiliates which have exercised rights pursuant to Section 2.1, or, a statement that no Affiliate has exercised such rights, and
- (iii) notice of all FDA approvals of any Licensed Product(s) or Licensed Service(s) obtained by Company, Affiliate or Sublicensee, the patent(s) or patent application(s) licensed under this Agreement upon which such product or service is based, and the commercial name of such product or service, or, in the alternative, a statement that no FDA approvals have been obtained.

**5.2 Records.** Company shall make and retain, for a period of [ \* ] years following the period of each report required by Section 5.1, true and accurate records, files and books of account containing all the data reasonably required for the full computation and verification of sales and other information required in Section 5.1. Such books and records shall be in accordance with generally accepted accounting principles consistently applied. Company shall permit the inspection and copying of such records, files and books of account by JHU or its agents during regular business hours upon [ \* ] business days' written notice to Company. Such inspection shall not be made more than once each calendar year. All costs of such inspection and copying shall be paid by JHU, provided that if any such inspection shall reveal that an error has been made in an amount equal to [ \* ] or more of that owed for any calendar year, such costs shall

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be borne by Company. As a condition to entering into any such agreement, Company shall include in any agreement with its Affiliates or its Sublicensee(s) which permits such party to make, use, sell or import the Licensed Product(s) or provide Licensed Service(s), a provision requiring such party to retain records of sales of Licensed Product(s) and records of Licensed Service(s) and other information as required in Section 5.1 and permit JHU to inspect such records as required by this Section.

**5.3 Diligence.** Company shall use commercially reasonable efforts to develop and to introduce the Licensed Product(s) and Licensed Service(s) into the commercial market as soon as practicable, consistent with sound and reasonable business practice and judgment; thereafter, until the expiration or termination of this Agreement, Company shall use commercially reasonable efforts to endeavor to keep Licensed Product(s) and Licensed Service(s) reasonably available to the public. Company shall also exercise commercially reasonable efforts to develop Licensed Product(s) suitable for different indications within the Field. In addition to the foregoing, Company shall use its commercially reasonable efforts to meet the following milestones.

- (a) [ \* ] by [ \* ];
- (b) [ \* ] by [ \* ];
- (c) [ \* ] by [ \* ];
- (d) [ \* ] by [ \* ];
- (e) [ \* ] by [ \* ]; and
- (f) [ \* ] by [ \* ].

In the event that unforeseen circumstances prevent the Company from achieving a diligence milestone, the Company and JHU will agree to discuss alternative commercially reasonable milestones. Company shall provide JHU with notice, as provided hereunder in Section 10.6, within [ \* ] days of achieving each diligence milestone. The foregoing diligence obligations are the only obligations of the Company with respect to GVAX products.

**5.4 Other Products.** Beginning on [ \* ] and thereafter, if JHU provides the Company in writing with clinical or other compelling scientific, safety and commercial evidence demonstrating a significant commercial opportunity within the Licensed Field which is not being developed or commercialized by Company, Company shall make reasonable efforts either to provide JHU with a development plan and start development or attempt to sublicense the particular market or use to a third party. If within [ \* ] months of such notification by JHU, Company has not initiated reasonable efforts to finance, develop or sublicense that particular significant commercial opportunity, JHU may on written notice to the Company terminate this license, but only for the relevant indication, so long as JHU has (i) a bona fide offer to enter into a license for the development of the indication on terms which are consistent with the terms herein when considered in light of market rates and the breadth and scope of the license, along with a detailed development plan, (ii) JHU and Company have agreed in writing that development of the indication as planned will not adversely affect current or anticipated development and

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commercialization of Licensed Products and Licensed Services, and (iii) the proposed licensee can demonstrate it has sufficient current funding to fund the development for not less than [ \* ] years. In addition, the termination of any indication permitted by this Section shall not be effective until JHU enters into the proposed license and in any event any such license shall be executed by both the parties thereto within six (6) months of the initiation of negotiation. If the license is not executed prior to the end of such period, then the license shall not be granted by JHU and the termination of the relevant indication shall not be effective. If any license granted under this provision is terminated for any reason (in whole or in part), written notice of the same will be delivered to Company and the terminated rights shall be automatically restored as part of Company's rights under this Agreement as of the date of termination, unless requested otherwise by the Company. For clarity, this Section shall not be applicable if Company reasonably demonstrates to JHU that commercializing such Licensed Product(s) or Licensed Service(s) or granting such a sublicense in said market or use would have a potentially adverse commercial effect upon development, marketing or sales, or future development, marketing or sales, of the Licensed Product(s).

**5.5 Patent Acknowledgement.** Company agrees that all packaging containing individual Licensed Products(s) sold by Company, Affiliates and Sublicensee(s) of Company will be marked with the number of the applicable patent(s) licensed hereunder in accordance with each country's patent laws.

**5.6 Technology Transfer.** In order to enable Company to exercise the licenses granted herein, JHU, through its inventors, will promptly disclose and provide to Company all information and materials (including without limitation biological materials) comprising the Licensed IP. The parties acknowledge that this process will be collaborative and will be executed based upon Company's needs and the inventors' reasonable capabilities to complete the transfer. In any event, the Licensed Technology Transfer shall be completed within [ \* ] after the Effective Date. Company and JHU shall agree on a reasonable fee not exceed \$[ \* ] payable to JHU to fund the costs of the technology transfer including without limitation costs for clerical support. Company shall not be responsible for paying any consideration related to Licensed IP that is not transferred to Company. JHU shall ship Licensed Technology to the addresses indicated by the Company, at times reasonably acceptable to Company.

**5.7 Cell Line Transfer and Reimbursement.** JHU shall deliver to Company not less than the quantity of each Cell Line referenced in Exhibit B (Section 1) of this Agreement. JHU shall ship the Cell Lines to Company at addresses designated by Company and under physical conditions and at times reasonably requested by the Company. In support of the foregoing, upon transfer of such Cell Lines, Company shall pay to JHU up to \$[ \* ], based upon the amounts set forth in Exhibit B (Section 1). In addition, the parties will agree after the Effective Date on a plan for the transfer, security and preservation of the Cell Lines so as to enable the continued use of all the lines for research by JHU and for research, development and commercialization of products by Company.

**5.8 Additional Cell Lines.** At Company's request, JHU may transfer to Company additional GVAX cell lines existing prior to the Effective Date of this Agreement and not listed in Exhibit B ("Additional Cell Lines"), including any melanoma lines that become available. Such

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transfer of Additional Cell Lines shall be made only to the extent Additional Cell Lines are unencumbered by any third party rights and subject to availability and reimbursement of agreed and documented costs of JHU in connection with the transfer and replacement of material. Such transfer shall be accomplished by written amendment to this Agreement with appropriate terms and conditions to be negotiated in good faith between the parties, provided the parties acknowledge that the terms of this Agreement represent appropriate terms and conditions for similar materials that were negotiated in good faith. The foregoing notwithstanding, JHU is under no obligation to transfer to Company Additional Cell Lines.

## **ARTICLE 6 REPRESENTATIONS**

**6.1 Duties of the Parties.** JHU is not a commercial organization. It is an institute of research and education. Therefore, JHU has no ability to evaluate the commercial potential of any Licensed Patent Rights or Licensed Product or other license or rights granted in this Agreement. It is therefore incumbent upon Company to evaluate the rights and products in question, to examine the materials and information provided by JHU, and to determine for itself the validity of any Licensed Patent Rights, its freedom to operate, and the value of any Licensed Products or Licensed Services or other rights granted.

**6.2 Representations by JHU.** JHU warrants that it has good and marketable title to its interest in the inventions claimed under Licensed Patent Rights with the exception of certain retained rights of the United States Government, which may apply if any part of the JHU research was funded in whole or in part by the United States Government. To the best of JHTT's knowledge, JHU has the right to grant the rights, and transfer the materials, to Company that are granted and transferred hereunder on the terms set forth herein. The parties acknowledge that the transfer of the 3SKBR3 cell line from JHU is not possible until Company receives permission for transfer from Memorial Sloan Kettering. If and when such permission is obtained, then JHU agrees that it will cooperate in such transfer. JHU does not warrant the validity of any patents or that practice under such patents shall be free of infringement. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, COMPANY, AFFILIATED COMPANIES AND SUBLICENSEE(S) AGREE THAT THE LICENSED IP ARE PROVIDED "AS IS", AND THAT JHU MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF LICENSED PRODUCT(S) AND LICENSED SERVICE(S) INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY. JHU DISCLAIMS ALL WARRANTIES WITH REGARD TO PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES, EXPRESSED OR IMPLIED, OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, JHU ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF JHU AND INVENTORS, FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, AND CONSEQUENTIAL DAMAGES, ATTORNEYS' AND EXPERTS' FEES, AND COURT COSTS (EVEN IF JHU HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THE MANUFACTURE, USE, OR SALE OF THE PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT.

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COMPANY, AFFILIATED COMPANIES AND SUBLICENSEE(S) ASSUME ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT AND/OR SERVICE MANUFACTURED, USED, OR SOLD BY COMPANY, ITS SUBLICENSEE(S) AND AFFILIATED COMPANIES WHICH IS A LICENSED PRODUCT(S) OR LICENSED SERVICE(S) AS DEFINED IN THIS AGREEMENT.

## ARTICLE 7 INDEMNIFICATION

**7.1 Indemnification.** Company, Affiliates and Sublicensee(s) shall indemnify, defend with counsel reasonably acceptable to JHU and hold JHU, The Johns Hopkins Health Systems, their present and former trustees, officers, inventors of Licensed IP, agents, faculty, employees and students (“Indemnitee”) harmless as against any judgments, fees, expenses, or other costs arising from or incidental to any product liability or other lawsuit, claim, demand or other action brought as a consequence of the practice of said inventions by any of the foregoing entities, whether or not JHU or said inventors, either jointly or severally, is named as a party defendant in any such lawsuit and whether or not JHU or the inventors are alleged to be negligent or otherwise responsible for any injuries to persons or property. Practice of the inventions covered by Licensed Product(s) and Licensed Service(s), by an Affiliate or an agent or a Sublicensee(s) or a third party on behalf of or for the account of Company or by a third party who purchases Licensed Product(s) and Licensed Service(s) from Company, shall be considered Company’s practice of said inventions for purposes of this Section. The obligation of Company to defend and indemnify as set out in this Section shall survive the termination of this Agreement, shall continue even after assignment of rights and responsibilities to an Affiliate or Sublicensee, and shall not be limited by any other limitation of liability elsewhere in this Agreement.

**7.2 Indemnity Procedure.** Any Indemnitee seeking indemnification under this Agreement shall promptly notify Company of any claim, demand, action or other proceeding for which such Indemnitee intends to claim such indemnification. Company shall have the right to participate in consideration by the Indemnitee of the financial aspect only of the settlement of any claim, demand, action or other proceeding, but Company may not unreasonably withhold or delay approval of the financial aspect of any settlement. The failure of the Indemnitee to deliver notice to Company within a reasonable time after actual notice of any such claim or demand, or the commencement of any such action or other proceeding, if materially prejudicial to the ability to defend such claim, demand, action or other proceeding, shall relieve Company of any liability under this Section 7 with respect thereto. Each Indemnitee, its employees and agents, shall reasonably cooperate with Company and its legal representatives in the investigation of any claim, demand, action or other proceeding covered by this Section 7 at the expense of Company.

## ARTICLE 8 CONFIDENTIALITY

**8.1 Confidentiality.** If necessary, the parties will exchange information, which they consider to be confidential. The recipient of such information agrees to accept the disclosure of said information which is marked as confidential at the time it is sent to the recipient, and to employ all reasonable efforts to maintain the information secret and confidential, such efforts to

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be no less than the degree of care employed by the recipient to preserve and safeguard its own confidential information. The information shall not be disclosed or revealed to anyone except employees of the recipient who have a need to know the information and who have entered into a secrecy agreement with the recipient under which such employees are required to maintain confidential the proprietary information of the recipient and such employees shall be advised by the recipient of the confidential nature of the information and that the information shall be treated accordingly.

The obligations of this Section 8.1 shall also apply to Affiliates and/or Sublicensee(s) provided such information by Company. JHU's, Company's, Affiliates, and Sublicensee(s)'s obligations under this Section 8.1 shall extend until [ \* ] years after the termination of this Agreement.

**8.2 Exceptions.** The recipient's obligations under Section 8.1 shall not extend to any part of the information:

(a) that can be demonstrated to have been in the public domain or publicly known and readily available to the trade or the public prior to the date of the disclosure; or

(b) that can be demonstrated, from written records to have been in the recipient's possession or readily available to the recipient from another source not under obligation of secrecy to the disclosing party prior to the disclosure; or

(c) that becomes part of the public domain or publicly known by publication or otherwise, not due to any unauthorized act by the recipient; or

(d) that is demonstrated from written records to have been developed by or for the receiving party without reference to confidential information disclosed by the disclosing party.

(e) that is required to be disclosed by law, government regulation or court order.

**8.3 Right to Publish.** JHU may publish manuscripts, abstracts or the like describing the Licensed Patent Rights and inventions contained therein provided confidential information of Company as defined in Section 8.1, is not included or without first obtaining approval from Company to include such confidential information. Otherwise, JHU and the Inventors shall be free to publish manuscripts and abstracts or the like directed to the work done at JHU related to the Licensed Technology without prior approval.

## **ARTICLE 9 TERM & TERMINATION**

**9.1 Term.** Unless earlier terminated as permitted herein, the term of this Agreement shall commence on the Effective Date and shall continue for thirty (30) years after the First Commercial Sale of a Licensed Product, provided the term may be extended for multiple additional ten (10) year periods upon the mutual agreement of Company and JHU, such agreement not to be unreasonably withheld by JHU. In connection with any such extension or

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consideration thereof, the following shall apply: (i) JHU agrees that it will not ask for any additional or increased consideration and (ii) so long as a Licensed Product or Licensed Service is being marketed and sold commercially and Company is not in material breach of the Agreement, then JHU shall not object to such extension of term.

**9.2 Termination by Either Party.** This Agreement may be terminated by either party if the other party (a) files or has filed against it a petition under the Bankruptcy Act, makes an assignment for the benefit of creditors, has a receiver appointed for it or a substantial part of its assets, or otherwise takes advantage of any statute or law designed for relief of debtors and it is not dismissed within ninety (90) days thereafter, or (b) breaches any of its material obligations hereunder, if, following the giving of notice by the terminating party of the breach and its intent to terminate and stating the grounds therefor, the breaching party shall not have cured the breach within sixty (60) days (thirty (30) days for nonpayment and amounts due and payable). In no event, however, shall such notice or intention to terminate be deemed to waive any rights to damages or any other remedy which the party giving notice of breach may have as a consequence of such failure or breach. Accrued obligations, such as payment of owed royalties, are not affected by termination.

**9.3 Termination by Company.** Company may terminate this Agreement and the license granted herein, for any reason, upon giving JHU ninety (90) days' written notice. Company may remove any Licensed IP from the license on thirty (30) days written notice to JHU.

**9.4 Obligations and Duties upon Termination.** If this Agreement is terminated other than for the uncured material breach of JHU, both parties shall be released from all obligations and duties imposed or assumed hereunder to the extent so terminated, except as expressly provided to the contrary in this Agreement. Upon termination, both parties shall cease any further use of the confidential information disclosed to the receiving party by the other party. Termination of this Agreement, for whatever reason, shall not affect any accrued obligations including without limitation any obligation of either party to make any payments for which it is liable prior to or upon such termination. Termination shall not affect JHU's right to recover unpaid royalties, fees, reimbursement for patent expenses, or other forms of financial compensation incurred prior to termination. Upon termination Company shall submit a final royalty report to JHU and any royalty payments, fees, unreimbursed patent expenses and other financial compensation due JHU shall become immediately payable and all Cell Lines and Licensed Technology shall be returned to JHU. Furthermore, upon termination of this Agreement, all rights in and to the Licensed IP shall revert immediately to JHU at no cost to JHU. Upon termination of this Agreement, any Sublicensee(s) shall become a direct licensee of JHU, provided that JHU's obligations to Sublicensee(s) are no greater than JHU's obligations to Company under this Agreement. Company shall provide written notice of such to each Sublicensee(s) with a copy of such notice provided to JHU.

## **ARTICLE 10 MISCELLANEOUS**

**10.1 Use of Name.** Company, Affiliates and Sublicensee(s) shall not use the name of The Johns Hopkins University or The Johns Hopkins Health System or any of its constituent

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parts, such as the Johns Hopkins Hospital or any contraction thereof or the name of Inventors in any advertising, promotional, sales literature or fundraising documents without prior written consent from an authorized representative of JHU. Company, Affiliates and Sublicensee(s) shall allow at least seven (7) business days' notice of any proposed public disclosure for JHU's review and comment or to provide written consent.

**10.2 No Partnership.** Nothing in this Agreement shall be construed to create any agency, employment, partnership, joint venture or similar relationship between the parties other than that of a licensor/licensee. Neither party shall have any right or authority whatsoever to incur any liability or obligation (express or implied) or otherwise act in any manner in the name or on the behalf of the other, or to make any promise, warranty or representation binding on the other.

**10.3 Notice of Claim.** Each party shall give the other or its representative immediate notice of any suit or action filed, or prompt notice of any claim made, against them arising out of the performance of this Agreement or arising out of the practice of the inventions licensed hereunder.

**10.4 Product Liability.** Prior to initial human testing or First Commercial Sale of any Licensed Product(s) or Licensed Service(s) as the case may be in any particular country, Company shall establish and maintain, for each country in which Company or an Affiliate, or Sublicensee(s) shall test or sell Licensed Product(s) and Licensed Service(s), product liability, or other appropriate insurance coverage, in the minimum amount of (i) for Phase 2 Clinical Trials or earlier, Five Million Dollars per occurrence (\$5,000,000) and Five Million Dollars (\$5,000,000) in the aggregate, and (ii) for Phase 3 Clinical Trials and after, Seven Million Five Hundred Thousand Dollars (\$7,500,000) per occurrence (which will increase to \$10M as of commercialization of a Licensed Product) and Ten Million Dollars (\$10,000,000) in the aggregate, and will annually present evidence to JHU that such coverage is being maintained. Upon JHU's request, Company will furnish JHU with a Certificate of Insurance of each product liability insurance policy obtained. JHU shall be listed as an additional insured in Company's said insurance policies. If such product liability insurance is underwritten on a 'claims-made' basis, Company agrees that any change in underwriters during the term of this Agreement will require the purchase of 'prior acts' coverage to ensure that coverage will be continuous throughout the term of this Agreement. A change in underwriters will not be made unless claims arising prior to the date of the change during the term of this Agreement are covered.

**10.5 Governing Law.** This Agreement shall be construed, and legal relations between the parties hereto shall be determined, in accordance with the laws of the State of New York applicable to contracts solely executed and wholly to be performed within the State of New York without giving effect to the principles of conflicts of laws. Any disputes between the parties to this Agreement shall be brought in the state or federal courts of Maryland. Both parties agree to waive their right to a jury trial.

**10.6 Notice.** All notices or communication required or permitted to be given by either party hereunder shall be deemed sufficiently given if mailed by registered mail or certified mail, return receipt requested, or sent by overnight courier, such as Federal Express, to the other party

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at its respective address set forth below or to such other address as one party shall give notice of to the other from time to time hereunder. Mailed notices shall be deemed to be received on the third business day following the date of mailing. Notices sent by overnight courier shall be deemed received the following business day.

If to Company:

Aduro BioTech  
626 Bancroft Way, Suite 3C  
Berkeley, CA 94710-2225  
Attn: Chief Executive Officer

If to JHU:

Executive Director  
Johns Hopkins Technology Transfer  
The Johns Hopkins University  
100 N. Charles Street  
5<sup>th</sup> Floor  
Baltimore, MD 21201  
Attn: Agreement #A21083

**10.7 Compliance All Laws.** In all activities undertaken pursuant to this Agreement, both JHU and Company covenant and agree that each will comply with such Federal, state and local laws and statutes, as may be in effect at the time of performance and all valid rules, regulations and orders thereof regulating such activities.

**10.8 Successors and Assigns.** Neither this Agreement nor any of the rights or obligations created herein, except for the right to receive any remuneration hereunder, may be assigned by either party, in whole or in part, without the prior written consent of the other party, except that either party shall be free to assign this Agreement in connection with any sale of substantially all of its assets related to this Agreement without the consent of the others; provided that: (a) any such assignee shall agree in writing to be bound by the terms and conditions of this Agreement; and (b) the assigning party shall notify the other party of any such assignment. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the parties hereto.

**10.9 No Waivers; Severability.** No waiver of any breach of this Agreement shall constitute a waiver of any other breach of the same or other provision of this Agreement, and no waiver shall be effective unless made in writing. Any provision hereof prohibited by or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be deemed ineffective and deleted herefrom without affecting any other provision of this Agreement. It is the desire of the parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held by any governmental agency or court of competent jurisdiction to be void, illegal and unenforceable, the parties shall negotiate in good faith for a substitute term or provision which carries out the original intent of the parties.

**10.10 Entire Agreement; Amendment.** Company and JHU acknowledge that they have read this entire Agreement and that this Agreement, including the attached Exhibits and, to the

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extent relevant, the JHU Agreements and the side letter between the parties dated the date hereof, constitutes the entire understanding and contract between the parties hereto and supersedes any and all prior or contemporaneous oral or written communications with respect to the subject matter hereof, all of which communications are merged herein. It is expressly understood and agreed that (i) there being no expectations to the contrary between the parties hereto, no usage of trade, verbal agreement or another regular practice or method dealing within any industry or between the parties hereto shall be used to modify, interpret, supplement or alter in any manner the express terms of this Agreement; and (ii) this Agreement shall not be modified, amended or in any way altered except by an instrument in writing signed by both of the parties hereto.

**10.11 Delays or Omissions.** Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party hereto, shall impair any such right, power or remedy to such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or in any similar breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

**10.12 Force Majeure.** If either party fails to fulfill its obligations hereunder (other than an obligation for the payment of money), when such failure is due to an act of God, or other circumstances beyond its reasonable control, including but not limited to fire, flood, civil commotion, riot, war (declared and undeclared), revolution, or embargoes, then said failure shall be excused for the duration of such event and for such a time thereafter as is reasonable to enable the parties to resume performance under this Agreement; provided, however, that in no event shall such time extend for a period of more than one hundred eighty (180) days.

**10.13 Further Assurances.** Each party shall, at any time, and from time to time, prior to or after the Effective Date of this Agreement, at reasonable request of the other party, execute and deliver to the other such instruments and documents and shall take such actions as may be required to more effectively carry out the terms of this Agreement.

**10.14 Survival.** All representations, warranties, covenants and agreements made herein and which by their express terms or by implication are to be performed after the execution and/or termination hereof, or are prospective in nature, shall survive such execution and/or termination, as the case may be. This shall include Sections 3 (to the extent accrued monies are unpaid) and Articles 7, 8, 9.4, and 10 (as applicable).

**10.15 No Third-Party Beneficiaries.** Nothing in this Agreement shall be construed as giving any person, firm, corporation or other entity, other than the parties hereto and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof.

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**10.16 Headings.** Article headings are for convenient reference and not a part of this Agreement. All Exhibits are incorporated herein by this reference.

**10.17 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which when taken together shall be deemed but one instrument.

*[Signatures on following page.]*

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IN WITNESS WHEREOF, this Agreement shall take effect as of the Effective Date when it has been executed below by the duly authorized representatives of the parties.

THE JOHNS HOPKINS UNIVERSITY

ADURO BIOTECH, INC.

/s/ Wesley D. Blakeslee, J.D  
\_\_\_\_\_  
Wesley D. Blakeslee, J.D., CLP  
Executive Director  
Johns Hopkins Technology Transfer

/s/ Stephen T. Isaacs  
\_\_\_\_\_  
Stephen T. Isaacs  
President and CEO

- EXHIBIT A. LICENSED PATENT RIGHTS
- EXHIBIT B. CELL LINES AND ENCUMBRANCES
- EXHIBIT C. CERTAIN LICENSED TECHNOLOGY
- EXHIBIT D. ALL THIRD-PARTY OBLIGATIONS FOR LICENSED TECHNOLOGY
- EXHIBIT E. GLOBAL ACCESS FOR ESSENTIAL MEDICINES
- EXHIBIT F. LICENSE FEES AND ROYALTIES
- EXIHIBIT G. QUARTERLY SALES & ROYALTY REPORT

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**EXHIBIT A**

**LICENSED PATENT RIGHTS**

**[ \* ]**

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**EXHIBIT B**

**CELL LINES AND ENCUMBRANCES**

1. CELL LINES

[\*]

2. CELL LINE DESCRIPTION AND ENCUMBRANCES

[\*]

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**EXHIBIT C**

**CERTAIN LICENSED TECHNOLOGY<sup>1</sup>**

**[ \* ]**

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<sup>1</sup> All Attachments referenced herein have been provided to Company under separate cover.

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**EXHIBIT D**

**ALL THIRD-PARTY OBLIGATIONS FOR LICENSED TECHNOLOGY**

[ \* ]

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**EXHIBIT E**

**GLOBAL ACCESS FOR ESSENTIAL MEDICINES**

Subject to any requirements of relevant laws, rules, regulations, guidelines and standards of all relevant jurisdictions, as well as all obligations and retained rights applicable to the Licensed Patent Rights, including without limitation those set forth in Section 2.1 and 2.2 of this Agreement, the following terms shall be deemed to be a part of this Agreement. For clarity, this provision does not require Company to license, or permit JHU to license on its behalf, any of its information or intellectual property or products to any third party.

**1) DEFINITIONS**

**“GAVI Country”** shall mean any country listed as eligible to receive support from the GAVI Alliance (as such list may be amended from time to time, provided it shall not include any major market countries or Brazil, Russia, India or China.)

**“Humanitarian Purpose”** shall mean practice of the Licensed Patent Rights by a Qualified Humanitarian Organization to manufacture Licensed Products in GAVI Countries for which no reasonable alternatives exist in such GAVI Countries, for the sole and express purposes of distribution of such Licensed Products in one or more GAVI Countries solely in the Public Charitable Market for end use by low-income end users in such GAVI Country at actual cost (with no profit) or no cost to the end user or the end user’s governmental entities.

**“Non-GAVI Country”** shall mean any country that is not a GAVI Country.

**“Qualified Humanitarian Organization”** shall mean any not-for-profit organization that addresses the public health needs of underserved populations solely on a not-for-profit basis. For clarity, Qualified Humanitarian Organizations do not include governmental organizations, foundations, generic biological or pharmaceutical companies, and foundations or non-for-profit organizations that are formed or established for the benefit of, or which partner with, or support, any for-profit or governmental entity.

**“Public Charitable Market”** shall mean markets that, due to economic circumstance and public health emergency cannot afford to purchase Licensed Products at the cost for which such Licensed Products are available in their country. The Public Charitable Market shall not include product tender markets (such as PAHO or UNICEF) or private markets.

**2) Limited Retained Rights.**

Should Company have no plans to commercialize Licensed Product in GAVI Countries, subject to all other terms and requirements herein, JHU has the right to grant a nonexclusive license to the Licensed Patent Rights (but not jointly-owned Licensed Patent Rights) to a Qualified Humanitarian Organization solely for Humanitarian Purposes in the Public Charitable Market, but only as needed to produce products for end use in GAVI Countries. Such a license shall not be granted until (i) Company has developed a Licensed Product or Licensed Service that is proven to be capable of scalable

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manufacture that permits distribution (including all relevant logistical considerations) and sale of the Licensed Product or Licensed Service in GAVI Countries at locally-affordable prices (with a reasonable profit and while reasonably protecting other markets) and with consistent quality, and (b) after the Company has a bona fide offer to do so with a viable manufacturing and commercial partner proven to be capable of effectively working in the GAVI Country in compliance with all relevant laws, rules, regulations, guidelines and standards, and the Company refuses such opportunity without a reasonable explanation as to the reasons why the same would not be commercially reasonable. The third-party license shall terminate automatically if (i) any Licensed Product (whether or not in development) is made available in any Non-GAVI Country directly or indirectly by the licensee, or if any other intellectual property of Company or JHU is infringed or misappropriated by the making, using, selling or importation of any relevant products, or (ii) a compulsory license is granted in such jurisdiction. Prior to entering any licenses with third parties pursuant to this provision, JHU will give at least twelve (12) months' prior written notice to Company of JHU's intent to consider or enter into such a license or manufacture and distribute in such market on its own, which notice will include all pertinent information concerning the opportunity, and Company shall have the first right to negotiate a license directly with the organization.

### **3) Expansion into New Markets.**

The Company shall consider how it might effectively and efficiently manufacture and sell Licensed Product and Licensed Services into GAVI Countries and whether such plans are reasonable and feasible in light of the logistical, quality, manufacturing, economic and scientific challenges related thereto, as well as the demonstrated need therefor in light of medical alternatives and other relevant factors. In connection therewith, JHU agrees to consider reasonable requests of Company for a commensurate reduction of royalty and sublicensing fees in circumstances where Company demonstrates to the satisfaction of JHU that Licensed Products are or will be made available in such developing nations at reduced cost, as compared to the U.S. market and taking into account a reasonable profit.

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**EXHIBIT F**

**LICENSE FEES AND ROYALTIES**

1. The License Fee due pursuant to Section 3.1 is Two Hundred Fifty Thousand U.S. Dollars (\$250,000).

2. The Milestone License fees due pursuant to Section 3.2 shall be paid only once for a TEGVAX-based Licensed Product, once for a STINGVAX-based Licensed Product, and once for one other Licensed Product that does not fall into one of the two (2) foregoing categories:

- (i) [ \* ] upon [ \* ];
- (ii) [ \* ] upon [ \* ];
- (iii) [ \* ] upon [ \* ];
- (iv) [ \* ] upon [ \* ]; and
- (v) [ \* ] upon [ \* ].

Milestone License Fees are not payable on Licensed Services.

As STINGVAX is jointly-owned by JHU and Company, milestones will be reduced for STINGVAX by [ \* ] for milestones (i) - (iii) above.

3. The Minimum Annual Royalties due pursuant to Section 3.3 are:

[ \* ]

4. The running royalty rate payable under Section 3.4 is equal to [ \* ], subject to any offsets or reductions including without limitation those in Sections 3.4 and 3.5, provided that in no event shall the royalty payable hereunder be reduced below [ \* ].

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**EXHIBIT G**

**QUARTERLY SALES & ROYALTY REPORT**

**FOR LICENSE AGREEMENT BETWEEN**

**\_\_\_\_\_ADURO BIOTECH INC.\_\_\_\_\_**

**AND**

**THE JOHNS HOPKINS UNIVERSITY**

**DATED \_\_\_\_\_**

**JHU Reference Number(s) \_\_\_\_\_, \_\_\_\_\_**

**PERIOD: From \_\_\_\_\_ To \_\_\_\_\_**

**TOTAL ROYALTIES DUE FOR THIS PERIOD \$ \_\_\_\_\_**

<b>PRODUCT ID</b>	<b>PRODUCT NAME</b>	<b>*JHU REF #</b>	<b>1st COMMERCIAL SALE DATE</b>	<b>TOTAL NET SALES/ SERVICES</b>	<b>ROYALTY RATE</b>	<b>AMOUNT DUE</b>
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**\* Please provide the JHU Reference Number or Patent Reference**

**This report format is to be used to report quarterly royalty statements to JHU. It should be placed on Company letterhead and accompany any royalty payments due for the reporting period. After the first sale on which royalties accrue, his report shall be submitted even if no sales are reported.**

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**RESTATED AND AMENDED LICENSE AGREEMENT**

This Restated and Amended License Agreement (“Restated and Amended Agreement”, JHU Ref. No. A18558) is made as of the EFFECTIVE DATE by and between The Johns Hopkins University, a corporation of the State of Maryland, having a principal place of business at 3400 N. Charles St., Baltimore, MD 21218 (hereinafter referred to as “JHU”) and BioSante Pharmaceuticals, Inc, a Delaware corporation (hereinafter referred to as “Company”), having an address at 111 Barclay Boulevard, Suite 280, Lincolnshire, IL 60069.

**WITNESSETH:**

WHEREAS, Cell Genesys, Inc. and JHU entered into a License Agreement effective June 15, 2000, and as amended on March 27, 2008 (JHU Ref. Nos. C09769, C03007 and C03096; JHU Agreement No. A00552) (“LICENSE AGREEMENT”);

WHEREAS, Company acquired Cell Genesys, Inc on October 14, 2009 and is the successor-in-interest to the LICENSE AGREEMENT;

WHEREAS, Company and JHU wish to restate and amend certain provisions of the LICENSE AGREEMENT;

NOW, THEREFORE, in consideration of the foregoing premises and the following mutual covenants, and other good and valuable consideration the receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

#### ARTICLE 1 - DEFINITIONS

1.1 “AFFILIATED COMPANY” or “AFFILIATED COMPANIES” shall mean any corporation, company, partnership, joint venture or other entity which controls, is controlled by or is under common control with the Company. For purposes of this Paragraph 1.1, control shall mean the direct or indirect ownership of at least fifty percent (50%) (or, the maximum ownership percentage allowed in the applicable jurisdiction, if lower) of the shares of the subject entity entitled to vote in the election of directors (or, in the case of an entity that is a corporation, for the election of the corresponding managing authority).

1.2 “BIOLOGICAL MATERIALS” shall mean all cells, cell lines and other materials provided to Company under this Agreement and covered by the PATENT RIGHTS.

1.3 “EFFECTIVE DATE” of this Restated and Amended Agreement shall mean the date the last party hereto has executed this Agreement.

1.4 “[ \* ] PATENT” shall mean that invention entitled [ \* ], U.S. Patent Application Serial No. [ \* ] filed on [ \* ], which was conducted during the course of research conducted by [ \* ], and licensed to [ \* ] under the license agreement effective [ \* ].

1.5 “LICENSED FIELD” shall mean all applications (including all allogeneic and autologous forms of immunotherapy).

1.6 “LICENSED MELANOMA PRODUCT(S)” shall mean any material, composition, drug, cell preparation, or other product (a) the manufacture, use or sale of which would constitute, but for the license granted to Company pursuant to this Agreement, an infringement of a claim of the JHU/NIH MELANOMA PATENT RIGHTS

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(infringement shall include, but is not limited to, direct, contributory, or inducement to infringe), is covered by a pending claim of JHU/NIH MELANOMA PATENT RIGHTS or incorporates a BIOLOGICAL MATERIAL, and (b) has received FDA or other regulatory approval to be marketed, sold, or used (or is marketed or sold) in the treatment of melanoma.

1.7 “LICENSED NON-MELANOMA PRODUCT(S)” shall mean any material, composition, drug, cell preparation, or other product other than a LICENSED MELANOMA PRODUCT.

1.8 “LICENSED PRODUCT(S)” shall mean LICENSED MELANOMA PRODUCT(S) and/or LICENSED NON-MELANOMA PRODUCT(S).

1.9 “LICENSED MELANOMA SERVICE(S)” means the commercial performance on behalf of a third party of any method including therapeutic service or the manufacture of any product or the use of any product or composition which (a) would constitute, but for the license granted to Company pursuant to this Agreement, an infringement of a claim of the JHU/NIH MELANOMA PATENT RIGHTS, (infringement shall include, but not be limited to, direct, contributory or inducement to infringe) or is covered by a pending claim of JHU/NIH MELANOMA PATENT RIGHTS or incorporates a BIOLOGICAL MATERIAL, and (b) has received FDA or other regulatory approval to be marketed, sold, or used (or is marketed or sold) in the treatment of melanoma.

1.10 “LICENSED NON-MELANOMA SERVICE(S)” means any commercial performance on behalf of a third party of any method including therapeutic service or the manufacture of any product or the use of any product or composition other than a LICENSED MELANOMA SERVICE.

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1.11 “LICENSED SERVICE(S)” shall mean LICENSED MELANOMA SERVICE(S) and/or LICENSED NON-MELANOMA SERVICE(S).

1.12 “NET SALES”, subject to Paragraph 4.10 below, shall mean gross sales revenues and fees billed by Company, AFFILIATED COMPANY and SUBLICENSEES from the sale of LICENSED PRODUCT(S) less (i) trade discounts allowed, refunds, returns and recalls, (ii) sales taxes and other governmental charges and duties (including value added tax) actually paid, and (iii) provisions for uncollectible accounts determined in accordance with generally accepted accounting principles, consistently applied to all products of the selling party. Except as set forth in Paragraph 4.5, in the event that Company, AFFILIATED COMPANY, or SUBLICENSEE sells a LICENSED PRODUCT(S) in combination with another drug as part of a combination product (as such drug is defined in the marketing application to the FDA), the NET SALES for purposes of royalty payments shall be calculated by multiplying the NET SALES of that combination by the fraction  $A/A+B$ , where A is Company’s then gross selling price of the LICENSED PRODUCT sold separately and B is the lowest, then-current fair market gross selling price of the other drug sold separately, provided that no deduction shall be made for costs for drugs not defined in the marketing application, provided further that in no event shall the NET SALES be reduced below an amount equal to the product of the number of combinations sold multiplied by Company’s then selling price for the LICENSED PRODUCT(S) if sold on a stand-alone basis, and provided further that any drug that is not an FDA-approved, therapeutically active, stand-alone product (even if noted in the marketing application) in its own right shall be disregarded in respect to this Paragraph 1.12.

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1.13 “NET SERVICE REVENUES”, subject to Paragraph 4.10 below, shall mean actual billings for the performance of LICENSED SERVICE(S) less (i) sales and/or use taxes and other governmental charges and duties (including value added tax) imposed upon and with specific reference to the LICENSED SERVICE and (ii) provisions for uncollectible accounts determined in accordance with generally accepted accounting principles, consistently applied to all products/services of the selling party.

1.14 “PATENT RIGHTS” shall mean the JHU/WHITEHEAD PATENTS, the JHU ALLOGENEIC PARACRINE PATENT APPLICATIONS, or the JHU/NIH MELANOMA PATENT APPLICATION, as each are further described on Exhibit “A” attached hereto, and the inventions disclosed and claimed therein, and all continuations, divisions, continuation in part applications (to the extent the new subject matter reads on claims in the originally filed U.S. utility application), substitutions, extensions, reexaminations, and reissues based thereof, and any corresponding foreign patent applications, and any patents, patents of addition, or other equivalent foreign patent rights issuing, granted or registered thereon.

1.15 “SUBLICENSEE” shall mean any third party (other than an AFFILIATED COMPANY) to whom Company has granted a sublicense under this Restated and Amended Agreement.

1.16 “VALID CLAIM” shall mean a claim of an issued and unexpired patent or a claim of a patent application within PATENT RIGHTS that has been pending for less than [ \* ] years from its filing date.

## ARTICLE 2 - GRANTS

2.1 Subject to the terms and conditions of this Agreement (particularly Paragraph 2.2 below), JHU hereby grants to Company a license under the PATENT RIGHTS to

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make, have made, use, import and sell the LICENSED PRODUCT(S) and to provide the LICENSED SERVICE(S) in the United States and worldwide under the PATENT RIGHTS in the LICENSED FIELD. This Grant shall apply to the Company and any AFFILIATED COMPANY, except that any AFFILIATED COMPANY shall not have the right to sublicense others as set forth in Paragraph 2.3 below. If any AFFILIATED COMPANY exercises rights under this Agreement, such AFFILIATED COMPANY shall be bound by all terms and conditions of this Agreement, including but not limited to indemnity and insurance provisions and royalty payments, which shall apply to the exercise of the rights, to the same extent as would apply had this Agreement been directly between JHU and the AFFILIATED COMPANY. In addition, Company shall remain fully liable to JHU for all acts and obligations of AFFILIATED COMPANY such that acts of the AFFILIATED COMPANY shall be considered acts of the Company.

2.2 The license granted in respect to the JHU/WHITEHEAD PATENTS shall be subject to the rights of The Whitehead Institute for Biological Research to exploit and enforce its co-interest (and to authorize others to do so, including, without limitation, granting and authorizing other licenses to grant and authorize sublicenses). The license granted in respect to the JHU/NIH MELANOMA PATENT RIGHTS shall be subject to: (a) the right of the Public Health Service (“PHS”) to require JHU, or its licensees (including Company), to grant sublicenses to responsible applicants, on reasonable terms, when necessary to fulfill health or safety needs; (b) the requirement that any LICENSED PRODUCT(S) that practice(s) any claim under the JHU/NIH MELANOMA PATENT RIGHTS and is/are produced for use and sale within the United States shall be substantially manufactured in the United States; (c) the rights of the United States

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government as set forth under 37 C.F.R. Part 401, and (d) the Public Health Service Interinstitutional Agreement between JHU and the PHS dated 17 January 1997 and attached hereto as Exhibit B “”. A letter providing written approval from the NIH for the granting of an exclusive license to Company by JHU for JHU/NIH MELANOMA PATENT APPLICATION is attached hereto as Exhibit C”‘. The license granted pursuant to this Agreement shall be subject to: (a) the rights retained by the United States government in accordance with P.L. 96-517, as amended by P.L. 98-620; and (b) the rights retained by JHU to make, have made, provide and use for its and The Johns Hopkins Health Systems’ non-profit purposes the LICENSED PRODUCT(S) and the LICENSED SERVICE(S).

2.3 Except as provided herein, Company may grant and authorize sublicenses to others under this Agreement and shall provide a copy of each such sublicense agreement to JHU promptly after it is executed provided that Company shall have the right to redact such portions of such sublicense agreement not applicable to obligations of Company or such SUBLICENSEE under this Agreement, and further provided that such agreement shall be considered confidential information under Paragraph 5.3. Each sublicense shall be consistent with the terms of this Agreement. As a condition to its validity and enforceability, each sublicense agreement shall: (a) incorporate by reference the terms and conditions of this Agreement, (b) be consistent with the terms, conditions and limitations of this Agreement, (c) prohibit SUBLICENSEE’s further sublicense of the rights delivered hereunder, (d) name JHU as an intended third party beneficiary of the obligations of SUBLICENSEE without imposition of obligation or liability on the part of JHU or its Inventors to the SUBLICENSEE, (e) specifically

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incorporate Paragraphs 9.6, 9.7, 9.8 and 9.9 into the body of the sublicense agreement, and cause the terms used in therein to have the same meaning as in this Agreement. To the extent that any terms, conditions or limitations of any sublicense agreement are inconsistent with this Agreement, those terms, conditions and limitations are null and void against JHU.

### ARTICLE 3 - PATENT INFRINGEMENT

3.1 Each party will notify the other promptly in writing when any infringement of PATENT RIGHTS by another is uncovered or suspected.

3.2 Subject to Paragraph 3.4 below, Company shall have the first right (through itself or others) to enforce any patent within the PATENT RIGHTS against any infringement or alleged infringement thereof and/or to defend any declaratory judgment action with respect thereto, and shall at all times keep JHU informed as to the status thereof. Company may, in sole judgment and at its own expense, institute suit against any such infringer or alleged infringer and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof and recover, for its account, any damages, awards or settlements resulting therefrom, subject to Paragraph 3.5. This right to sue for infringement shall not be used in an arbitrary or capricious manner. JHU shall reasonably cooperate in any such litigation at Company's expense, including without limitation, by joining as a party plaintiff and executing such documents as Company may request.

3.3 If Company elects not to enforce any patent within the PATENT RIGHTS, then it shall so notify JHU in writing within [ \* ] months of receiving notice that an infringement

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exists, and JHU may, in its sole judgment and at its own expense, take steps to enforce any patent and control, settle, and defend such suit in a manner consistent with the terms and provisions hereof, and recover, for its own account, any damages, awards or settlements resulting therefrom.

3.4 JHU shall have the first right to enforce any patent rights granted under the JHU/NIH MELANOMA PATENT APPLICATION. Company shall only have the right to enforce patent rights granted under the JHU/NIH MELANOMA PATENT APPLICATION if both JHU and PHS elect not to enforce such rights, whether jointly or separately. In no such event shall Company take any action to compel PHS to initiate or join in any suit for patent infringement, except to the extent possible under the JHU/PHS agreement. Should PHS be made a party to any suit as a result of Company action, Company shall pay all costs, fees, and expenses incurred by PHS, including all costs, fees, and expense incurred by opposing any such action. PHS shall have the right (but not the obligation) to join in any suit brought by the Company.

3.5 Any recovery by Company of compensatory (i.e., non-punitive damages net of legal fees and out-of-pocket costs of the action) under Paragraph 3.2 or 3.4 shall be deemed to reflect loss of commercial sales, and Company shall pay to JHU the applicable royalty rate on infringing NET SALES. Infringing NET SALES shall be determined by and calculated from the amount of infringing sales on which the award of compensatory damages is based. With respect to any recovery of punitive damages with respect to royalty-bearing products, Company shall pay to JHU an amount equal to [ \* ] thereof.

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ARTICLE 4 - PAYMENTS, ROYALTIES, AND RESEARCH SUPPORT

4.1 Company will reimburse JHU for the reasonable costs of preparing, filing, maintaining and prosecuting the PATENT RIGHTS prior to the effective date (except that the Company shall be directly responsible for all future costs associated with preparing, filing, maintaining and prosecuting the JHU/WHITEHEAD PATENTS). In accordance with Paragraph 5.1 below, Company will reimburse JHU, within [ \* ] days of the receipt of an invoice from JHU, for all costs associated with the preparation, filing, maintenance, and prosecution of PATENT RIGHTS incurred by JHU subsequent to the EFFECTIVE DATE of this Agreement.

4.2 The Company shall pay to JHU a [ \* ] annual license fee due within [ \* ] days of each anniversary of the EFFECTIVE DATE of the Restated and Amended Agreement. [ \* ] Dollars (\$[ \* ]) of such fee shall be allocated to the JHU/WHITEHEAD PATENT RIGHTS and [ \* ] Dollars (\$[ \* ]) shall be allocated to the JHU ALLOGENEIC PARACRINE PATENT RIGHTS and the JHU/NIH MELANOMA PATENT RIGHTS. Such fees are nonrefundable and shall not be credited against royalties or other fees.

4.3 Throughout the term of this Agreement, Company shall pay to JHU an annual royalty for each LICENSED PRODUCT(S) sold and each LICENSED SERVICE(S) provided worldwide by the Company, AFFILIATED COMPANIES and SUBLICENSEES so long as such LICENSED PRODUCT(S) or LICENSED SERVICE(S) is covered by a VALID CLAIM under any PATENT RIGHTS. Annual royalties shall be paid quarterly as provided in Paragraph 4.8.

4.4 The Company shall pay to JHU a running royalty in an amount equal to [ \* ] of the NET SALES and [ \* ] of NET SERVICE REVENUES of such LICENSED PRODUCT(S) or LICENSED SERVICE(S).

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In the event that JHU receives any royalties in respect to the JHU/NIH MELANOMA PATENTS, JHU shall pay the Public Health Service any sums due under the Public Health Service Interinstitutional Agreement between JHU and PHS.

4.5 Royalties owed pursuant to Paragraph 4.4 shall not be subject to deductions or reductions because of third party patents or other royalties and shall be determined upon the price of the entire final LICENSED PRODUCT(S) or LICENSED SERVICE(S). Notwithstanding anything in the foregoing to the contrary, the determination of the royalty for the sale of any LICENSED PRODUCT shall exclude any other product if such other product is administered as part of a combination treatment regimen with a LICENSED PRODUCT and such other product has been separately approved by the FDA or an equivalent agency.

4.6 Sublicense Consideration. In addition to the running royalty as set forth under Paragraph 4.4, Company shall pay to JHU [ \* ] of the cash value of any and all consideration received for sublicenses under this Agreement. This sublicense consideration shall be due, without the need for invoice from JHU, within [ \* ] days of Company's receipt of a payment. Such consideration shall mean consideration of any kind received by the Company or AFFILIATED COMPANIES from a SUBLICENSEE(S) for the grant of a sublicense under this Agreement, such as upfront fees or milestone fees and including any premium paid by the SUBLICENSEE(S) over Fair Market Value for stock of the Company or an AFFILIATED COMPANY in consideration for such sublicense. However, not included in such sublicense consideration are amounts paid to the Company or an AFFILIATED COMPANY by the SUBLICENSEE(S) for (i) running royalties on LICENSED PRODUCT(S) and LICENSED SERVICE(S), and (ii) product development, research work, clinical studies and regulatory

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approvals to be performed by or for the Company or AFFILIATED COMPANIES (including third parties on their behalf) subsequent to the EFFECTIVE DATE of this Restated and Amended Agreement, each pursuant to [ \* ], the [ \* ]. The term “Fair Market Value” shall mean the average price that the stock in question is publicly trading at for [ \* ] days prior to the announcement of its purchase by the SUBLICENSEE(S) or if the stock is not publicly traded, the value of such stock as determined by the most recent private financing through a financial investor (an entity whose sole interest in the Company or AFFILIATED COMPANY is financial) of the Company or AFFILIATED COMPANY that issued the shares.

4.7 The Company shall pay to JHU the following milestone payments (not creditable against earned royalties) within [ \* ] days of the events indicated below:

- (A) For JHU/WHITEHEAD PATENT: [ \* ]
- (B) For JHU ALLOGENEIC PARACRINE PATENT APPLICATION:
  - (1) [ \* ]:

[ \* ]
  - (2) [ \* ]:

[ \* ]
  - (3) [ \* ]:

[ \* ]

[\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(4) [ \* ]:

[ \* ]

Milestones (2) through (4) above, however, shall be paid only for the first three (3) LICENSED NON-MELANOMA PRODUCTS or LICENSED NON-MELANOMA SERVICES covered by a claim under the JHU ALLOGENEIC PARACRINE PATENT RIGHTS.

(C) For JHU/NIH MELANOMA PATENT APPLICATION:

(1) [ \* ]:

[ \* ]

(2) [ \* ]:

[ \* ]

(3) [ \* ]:

[ \* ]

(4) [ \* ]:

[ \* ]

Milestones (2) through (4) above, however, shall be paid only for the first LICENSED MELANOMA PRODUCT or LICENSED MELANOMA SERVICE covered by a claim under the JHU/NIH MELANOMA PATENT APPLICATION. Milestones (2) and (3) above are understood to occur and be paid prior to FDA or other regulatory approval for marketing.

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4.8 Up until the time of the Company receiving FDA approval for a LICENSED PRODUCT or LICENSED SERVICE, the Company shall provide to JHU within [ \* ] days of the end of each December after the EFFECTIVE DATE, an annual written report to JHU of the amount of LICENSED PRODUCTS sold and LICENSED SERVICES sold, the total NET SALES and NET SERVICE REVENUES of such LICENSED PRODUCTS and LICENSED SERVICES, and the running royalties due to JHU as a result of NET SALES and NET SERVICE REVENUES by Company, AFFILIATED COMPANIES and SUBLICENSEES thereof. Payment of any such royalties due shall accompany such report. Upon receipt of FDA approval for a LICENSED PRODUCT or LICENSED SERVICE, the Company shall provide thereafter a written report within [ \* ] days after each March, June, September and December including the amount of approved LICENSED PRODUCT sold and approved LICENSED SERVICE provided, the total NET SALES and NET SERVICE REVENUES of such LICENSED PRODUCT and LICENSED SERVICE, and the running royalties due to JHU. Until the Company, an AFFILIATED COMPANY or a SUBLICENSEE has initiated a clinical trial and has achieved a first commercial sale of a LICENSED MELANOMA PRODUCT or LICENSED MELANOMA SERVICE and a LICENSED NON-MELANOMA PRODUCT or LICENSED NON-MELANOMA SERVICE (and has received FDA market approval for such LICENSED PRODUCT(S) or LICENSED SERVICES), a report shall be submitted at the end of every December after the EFFECTIVE DATE and will include a full written report describing the Company's, AFFILIATED COMPANIES and SUBLICENSEE'S technical efforts towards meeting the milestones in Article 6.

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4.9 The Company shall make and retain, for a period of [ \* ] years following the period of each report required by Paragraph 4.8, true and accurate records, files and books of account containing all the data reasonably required for the full computation and verification of sales and other information required in Paragraph 4.8. Such books and records shall be in accordance with generally accepted accounting principles consistently applied. The Company shall permit the inspection and copying of such records, files and books of account by JHU or its agents during regular business hours upon [ \* ] business days' written notice to the Company. Such inspection shall not be made more than once each calendar year. All costs of such inspection and copying shall be paid by JHU, provided that if any such inspection shall reveal that an error has been made in the amount equal to [ \* ] or more of such payment, such costs shall be borne by the Company. The Company shall include in any agreement with its AFFILIATED COMPANIES or any SUBLICENSEE which permits such party to make, use or sell the LICENSED PRODUCT(S) or provide the LICENSED SERVICE(S), a provision requiring such party to retain records of sales of such LICENSED PRODUCT(S) and records of LICENSED SERVICE(S) and other information as required in Paragraph 4.8 and permit JHU to inspect such records as required by this Paragraph 4.9. Notwithstanding the foregoing, if Company does not have the right to grant to JHU the right to audit any SUBLICENSEES' books and records, Company shall obtain for itself such right and, at JHU's request, Company shall exercise such audit right with respect to such SUBLICENSEES; provided, that (i) Company shall provide the results of such audit for inspection by JHU pursuant to this Paragraph 4.9, and (ii) Company shall use an independent auditor reasonably acceptable to JHU to conduct such audit. In such event, Company shall obtain for itself such right to audit at least once per calendar year.

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4.10 In order to insure JHU the full royalty payments contemplated hereunder, the Company agrees that in the event any LICENSED PRODUCT shall be sold or any LICENSED SERVICE shall be provided to an AFFILIATED COMPANY or SUBLICENSEE or to a corporation, firm or association with which Company shall have any agreement, understanding or arrangement with respect to consideration (such as, among other things, an option to purchase stock or actual stock ownership, or an arrangement involving division of profits or special rebates or allowances) the royalties to be paid hereunder for such LICENSED PRODUCT(S) shall be based upon the greater of: 1) the net selling price at which the purchaser of LICENSED PRODUCT(S) or LICENSED SERVICE(S) resells such product to the end user, 2) the NET SERVICE REVENUE received from using the LICENSED PRODUCT(S) or LICENSED SERVICE(S) in providing a service, 3) the fair market value of the LICENSED PRODUCT(S) or LICENSED SERVICE(S), or 4) the net selling price of LICENSED PRODUCT(S) or LICENSED SERVICE(S) paid by the purchaser.

4.11 Form of Payment. All payments under this Agreement shall be made in U.S. Dollars. Checks are to be made payable to “The Johns Hopkins University” and sent to

Director  
Technology Transfer  
The Johns Hopkins University  
100 N. Charles Street  
5th Floor  
Baltimore, MD 21201  
Attn: A18558

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or such other addressee which JHU may designate in writing from time to time. Checks are to be made payable to “The Johns Hopkins University”. Wire transfers may be made through:

[ \* ]  
Transit/Routing/ABA number: [ \* ]  
SWIFT code: [ \* ]  
CHIPS ABA number: [ \* ]  
Account Number: [ \* ]  
Type of account: [ \* ]

or ACH  
[ \* ]  
Transit/routing/ABA number: [ \* ]  
Account number: [ \* ]  
Type of account:[ \* ]

Reference: JHU Tech Transfer  
(JHU Ref. No.: A18558)  
Attn: Financial Manager

Company shall be responsible for any and all costs associated with wire transfers.

#### ARTICLE 5 - PROSECUTION OF PATENT RIGHTS AND CONFIDENTIAL INFORMATION

5.1 Except for the JHU/WHITEHEAD PATENT, for which Company shall hereafter be directly responsible for the prosecution and maintenance of such, JHU, at the Company’s expense, shall file, prosecute and maintain all patents and patent applications specified under PATENT RIGHTS upon authorization of the Company and the Company shall be licensed thereunder. Title to all patents and patent applications shall reside in JHU. JHU shall have full and complete control over all patent matters in connection therewith except that Company shall be copied directly on all patent

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correspondence, provided copies of all correspondence received from any patent office and provided drafts of any papers or applications to be filed at least [ \* ] weeks prior to patent office submission for Company comment and Company comments shall be considered and reasonably incorporated. The Company will provide payment authorization to JHU at least [ \* ] before an action is due, provided that the Company has received timely notice of such action from JHU. Failure to provide authorization can be considered by JHU as a Company decision not to authorize an action. In any country where the Company elects not to have a patent application filed or to pay expenses associated with filing, prosecuting, or maintaining a patent application or patent (or if such is the case with the JHU/WHITEHEAD PATENT), JHU may file, prosecute, and/or maintain a patent application or patent at its own expense and for its own exclusive benefit and the Company thereafter shall not be licensed under such, patent or patent application.

5.2 Company agrees that all packaging containing individual LICENSED PRODUCT(S) sold by Company, AFFILIATED COMPANIES and SUBLICENSEES and all materials in respect to LICENSED SERVICE(S) provided by company, AFFILIATED COMPANIES and SUBLICENSEES of Company will be marked with the number of the applicable patent(s) licensed hereunder in accordance with each country’s patent laws.

5.3 If necessary, the parties will exchange information which they consider to be confidential. The recipient of such information agrees to accept the disclosure of said information which is marked as confidential at the time it is sent to the recipient (collectively, “Confidential Information”), and to employ all reasonable efforts to maintain the Confidential Information as secret and confidential, such efforts to be no less than the

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degree of care employed by the recipient to preserve and safeguard its own confidential information. The Confidential Information of the other party shall not be disclosed or revealed to anyone except employees or agents of the recipient who have a need to know the information and who have entered into a secrecy agreement with the recipient under which such employees are required to maintain the confidentiality of information such as the Confidential Information and such employees or agents shall be advised by the recipient of the confidential nature of the Confidential Information and that the Confidential Information shall be treated accordingly. The recipient's obligations under this Paragraph 5.3 shall not extend to any part of the Confidential Information:

a. that can be demonstrated to have been in the public domain or publicly known and readily available to the trade or the public prior to the date of the disclosure; or

b. that can be demonstrated, from written records to have been in the recipient's possession or readily available to the recipient from another source not under obligation of secrecy to the disclosing party prior to the disclosure: or

c. that becomes part of the public domain or publicly known by publication or otherwise, not due to any unauthorized act by the recipient; or

d. that is demonstrated from written records to have been developed by or for the receiving party without reference to Confidential Information disclosed by the disclosing party; or

e. that is required to be disclosed by law, government regulation, or court order.

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The obligations of this Paragraph 5.3 shall also apply to AFFILIATED COMPANIES and/or SUBLICENSEES. JHU's, Company's, AFFILIATED COMPANIES', and SUBLICENSEES' obligations under this Paragraph 5.3 shall continue until [ \* ] years after the termination of this Agreement. Notwithstanding the foregoing, the receiving party may use or disclose Confidential Information of the disclosing party to the extent necessary to exercise its rights hereunder (including commercialization and/or sublicensing of the PATENT RIGHTS) or fulfill its obligations and/or duties hereunder and in prosecuting or defending litigation and/or submitting information to tax or other governmental authorities; provided, that if the receiving party is required by law to make any public disclosures of Confidential Information of the disclosing party, to the extent it may legally do so, it will give reasonable advance notice to the disclosing party of such disclosure and will use its reasonable efforts to secure confidential treatment of Confidential Information prior to its disclosure (whether through protective orders or otherwise).

#### ARTICLE 6 - TERM AND COMMERCIAL EFFORTS

6.1 This Agreement shall expire in each country on the date of expiration of the last to expire patent included within PATENT RIGHTS in that country or if no patents issue then twenty (20) years from the EFFECTIVE DATE of this Agreement.

6.2 Company shall use reasonable commercial efforts to develop and commercialize the LICENSED PRODUCT(S) and LICENSED SERVICE(S) using good scientific judgment. Specifically, with respect to the development of an allogeneic cell line for a particular tumor type, Company shall meet the milestones set forth in Paragraphs 6.3 through 6.7.

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6.3 Company may give written notice to JHU requesting to undertake commercially reasonable efforts to file either a corporate IND or a corporate drug master file with respect to any tumor types or JHU may give written notice to Company that JHU is requesting that Company then agree to undertake commercially reasonable efforts to file either a corporate IND or a corporate drug master file with respect to tumor types. (In the event that any Company-sponsored research in the JHU laboratories of Dr. Drew Pardoll or Dr. Elizabeth Jaffee addresses any of these tumor types, the definition of “tumor types” may then be defined in greater detail in a subsequent agreement to specify a product based on a cell line developed by either researcher.)

6.4 In reply to written notice by Company or by JHU, JHU shall provide, to the extent known by JHU, a detailed, final clinical data report and reports from all prior clinical trials and other materials for the tumor type justifying the commencement of commercially reasonable efforts by Company to file either a corporate IND or a corporate drug master file. If JHU is conducting such clinical research and developing an allogeneic cell line, JHU will provide Company with a clinical progress report at least [ \* ] months prior to the submission of the final clinical report. Such data may be auditable by Company or its designee upon request.

6.5 Upon receipt of written notice by JHU or Company, Company shall have [ \* ] months to evaluate and decide whether to commence commercially reasonable efforts itself or through a third party to file a corporate IND or a corporate drug master file within [ \* ] months after Company’s decision to proceed. If Company decides

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to commence such an effort, it will notify JHU in writing of its intent and shall deliver to JHU an appropriate clinical plan and timeline. The parties agree that if manufacturing or other technical issues beyond Company's control prevent Company from so filing, Company shall be given additional time equal to the length of the delay. If Company does not agree to commence such commercially reasonable efforts, Company upon request of JHU will enter into good faith negotiations with any reputable third party identified by JHU for an exclusive license to JHU's interest in the intellectual property for the LICENSED PRODUCTS OR LICENSED SERVICES. Company will use commercially reasonable efforts to consummate such a license within [ \* ] months of JHU notifying Company of the name of a reputable third party that has expressed definitive interest in obtaining such an exclusive license. The terms of such a license shall be commercially reasonable and shall consider the contributions of Company and/or its partners in developing the GVAX® platform. In the event: (a) the Company has not agreed to commence commercially reasonable efforts itself or through a third party to file a corporate IND or a corporate drug master file; and (b) JHU has identified a reputable third party which is interested in an exclusive license as described above; and (c) the Company has not consummated such a license within [ \* ] months of JHU's notifying the Company of such third party's interest then except if the third party does not agree to commercially reasonable terms, in such event, the license granted hereunder shall be terminated as of the last day of such [ \* ] month period.

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6.6 If the Parties so agree to commence efforts to file a corporate IND or a corporate drug master file, JHU shall then license exclusively to Company the allogeneic cell line regarding the particular tumor type. In such event, Company shall: (i) reimburse JHU for the cost of development and testing the particular cell line in excess of the funding provided to Dr. Jaffee (pursuant to paragraph 7.1) up to a maximum of [ \* ] per cell line; (ii) pay JHU's customary licensing processing fee of [ \* ] and an annual fee of [ \* ]; and (iii) reimburse JHU for all reasonable patent costs. Said reimbursements and payments shall be the sole economic consideration for any such license.

6.7 If Company agrees to commence efforts to file a corporate IND or corporate drug master file for the particular tumor type subject to JHU's notice, it is understood that Company will use reasonable commercial efforts to:

- Develop a scaleable manufacturing process
- Conduct an appropriate "bridging study" to confirm that the scaleable manufacturing process yields a product comparable to that evaluated in the preliminary clinical studies performed by JHU
- Conduct a Phase II clinical trial
- Conduct an end of Phase II meeting with FDA
- Conduct Phase III clinical trials consistent with FDA

Upon request, Company shall provide JHU with periodic progress reports showing Company's reasonable commercial efforts to achieve the above milestones at a frequency not to exceed every [ \* ] months.

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6.8 Company shall not be required to act upon JHU's written notice if Company has commenced or can provide written documentation that it has plans to commence the development of a product similar to the one for JHU's intended tumor type.

6.9 JHU, through JHU inventors of PATENT RIGHTS, shall provide Company periodic updates on clinical trials for products covered under the PATENT RIGHTS and under development by the JHU inventors of the PATENT RIGHTS in order to evaluate for potential clinical development by Company as contemplated hereunder. Company will not publicly disclose any information contained in said updates, unless approved by JHU in accordance with Section 9.6.

#### ARTICLE 7 - CLINICAL TRIALS

7.1 Company shall consider in good faith JHU's participation as a clinical site for future Phase I and Phase II clinical trials for LICENSED PRODUCTS in accordance with a customary Clinical Trials Agreement. Such consideration shall include, but not be limited to, consideration as a site for renal cancer trials. Company shall consider the following factors when determining whether JHU shall serve as the clinical sites for such studies: (i) resources available at JHU for trial; (ii) personnel available at JHU for trial; and (iii) the patient referral base at JHU that is available for trial. In the event Company chooses not to use JHU as the site for such studies Company shall notify JHU of such decision in writing and give a detailed explanation concerning the reason JHU was not chosen for such clinical trial. JHU shall have [ \* ] days to respond to such notice. If JHU responds in writing within such [ \* ] day period Company shall reasonably and in good faith consider JHU's response before making its final determination.

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## ARTICLE 8 - BREACH AND TERMINATION

8.1 Upon breach or default of any of the terms and conditions of this Agreement, the defaulting party shall be given written notice of such default in writing and a period of sixty (60) days after receipt of such notice to correct the default or breach. If the default or breach is not corrected within said sixty (60) day period, the party not in default shall have the right to terminate this Agreement. Failure by Company to use commercially reasonable efforts to make any payments hereunder, including patent reimbursements, shall be considered a breach.

8.2 Company may terminate this Agreement and the license granted herein, for any reason, upon giving JHU sixty (60) days written notice.

8.3 Termination shall not affect JHU's right to recover unpaid royalties or fees or reimbursement for patent expenses incurred prior to termination. Upon termination all rights in and to the licensed technology shall revert to JHU at no cost to JHU. In the event this Agreement is terminated for any reason, Company shall provide JHU with a written inventory of all LICENSED PRODUCTS and LICENSED SERVICES that Company and its AFFILIATED COMPANIES have the right to sell or otherwise dispose of, all subject to the payment to JHU of royalties pursuant to Article 4 hereof. Upon termination of this Agreement by either party for any reason, any sublicense granted by the Company hereunder shall survive, provided that (i) the SUBLICENSEE is not in breach of its sublicense agreement, (ii) the SUBLICENSEE agrees to be bound directly to JHU as a licensor under the terms and conditions of the sublicense agreement, and (iii) JHU's obligations to SUBLICENSEE(S) are no greater than JHU's obligations to Company under this Agreement.

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ARTICLE 9 - MISCELLANEOUS

9.1 All notices pertaining to this Agreement shall be in writing and sent certified mail, return receipt requested, or by courier, to the parties at the following addresses or such other address as such party shall have furnished in writing to the other party in accordance with this Paragraph 9.1:

FOR JHU:                   The Johns Hopkins University  
                                Johns Hopkins Technology Transfer  
                                100 N. Charles Street, 5<sup>th</sup> Floor  
                                Baltimore, Maryland 21201  
                                Notices to be sent to: The Director.  
                                Agreement Ref. No.: A18558

FOR COMPANY:           BioSante Pharmaceuticals, Inc  
                                111 Barclay Boulevard, Suite 280  
                                Lincolnshire, Illinois 60069  
                                Notices to be sent to: President & CEO.

9.2 All written progress reports, and any other related correspondence shall be in writing and sent to:

The Johns Hopkins University  
Johns Hopkins Technology Transfer  
100 N. Charles Street, 5<sup>th</sup> Floor  
Baltimore, Maryland 21201  
Notices to be sent to: The Director.  
Agreement Ref. No.: A18558

or such other addressee which JHU may designate in writing from time to time.

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9.3 This Agreement binding upon and shall inure to the benefit of both parties, their successors and assignees and shall not be assignable without the written consent of the other party, which consent shall not be unreasonably withheld, except that the Company shall have the right to assign this Agreement to another party without the consent of JHU in the case of the sale or transfer by the Company of all, or substantially all, of its assets or business relating to the LICENSED PRODUCT or LICENSED SERVICE, to that party by sale, merger, operation of law, or otherwise.

9.4 In the event that any one or more of the provisions of this Agreement should for any reason be held by any court or authority having jurisdiction over this Agreement, or over any of the parties hereto to be invalid, illegal or unenforceable, such provision or provisions shall be reformed to approximate as nearly as possible the intent of the parties, and if unreformable, shall be divisible and deleted in such jurisdictions; elsewhere, this Agreement shall not be affected.

9.5 The construction, performance, and execution of this Agreement shall be governed by the laws of the State of Maryland. Any disputes between the parties to the Agreement shall be brought in the state or federal courts of Maryland. Both parties agree to waive their right to a jury trial.

9.6 The Company shall not use the name of THE JOHNS HOPKINS UNIVERSITY or THE JOHNS HOPKINS HEALTH SYSTEM or any of its constituent parts, such as the Johns Hopkins Hospital or any contraction thereof or the name of Inventors of PATENT RIGHTS in any press releases, advertising, promotional, sales literature or fundraising documents without prior written consent from an officer of JHU. Company shall allow at least seven (7) business days notice of any proposed public disclosure for JHU's review and comment or to provide written consent.

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9.7 JHU warrants that it has good and marketable title to its interest in the inventions claimed under PATENT RIGHTS with the exception of certain retained rights of the United States government and others as stated herein and that it has the right and authority to enter into this Agreement and grant the licenses contemplated hereunder. JHU does not warrant the validity of any patents or that practice under such patents shall be free of infringement. EXCEPT AS EXPRESSLY SET FORTH IN THIS PARAGRAPH 9.7, COMPANY, AFFILIATED COMPANIES AND SUBLICENSEES AGREE AND ACKNOWLEDGE THAT THE PATENT RIGHTS ARE PROVIDED “AS IS”, AND THAT JHU MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF LICENSED PRODUCT(S) AND LICENSED SERVICE(S) INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY, JHU DISCLAIMS ALL WARRANTIES WITH REGARD TO PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES, EXPRESS OR IMPLIED, OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, JHU ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF JHU AND INVENTORS, FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, AND CONSEQUENTIAL DAMAGES, ATTORNEYS’ AND EXPERTS’ FEES, AND COURT COSTS (EVEN IF JHU HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THE MANUFACTURE, USE, OR SALE OF THE PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT. COMPANY, AFFILIATED COMPANIES AND SUBLICENSEES ASSUME

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ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT AND SERVICE MANUFACTURED, USED, OR SOLD BY COMPANY, ITS SUBLICENSEES AND AFFILIATED COMPANIES WHICH IS A LICENSED PRODUCT OR LICENSED SERVICE AS DEFINED IN THIS AGREEMENT.

9.8 JHU and the Inventors of LICENSED PRODUCT(S) and LICENSED SERVICE(S) will not, under the provisions of this Agreement or otherwise, have control over the manner in which Company or its AFFILIATED COMPANIES or its SUBLICENSEES or those operating for its account or third parties who purchase LICENSED PRODUCT(S) or LICENSED SERVICE(S) from any of the foregoing entities, practice the inventions of LICENSED PRODUCT(S) and LICENSED SERVICE(S). The Company, AFFILIATED COMPANIES and SUBLICENSEE(S) shall indemnify, defend, with counsel reasonably acceptable to JHU, and hold JHU, The Johns Hopkins Health Systems, their present and former trustees, officers, Inventors of PATENT RIGHTS, agents, faculty, employees and student (collectively, "Indemnitees") harmless as against any judgments, fees, expenses, or other costs arising from or incidental to any product liability or other lawsuit, claim, demand or other action brought as a consequence of the practice of said inventions by any of the foregoing entities, whether or not JHU or said Inventors, either jointly or severally, is named as a party defendant in any such lawsuit and whether or not JHU or the Inventors are alleged to be negligent or otherwise responsible for any injuries to persons or property; provided, that any party that intends to claim indemnification under this Paragraph 9.8 shall: (i) promptly notify Company in writing of any claim with respect to which the party intends to claim such

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indemnification, (ii) give Company sole control of the defense and/or settlement thereof (provided that there shall be no settlement without the indemnified party's consent, which shall not be unreasonably withheld or delayed), and (iii) provide Company, at Company's expense, with reasonable assistance and full information with respect to such claim. As used in the previous sentence, "former" means an Indemnatee that is not associated with JHU at the time of the defense by Company but was associated with JHU (e.g., was a trustee of JHU) as of the EFFECTIVE DATE. Practice of the inventions covered by LICENSED PRODUCT(S) and LICENSED SERVICE(S), by an AFFILIATED COMPANY or an agent or a SUBLICENSEE or a third party on behalf of or for the account of the Company or by a third party who purchases LICENSED PRODUCT(S) and LICENSED SERVICE(S) from the Company, shall be considered the Company's practice of said inventions for purposes of this Paragraph 9.8. Notwithstanding the foregoing, Company shall have no obligations for any claim, fee, expense or otherwise if the party seeking indemnification, prior to Company assuming such defense, makes any settlement, damaging admission or other communication regarding the same without the prior written consent of Company, which consent shall not be unreasonably withheld. The obligation of Company to defend and indemnify as set out in this Paragraph shall survive the termination of this Agreement, shall continue even after assignment of rights and responsibilities to an affiliate, and shall not be limited by any other limitation of liability elsewhere in this Agreement.

9.9 Prior to initial human testing or first commercial sale by Company, an AFFILIATED COMPANY, or SUBLICENSEE of any LICENSED PRODUCT(S) or commercial performance of any LICENSED SERVICE(S) as the case may be in any

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particular country, Company shall establish and maintain, in each country in which Company, an AFFILIATED COMPANY or SUBLICENSEE shall test or sell LICENSED PRODUCT(S) and LICENSED SERVICE(S), product liability or other appropriate insurance coverage in the minimum amount of five million dollars (\$5,000,000) per claim and will annually present evidence to JHU that such coverage is being maintained. Upon JHU's request, Company will furnish JHU with a Certificate of Insurance of each product liability insurance policy obtained. JHU shall be listed as an additional insured in Company's said insurance policies. If such Product Liability insurance is underwritten on a 'claims made' basis, Company agrees that any change in underwriters during the term of this Agreement will require the purchase of 'prior acts' coverage to ensure that coverage will be continuous throughout the term of this Agreement.

9.10 JHU may publish manuscripts, abstracts or the like describing the PATENT RIGHTS and inventions contained therein provided Confidential Information of Company as set forth in Paragraph 5.3, is not included or without first obtaining approval from the Company to include such Confidential Information. If Company believes that a disclosure of patentable, Company-provided material is contained in the proposed publication, JHU agrees to withhold publication and disclosure of such materials until a patent application is filed. JHU and the Inventors shall be free to publish manuscripts and abstracts or the like directed to the work done at JHU related to the licensed technology without prior approval.

9.11 This Agreement, including the exhibits hereto, constitutes the entire understanding between the parties with respect to the obligations of the parties with respect to the subject matter hereof, and supersedes and replaces all prior agreements, understandings, writings, and discussions between the parties relating to said subject matter.

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9.12 This Agreement may be amended and any of its terms or conditions may be waived only by a written instrument executed by the authorized officials of the parties or, in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by either party of any condition or term in any one or more instances shall be construed as a further or continuing waiver of such condition or term or of any other condition or term.

9.13 This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

9.14 Upon termination of this Agreement for any reason, Paragraphs 5.3, 8.3, 9.6, 9.7, 9.8 and 9.9 shall survive termination of this Agreement.

9.15 This Agreement is expressly conditioned upon the prior written approval of PHS of those provisions relating to the JHU/NIH MELANOMA PATENT APPLICATION and LICENSED MELANOMA PRODUCTS and LICENSED MELANOMA SERVICES.

9.16 The relationship of JHU and Company established by this Agreement is that of independent contractors. Nothing in this Agreement shall be construed to create any other relationship between JHU and Company. Neither party shall have any right, power or authority to assume, create or incur any expense, liability or obligation, express or implied, on behalf of the other.

**[\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

9.17 Except as expressly provided herein, each party agrees not to disclose any financial terms of this Agreement to any third party without the consent of the other party, except as required by securities or other applicable laws, to prospective and other investors, prospective and actual collaborators and such party's accountants, attorneys and other professional advisors.

9.18 In the event either party hereto is prevented from or delayed in the performance of any of its obligations hereunder by reason of acts of God, war, strikes, riots, storms, fires, or any other cause whatsoever beyond the reasonable control of the party, the party so prevented or delayed shall be excused from the performance of any such obligation to the extent and during the period of such prevention or delay.

9.19 EXCEPT WITH RESPECT TO EACH PARTY'S LIABILITY FOR INDEMNIFYING THE OTHER AS PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, EXEMPLARY OR INCIDENTAL DAMAGES (INCLUDING LOST OR ANTICIPATED REVENUES OR PROFITS RELATING TO THE SAME), ARISING FROM ANY CLAIM RELATING TO THIS AGREEMENT, WHETHER SUCH CLAIM IS BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EVEN IF AN AUTHORIZED REPRESENTATIVE OF SUCH PARTY IS ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SAME.

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IN WITNESS WHEREOF the respective parties hereto have executed this License Agreement by their duly authorized officers on the date appearing below their signatures.

THE JOHNS HOPKINS UNIVERSITY

/s/ Glen L. Steinbach  
\_\_\_\_\_  
Glen L. Steinbach  
Senior Director  
Johns Hopkins Technology Transfer

2/28/11  
\_\_\_\_\_  
(Date)

BIOSANTE PHARMACEUTICALS, INC

/s/ Stephen M. Simes  
\_\_\_\_\_  
Stephen M. Simes  
President and CEO

3/3/11  
\_\_\_\_\_  
(Date)

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EXHIBIT “A”

JHU/WHITEHEAD PATENTS (DM-9769)

[ \* ]

EXHIBIT “A” (continued)

JHU ALLOGENEIC PARACRINE PATENT APPLICATIONS (DM-3007)

[ \* ]

EXHIBIT “A” (continued)

JHU/NIH MELANOMA PATENT APPLICATION (JHU DM-3096)

[ \* ]

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**EXHIBIT “B”**

<9 pages omitted>

[ \* ]

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EXHIBIT “C”

National Institutes of Health Consent

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DEPARTMENT OF HEALTH & HUMAN  
SERVICES

Public Health Service  
National Institutes of Health

Office of Technology Transfer  
National Institutes of Health  
6011 Executive Boulevard  
Rockville, MD 20862

Via Federal Express

May 8, 2000

Nina Ossanna, Ph.D.  
Director, Office of Technology Licensing  
The Johns Hopkins University School of Medicine  
111 Market Place, Suite 906  
Baltimore, MD 21202

Dear Dr. Ossanna:

This letter serves to provide you with the written approval of the **NIH** for the granting of exclusive license to Cell Genesys by The Johns Hopkins University for U.S. Patent Applications Serial No. [ \* ] and Serial No. [ \* ], entitled "Melanoma Cell Lines expressing Shared Immunodominant Melanoma Antigens and Methods of Using Same", and including any divisions or continuations thereof, all foreign counterpart applications, and any patents issued thereon or reissues or extensions thereof; as per the draft license agreement which was submitted in the NTH Office of Technology Transfer via electronic mail on May 1, 2000.

In granting this approval, NIH recognizes that The Johns Hopkins University is in compliance with the portion of Paragraph 5.3 of PHS Interinstitutional Agreement Reference No. L-045-97/0, which states *that* "The institution [i.e. The Johns Hopkins University] shall not grant any licenses or sublicenses for the Invention(s) without first submitting the license or sublicense agreement: to PHS for review and obtaining **PHS's** written approval thereon". It is our understanding that, also per Paragraph 5.3 of L-045.97/0, The Johns Hopkins University will provide PHS with a copy of the license with Cell **Genesys** *once* it has been executed. It is also our understanding that PHS will be provided with any sublicenses for review and written approval prior to their execution.

Please let me know if you have *any* questions or require additional information.

Sincerely,

/s/ Jack Spiegel  
Jac Spiegel, Ph.D., Director  
Division of Technology Development and Transfer  
Office of Technology Transfer  
National Institutes of Health

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## LICENSE AGREEMENT

This License Agreement (this “Agreement”) is made effective as of June 20, 2012 (the “Effective Date”) by and between **Karagen Pharmaceuticals, Inc.**, a Maryland close corporation with a principal place of business at 4 Club Road, Baltimore, Maryland 21210 (“Licensor”), and **Aduro BioTech, Inc.** (“Licensee”), a Delaware corporation with a place of business at 626 Bancroft Way, Berkeley, CA 94710. Licensor and Licensee are each hereafter referred to individually as a “Party” and together as the “Parties”.

WHEREAS, Licensor is the owner of or otherwise Controls certain proprietary Licensed Patent Rights and Licensed Technology (as defined below);

WHEREAS, Licensee desires to obtain certain licenses from Licensor under such Licensed Patent Rights and Licensed Technology to develop and commercialize Licensed Products, which licenses will include both exclusive and nonexclusive license rights as well as options;

WHEREAS, Licensor has represented to Licensee that Licensor has entered into a license agreement (the “Preexisting License”) with a Third Party (“Preexisting Licensee”) for non-exclusive rights with an option to convert its current licensed rights in the Product Rights, all of which are nonexclusive, to exclusive with regard to one or more infectious diseases on a disease-by-disease basis (the “Preexisting Options”)) on the terms as they exist on the date hereof and specifically described in Exhibit A hereto (“Preexisting Rights”);

WHEREAS, Licensee has relied on those representations of Licensor relating to the Preexisting License and Preexisting Rights as one basis for entering into this Agreement; and

WHEREAS, Licensor desires to grant such license to Licensee on the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows.

### 1. DEFINITIONS

Whenever used in the Agreement with an initial capital letter, the terms defined in this Article 1 shall have the meanings specified.

1.1 “**Affiliate**” shall mean any corporation, firm, limited liability company, partnership or other entity that directly controls or is controlled by or is under common control with a Party to this Agreement. For purposes of this Section 1.1, “control” means ownership, directly or indirectly through one or more Affiliates, of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or fifty percent

(50%) or more of the equity interests in the case of any other type of legal entity, status as a general partner in any partnership, or any other arrangement whereby a Party controls or has the right to control the Board of Directors or equivalent governing body of a corporation or other entity.

1.2 “**BLA**” shall mean a biologics license application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed with the FDA seeking Regulatory Approval to market and sell any Licensed Product in the United States for a particular indication within the Exclusive Licensed Field or Non-Exclusive Licensed Field.

1.3 “**Confidential Information**” shall mean with respect to a Party (the “Receiving Party”), all information that is disclosed or has been previously disclosed by the other Party (the “Disclosing Party”) to the Receiving Party hereunder or to any of its Affiliates or its or their directors, officers, employees, or agents, except to the extent that the Receiving Party can demonstrate by written record or other suitable physical evidence that such information, (a) as of the date of disclosure is demonstrably known to the Receiving Party or its Affiliates other than by virtue of a prior confidential disclosure to such Party or its Affiliates; (b) as of the date of disclosure is in, or subsequently enters, the public domain, through no fault or omission of the Receiving Party; (c) is obtained from a Third Party having a lawful right to make such disclosure free from any obligation of confidentiality to the Disclosing Party; or (d) is independently developed by or for the Receiving Party without reference to or reliance upon any Confidential Information of the Disclosing Party.

1.4 “**Control**” or “**Controlled**” shall mean with respect to any Patent Rights or Technology, the possession by a Party of the ability to grant a license or sublicense of such Patent Rights or Technology as provided for herein without violating the terms of any arrangement or agreements written or otherwise between such Party and any Third Party or without requiring such Party to make undue payment to any Third Party.

1.5 “**Drug Approval Application**” shall mean any application for Regulatory Approval (including pricing and reimbursement approvals) required prior to any commercial sale or use of a Licensed Product in any country or jurisdiction in the Territory, including, without limitation, (a) any BLA or MAA filed with the FDA or any Foreign Regulatory Authority, and (b) any equivalent application filed with any Foreign Regulatory Authority for Regulatory Approval (including pricing and reimbursement approvals) required prior to any commercial sale or use of a Licensed Product in any country or jurisdiction in the Territory.

1.6 “**Exclusive Licensed Field**” shall mean human medical and veterinary uses of a Licensed Product for therapeutic and/or prophylactic treatment of cancer or precancerous conditions. For the sake of clarity, this Exclusive Licensed Field includes the therapeutic and/or prophylactic treatment of cancer or precancerous conditions caused by infectious agents, but excludes therapeutic and/or prophylactic treatment of the infectious agent itself. For example, the Exclusive Licensed Field includes the prevention and treatment of cervical cancer in humans, but does not include the treatment of human papilloma virus.

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1.7 “**FDA**” shall mean the United States Food and Drug Administration and any successor agency or authority thereto.

1.8 “**First Commercial Sale**” shall mean, on a country-by-country basis, the date of the first arm’s length sale to a Third Party of a Licensed Product by or on behalf of Licensee or any Affiliate or Sublicensee of Licensee in such country as part of a coordinated country-wide commercialization effort.

1.9 “**Foreign Regulatory Authorities**” shall mean any applicable supranational, national, federal, state or local regulatory agency, department, bureau or other governmental entity of any country or jurisdiction in the Territory (other than the FDA in the United States), having responsibility in such country or jurisdiction for any Regulatory Approvals of any kind in such country or jurisdiction, and any successor agency or authority thereto.

1.10 “**ID**” shall mean infectious disease.

1.11 “**Improvements**” shall mean any enhancement, invention or discovery created or identified by Licensor during the Term that constitutes an improvement to the Licensed Patent Rights or Licensed Technology to their subject matter.

1.12 “**IND**” shall mean an investigational new drug application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed or to be filed with the FDA with regard to any Licensed Product.

1.13 “**Licensed Patent Rights**” means all Patent Rights relating to the Exclusive License Field or the Nonexclusive License Field that are Controlled by Licensor as of the Effective Date or become Controlled by Licensor during the Term, to the extent reasonably necessary or useful for the manufacture, use or sale of the Licensed Products. The Licensed Patent Rights as of the Effective Date are listed in Exhibit B, attached hereto and made a part hereof. Exhibit B shall be updated by Licensor by written notice to Licensee on an annual basis during the Term to include any additional patents and patent applications not previously listed; however, the inclusion or exclusion of a patent or patent application from Exhibit B is not to be deemed a conclusive indication of whether that patent or application is or should be considered a “Licensed Patent Right” for purposes of this Agreement.

1.14 “**Licensed Product**” shall mean any product, the making, using, selling, importing or providing a service the conduct of which would, absent the license granted to Licensee hereunder, infringe any Valid Claim included in the Licensed Patent Rights.

1.15 “**Licensed Technology**” shall mean and include all Technology, whether or not patentable, including but not limited to formulations, techniques and materials, Controlled by Licensor as of the Effective Date or that becomes Controlled by Licensor during the Term that (a) is related to any patent or patent application included in the Licensed Patent Rights or (b) is reasonably necessary or useful for Licensee to practice the license granted to it hereunder.

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1.16 “**License Term**” shall mean, with respect to each Licensed Product, the period commencing on the Effective Date and continuing on a country-by-country basis until the last to expire of the Licensed Patent Rights covering the Licensed Product in each country.

1.17 “**MAA**” shall mean an application filed with the relevant Foreign Regulatory Authorities in Europe seeking Regulatory Approval to market and sell any Licensed Product in Europe or any country or territory therein for a particular indication within the Exclusive Licensed Field or Non-Exclusive Licensed Field.

1.18 “**Net Sales**” shall mean the amounts invoiced for all Licensed Products sold by Licensee and Affiliates and Sublicensees to Third Parties throughout the Territory during each calendar quarter, less the following deductions, exclusions and other amounts incurred or paid by Licensee or its Affiliates or Sublicensees with respect to sales of Licensed Products regardless of the calendar quarter in which such sales were made, provided that should sales not be sufficient to cover deductions such deductions may be carried to following calendar quarters:

(a) trade, cash and quantity discounts or rebates actually allowed or taken including, without limitation, discounts or rebates to governmental or managed care organizations;

(b) credits or allowances actually given or made for rejection or return of previously sold Licensed Products (including Medicare and similar types of rebates) and amounts attributable to uncollectible and bad accounts;

(c) any charges for insurance, freight, and other transportation costs directly related to the delivery of Licensed Product to the extent included in the gross invoiced sales price;

(d) any tax, tariff, duty or governmental charge levied on the sales, transfer, transportation or delivery of a Licensed Product (including any tax such as a value added or similar tax or government charge) borne by the seller thereof, other than franchise or income tax; and

(e) any import or export duties or their equivalent borne by the seller.

“Net Sales” shall not include (i) intermediate sales or transfers of Licensed Product between Licensee and its Affiliates or Sublicensees that are not arm’s length transactions, (ii) samples or quantities of Licensed Product used for access or assistance programs; (iii) Licensed Product used in preclinical and clinical trials or other research, and (iv) charitable and compassionate uses of Licensed Product or product tenders.

If Licensed Product is ever bundled with other products or equipment, in order to determine the portion of the sales price for the bundle that should be allocated to “Net Sales”, the Parties shall approve a formula that accurately determines the portion of the sales price for the bundle that reflects the fair market value of the Licensed Product when compared to the sum of the fair market value of all products in the bundle, based on the fair market value of a product when it is sold separately in the relevant sales channel and jurisdiction.

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1.19 “**Non-Exclusive Licensed Field**” shall mean all human medical and veterinary uses of Licensed Product other than those used in the Exclusive Licensed Field.

1.20 “**Option Subfield**” shall mean a Subfield designated by Licensee within the Non-Exclusive Licensed Field for inclusion within the Exclusive Licensed Field.

1.21 “**Patent Rights**” shall mean the rights and interests in and to issued patents and pending patent applications (including inventor’s certificates and utility models) in any country or jurisdiction within the Territory, including all provisionals, substitutions, continuations, continuations-in-part, divisionals, supplementary protection certificates, renewals, all letters patent granted thereon, and all reissues, reexaminations, extensions, confirmations, revalidations, registrations, patents of addition thereof, PCTs, foreign counterparts, and industrial rights Controlled by a Party.

1.22 “**Phase II Clinical Study**” shall mean, as to a particular Licensed Product for a particular indication, a controlled and lawful study in humans of the safety, dose ranging and efficacy of such Licensed Product for such indication, that is prospectively designed to generate sufficient data (if successful) to commence a Phase III Clinical Trial of such Licensed Product for such indication.

1.23 “**Phase III Clinical Trial**” shall mean, as to a particular Licensed Product for a particular indication, a controlled and lawful study in humans of the safety and efficacy of such Licensed Product for such indication, that is prospectively designed to demonstrate statistically whether such Licensed Product is safe and effective for use in such indication in a manner sufficient to file a BLA to obtain Regulatory Approval to market and sell that Licensed Product in the United States for the indication under investigation in such study.

1.24 “**Regulatory Approval**” shall mean any and all approvals (including pricing and reimbursement approvals), product and establishment licenses, registrations or authorizations of any kind of the FDA or any Foreign Regulatory Authority necessary for the development, pre-clinical and/or human clinical testing, manufacture, quality testing, supply, use, storage, importation, export, transport, marketing and sale of a Licensed Product (or any component thereof) for use in the Exclusive Licensed Field or Non-Exclusive Licensed Field in any country or other jurisdiction in the Territory. “Regulatory Approval” shall include, without limitation, any BLA, MAA or other Drug Approval Application.

1.25 “**Subfield**” shall mean a disease or condition, or set of related diseases or conditions, for which Regulatory Approval can be sought for a Licensed Product. For instance, “autoimmune disorders” and “metabolic disorders and obesity, and related disorders” are both Subfields.

1.26 “**Sublicensee**” shall mean any Third Party to whom Licensee grants a sublicense of some or all of the rights granted to Licensee under this Agreement.

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1.27 “**Technology**” shall mean and include any and all unpatented, proprietary ideas, inventions, discoveries, Confidential Information, biologic materials, data, results, formulae, designs, specifications, methods, processes, formulations, techniques, ideas, know-how, technical information (including, without limitation, structural and functional information), process information, pre-clinical information, clinical information, and any and all proprietary biological, chemical, pharmacological, toxicological, pre-clinical, clinical, assay, control and manufacturing data and materials.

1.28 “**Term**” shall have the definition set forth in Section 9.1.

1.29 “**Territory**” shall mean worldwide.

1.30 “**Third Party**” shall mean any person or entity other than Licensee, Licensors and their respective Affiliates.

1.31 “**Valid Claim**” shall mean those claims of a patent or patent application in any country that (i) has not expired; (ii) has not been disclaimed; (iii) has not been revoked, held invalid, or otherwise declared unenforceable or not allowable by a tribunal or patent authority of competent jurisdiction over such claim in such country from which no further appeal has or may be taken; and (iv) in the case of a pending application, was filed and is being prosecuted in good faith towards allowance for a period not to exceed [ \* ] years.

## 2. GRANT OF RIGHTS

### 2.1 Licenses.

2.1.1 Grant of Exclusive License. Licensors hereby grants to Licensee an exclusive, royalty-bearing license, including the right to grant sublicenses in accordance with Section 2.1.3, under the Licensed Patent Rights and Licensed Technology and Licensors’s interest in any Improvements, to make, have made, develop, have developed, use, have used, sell, have sold, offer for sale, commercialize, have commercialized, import, have imported, export and have exported Licensed Products in the Territory, for any and all uses within the Exclusive Licensed Field, subject to the terms and conditions of this Agreement.

2.1.2 Grant of Nonexclusive License. Licensors hereby grants to Licensee a non-exclusive royalty-bearing license under the Licensed Patent Rights and Licensed Technology and Licensors’s interest in any Improvements to make, have made, develop, have developed, use, have used, sell, have sold, offer for sale, commercialize, have commercialized, import, have imported, export and have exported Licensed Products in the Territory, for any and all uses within the Nonexclusive Licensed Field, subject to the terms and conditions of this Agreement.

2.1.3 Right to Sublicense. Licensee shall have the right to grant sublicenses to any Sublicensee to all or any portion of its rights under the license granted pursuant to this Article 2; provided, however, that (a) Licensors shall be notified of any and all Sublicenses, and (b) Licensee shall remain obligated for the payment to Licensors of all of its

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payment obligations hereunder, including, without limitation, the payment of any royalties described in Section 4.2 hereof. Licensee shall be permitted to require a Sublicensee to pay royalties directly to Licensor, but such requirement shall not alter Licensee's payment obligations hereunder.

#### 2.1.4 Conversion Option.

(a) Subject to the Preexisting Rights, at any time during the term of the Agreement, Licensee shall have the option from time to time to designate an Option Subfield within the Nonexclusive Licensed Field for inclusion within the Exclusive Licensed Field (a "Conversion Option"). Upon such designation by Licensee in writing to Licensor, Licensee shall pay to Licensor the Conversion Option Fee, as defined in Section 4.2.4, at which time such Option Subfield shall be considered subject to all terms of the Agreement that are applicable to the Exclusive Licensed Field and this Agreement shall be deemed automatically amended *mutatis mutandis* with no further action of either Party.

(b) If Licensee has converted pursuant to Section 2.1.4(a) its rights in the Nonexclusive Field relating to ID from nonexclusive to exclusive, then to the extent any additional rights licensed to the Preexisting Licensee in the field of ID are no longer subject to the Preexisting License (including the related option described herein) ("Available Rights"), such Available Rights shall be automatically deemed a part of the Exclusive Field under this Agreement. If Licensee has not converted its rights in the Nonexclusive Field relating to ID from nonexclusive to exclusive pursuant to the Conversion Option in Section 2.1.4(a), then such Available Rights shall be automatically deemed a part of the Nonexclusive Field.

2.1.5 Exclusive Right of First Refusal. During the Term of this Agreement, Licensor shall not enter into any licenses with any Third Party or its or Licensee's Affiliates for use of Licensed Patent Rights, Licensed Technology or Improvements for use in any fields within the Nonexclusive Licensed Field without first carrying out the following procedure. When Licensor receives from the Third Party or its or Licensee's Affiliates a binding offer to obtain a license to Licensed Patent Rights, Licensed Technology or Improvements for use in any field(s) in the Nonexclusive Licensed Field that, if agreed to by the Licensee, would prevent Licensee from exercising the Conversion Option for such field(s) in the Nonexclusive Field, Licensor shall provide Licensee with written notice thereof with full details and confirmation of the binding nature of the offer. Licensee shall notify Licensor as soon as practicable thereafter, but not more than [ \* ] days after receipt of such written notice, as to whether or not Licensee is exercising its Conversion Option with regard to such field(s). Should Licensee opt not to exercise its Conversion Option within the [ \* ] day period, or not respond within such period, then Licensor shall have [ \* ] days to enter into the proposed license on the terms disclosed to Licensee. Should the license not be executed within such period, or should the license terms change in any material way or the identity of the licensee change, then Licensor agrees to repeat the foregoing procedure.

2.1.6 Notification Regarding Preexisting Rights. Licensor shall provide Licensee with prompt written notification with full details of any material changes or developments related to the rights of the Preexisting Licensee including, without limitation, the

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exercise by the Preexisting Licensee under the Preexisting Rights of any option to convert any rights therein from nonexclusive to exclusive, or the expiration, termination or lapse of any rights of the Preexisting Licensee under the Preexisting Rights. Such written notice shall be delivered to Licensee no later than [ \* ] days after such material change.

### **3. DEVELOPMENT AND COMMERCIALIZATION OF LICENSED PRODUCTS.**

#### **3.1 Development and Commercialization.**

3.1.1 Licensee shall use commercially reasonable efforts to develop and commercialize Licensed Product(s) in the U.S. and E.U., provided that such efforts are consistent with sound and reasonable business and scientific and medical practice and judgment and are considered in light of all relevant factors. All activities relating to Development and commercialization under this Agreement shall be undertaken at Licensee's sole cost and expense, except as otherwise expressly provided in this Agreement.

3.1.2 From and after the Effective Date, Licensee shall have full control and authority over the development and commercialization of Licensed Products, including without limitation, (a) all pre-clinical development activities, including any pharmaceutical development work on formulations or process development relating to any Licensed Product, (b) all activities related to human clinical trials, including all clinical studies, (c) all activities relating to manufacture and supply of all Licensed Products (including all required process development and scale up work with respect thereto), (d) all marketing, promotion, sales, distribution, import and export activities relating to any Licensed Product, and (e) all activities relating to any regulatory filings, registrations, applications and Regulatory Approvals relating to any of the foregoing including any INDs or foreign equivalents, any manufacturing facility validation and/or licensure, any Drug Approval Applications and any other Regulatory Approvals. Licensee shall own all data, results and all other information arising from any such activities under this Agreement, including without limitation, all regulatory filings, registrations, applications and Regulatory Approvals relating to Licensed Products, including any INDs or foreign equivalents, any Drug Approval Applications and any other Regulatory Approvals, and all of the foregoing information, documentation and materials shall be considered Confidential Information and Technology solely owned and Controlled by Licensee.

### **4. FEES, ROYALTIES AND MILESTONES**

4.1 **License Fee.** In consideration of the grant of the licenses described in Article 2 hereof and its other rights hereunder, Licensee hereby agrees to pay Licensor a license fee in the sum of Seventy-five Thousand U.S. Dollars (\$75,000) within [ \* ] days following execution of this Agreement.

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#### 4.2 **Payment of Royalties; Royalty Rates; Minimum Royalties.**

4.2.1 **Royalty Payments.** In further consideration of the grant of the licenses described in Article 2 hereof and its other rights hereunder, Licensee shall pay to Licensor on the terms set forth herein the following royalties:

in respect of each Licensed Products sold for use in the Nonexclusive Licensed Field, a royalty equal to [ \* ] of Net Sales of such Licensed Product and

in respect of each Licensed Products sold for use in the Exclusive Licensed Field, a royalty equal to [ \* ] of Net Sales of such Licensed Product.

Only one royalty shall be payable to Licensor hereunder for each sale of a Licensed Product.

#### 4.2.2 **Minimum Royalties.**

Licensee agrees to pay to Licensor an annual minimum royalty of [ \* ], creditable against any royalty due under the Agreement (even if such credit is taken in a calendar year, other than the one in which the payment is made), beginning at the first anniversary of the Agreement and continuing annually thereafter.

4.2.3 **Third Party Royalty Offset.** If Licensee, in its commercially reasonable discretion, obtains a license to any Third Party intellectual property rights related to Licensed Product, payments due to such Third Party licensor for such rights will be creditable at times determined by Licensee against the royalty owed to Licensor, provided that (i) Licensee shall keep Licensor reasonably informed of all related negotiations (after reaching a termsheet) with Third Parties and consult Licensor in connection therewith and (ii) royalties owed to Licensor hereunder shall not be reduced by more than [ \* ] in the aggregate. For clarity, any information provided by Licensee to Licensor pursuant to this provision is the Confidential Information of Licensee and Licensee shall not attempt to contact any such Third Party absent the express written consent of Licensee.

4.2.4 **Conversion Option Fee.** For each Option Subfield for which Licensee exercises a Conversion Option, Licensee shall pay to Licensor a nonrefundable, non-creditable Conversion Option Fee in the sum of [ \* ] within [ \* ] days following exercise of such Conversion Option.

#### 4.3 **Milestone Payments.**

4.3.1 **Payment.** In further consideration of the grant of the licenses described in Article 2 hereof and its other rights hereunder, on a Licensed Product-by-Licensed Product basis, Licensee shall make the following payments to Licensor within [ \* ] days of the occurrence of the following events by Licensee or its Affiliates or Sublicensees, as such date is reasonably determined by Licensee to have occurred:

- (i) [ \* ] upon [ \* ];

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- (ii) [ \* ] upon [ \* ];
- (iii) [ \* ] upon [ \* ]; and
- (iv) [ \* ] upon [ \* ].

The foregoing milestones shall be payable one time per Licensed Product (without regard to such Licensed Product's indications for use or whether the Licensed Product is modified, re-formulated, re-launched, or modified). In addition, only one set of milestones shall be payable per Subfield.

4.3.2 Determination That Payments Are Due. Licensee shall promptly (and in any event within [ \* ] days) provide Licensor with written notice upon its achievement of each of the milestones set forth in Section 4.3.1.

#### 4.4 Sublicensing Consideration.

##### 4.4.1

(a) Subject to the other terms hereof, Licensee shall pay to Licensor a share of the cash value of compensation as and when received by Licensor to the extent attributable to the grant of a sublicense of the rights granted by Licensor to Licensee under this Agreement, including all sublicensing income, licensing fees, milestone payments, patent infringement damage awards, equity investments in Licensee or its Affiliate(s) to the extent such investments exceed [ \* ] of Fair Market Value (as defined below), and any other sublicensing revenue other than Excluded Payments (in the aggregate, "Attributed Income"). Such Attributed Income shall not include the following ("Excluded Payments"): payments received from Sublicensee(s) for royalties on sales of Licensed Products; payments received for debt financing; payments for equity investments at or below [ \* ] of Fair Market Value; payments or other consideration for research contracts or development, sales and/or marketing activities; reimbursement for patent costs; and milestones payments payable to Licensee under the sublicense agreement. Licensee will provide relevant information in its possession regarding exclusions from sublicense consideration to the extent such information is not the confidential information of a Third Party. All such information shall be treated as the Confidential Information of Licensee.

(b) In the event that equity in lieu of cash or other consideration is received by Licensee in return for granting a sublicense, Licensee shall either arrange for Licensor's share of such equity to be issued directly to Licensor and in the name of "Karagen Pharmaceuticals", if permitted and commercially reasonable, or Licensee shall pay in cash to Licensor the Fair Market Value (as defined below) of Licensor's share of such equity. The term "Fair Market Value" shall mean (i) if the stock is publicly traded, the average closing price at which the stock in question is publicly traded at for [ \* ] trading days prior to the execution of the sublicense agreement, or (ii) if the stock is not publicly traded, the value of such stock shall be (x) the price of the stock during the most recent round of financing, provided the round shall have been completed not more than [ \* ] months prior, or (y) if there has not been a round in the

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[ \* ] months prior to the execution of the sublicense agreement, then price determined by a single independent appraisal of an appraiser chosen by Licensee and approved by Licensor, such approval not unreasonably withheld, conditioned or delayed.

4.4.2 Licensor's share of Attributed Income shall be determined as follows, based on the stage of development of the most advanced Licensed Product candidate that is the subject of the sublicense:

- (i) [ \* ] if [ \* ];
- (ii) [ \* ] if [ \* ];
- (iii) [ \* ] if [ \* ]; and
- (iv) [ \* ].

4.4.3 In the event that Aduro exercises its Conversion Option, Licensor's share of Attributed Income for the grant of a sublicense of such rights shall be determined as follows, based on the stage of development of the most advanced relevant Licensed Product candidate that is the subject of the sublicense:

- (i) [ \* ] if [ \* ];
- (ii) [ \* ] if [ \* ];
- (iii) [ \* ] if [ \* ]; and
- (iv) [ \* ].

#### 4.5 Payment Terms.

4.5.1 Payment of Royalties. Licensee shall make any royalty payments owed to Licensor hereunder in arrears, within [ \* ] days after the end of each quarter in which such payment accrues. For purposes of determining when a sale of any Licensed Product occurs under this Agreement, the sale shall be deemed to occur when the payment is received on invoice. Each royalty payment shall be accompanied by a report for each country in the Territory in which sales of Licensed Products occurred in the calendar quarter covered by such statement, specifying: the gross sales (if available) and Net Sales in each country's currency; the applicable royalty rate under this Agreement; the royalties payable in each country's currency; the applicable exchange rate to convert from each country's currency to United States Dollars under this Section 4.4; and the royalties payable in United States Dollars.

4.5.2 Accounting. All payments hereunder shall be made in the United States in United States dollars. Conversion of foreign currency to United States dollars shall be based on the average of the conversion rate for the [ \* ] business days prior to the date such payment is due and payable hereunder (as such conversion rates are reported in *The Wall Street Journal*). If *The Wall Street Journal* ceases to be published, then the rate of exchange to be used shall be that reported in such other business publication of national circulation in the United States as the Parties reasonably agree.

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**4.5.3 Tax Withholding; Restrictions on Payment.** (a) Licensee shall make any applicable withholding payments due on behalf of Licensor and shall provide Licensor upon request with such written documentation regarding any such payment as available to Licensee relating to an application by Licensor for a foreign tax credit for such payment with the United States Internal Revenue Service. Licensor shall fully cooperate with Licensee in Licensee determining whether withholding is required, provided the final decision whether or not to withhold will be Licensee's alone. (b) If by law, regulations or fiscal policy of a particular country in the Territory, remittance of royalties in United States Dollars is restricted or forbidden, written notice thereof shall promptly be given to Licensor, and payment of the royalty shall be made by the deposit thereof in local currency to the credit of Licensor in a recognized banking institution reasonably designated by Licensor by written notice to Licensee. When in any country in the Territory the law or regulations prohibit both the transmittal and the deposit of royalties on sales in such country, royalty payments shall be suspended for as long as such prohibition is in effect and as soon as such prohibition ceases to be in effect, all royalties that Licensee would have been under an obligation to transmit or deposit but for the prohibition shall forthwith be deposited or transmitted, to the extent allowable.

**4.5.4 Payment of Fees and Milestones.** Fees and Milestones shall be paid as set forth herein.

**4.6 Records Retention; Review.**

**4.6.1 Royalties.** Commencing as of the date of First Commercial Sale of the first Licensed Product hereunder, Licensee and its Affiliates and Sublicensees shall keep for at least one year from the end of the calendar year to which they pertain complete and accurate records of sales by Licensee or its Affiliates and Sublicensees, as the case may be, of each Licensed Product, in sufficient detail to allow the accuracy of the payments hereunder to be confirmed.

**4.6.2 Review.** Subject to the other terms of this Section 4.6.2, at the request of Licensor, which shall not be made more frequently than once per calendar year during the Term, upon at least [ \* ] days' prior written notice from Licensor, and at the expense of Licensor, Licensee shall permit an independent certified public accountant reasonably acceptable to Licensee to inspect during regular business hours the relevant records required to be maintained by Licensee under this Section 4.6. In every case the accountant must have previously entered into a confidentiality agreement with Licensee that permits the accountant to share with the Parties any variances in payments the accountant believes apply to the audited period and the basis therefore, but in no event shall Licensor be permitted free access to the books and records of Licensee as to sales so long as any other licensees to the Licensed Patents, Licensed Technology or Improvements have any valid rights to the same. Any deficiencies or overpayments shall be promptly paid or repaid, as the case may be, by the owing Party.

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## 5. TREATMENT OF CONFIDENTIAL INFORMATION

5.1 **Confidential Obligations.** Licensor and Licensee each recognize that the other Party's Confidential Information constitutes highly valuable and proprietary confidential information. Licensor and Licensee each agree that during the Term and for [ \* ] years thereafter, it will keep confidential, and will cause its employees, consultants, Affiliates and Sublicensees to keep confidential, all Confidential Information of the other Party. Neither Licensor nor Licensee nor any of their respective employees, consultants, Affiliates or Sublicensees shall use Confidential Information of the other Party for any purpose whatsoever other than exercising any rights granted to it or reserved by it hereunder. Without limiting the foregoing, each Party may disclose information to the extent such disclosure is reasonably necessary to (a) with respect to Licensee, file and prosecute patent applications and/or maintain patents that are filed or prosecuted in accordance with the provisions of this Agreement, or (b) comply with applicable laws, regulations or court orders; provided, however, that if a Party is required to make any such disclosure of the other Party's Confidential Information in connection with any of the foregoing, it will give reasonable advance notice to the other Party of such disclosure requirement and will use reasonable efforts to assist such other Party in efforts to secure confidential treatment of such information required to be disclosed.

5.2 **Limited Disclosure and Use.** Licensor and Licensee each agree that any disclosure of the other Party's Confidential Information to any officer, employee, consultant or agent of the other Party or any of its Affiliates or Sublicensees shall be made only if and to the extent necessary to carry out its rights and responsibilities under this Agreement, shall be limited to the maximum extent possible consistent with such rights and responsibilities and shall only be made to the extent any such persons are bound by written confidentiality obligations to maintain the confidentiality thereof and not to use such Confidential Information except as expressly permitted by this Agreement. Licensor and Licensee each further agree not to disclose or transfer the other Party's Confidential Information to any Third Parties under any circumstance without the prior written approval from the other Party (such approval not to be unreasonably withheld), except as otherwise required by law, and except as otherwise expressly permitted by this Agreement. Each Party shall take such action, and shall cause its Affiliates or Sublicensees to take such action, to preserve the confidentiality of each other's Confidential Information as it would customarily take to preserve the confidentiality of its own Confidential Information, using, in all such circumstances, not less than reasonable care. Each Party, upon the request of the other Party, will return all the Confidential Information disclosed or transferred to it by the other Party pursuant to this Agreement, including all copies and extracts of documents and all manifestations in whatever form, within [ \* ] days of such request or, if earlier, the termination or expiration of this Agreement; provided however, that a Party may retain (a) any Confidential Information of the other Party relating to any license that expressly survives such termination and (b) one (1) copy of all other Confidential Information in inactive archives solely for the purpose of establishing the contents thereof. Licensor agrees that, under written terms of Confidentiality, Licensee may share this Agreement with potential Sublicensees, partners, acquirers, and funding sources, provided financial terms shall be redacted unless such party would be ultimately responsible for their payment.

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5.3 **Publicity.** Licensee may publicly disclose the existence or terms or any other matter of fact regarding this Agreement without the prior written consent of the Licensor. Either Party may make such a disclosure (a) to the extent required by law or by the requirements of any nationally recognized securities exchange, quotation system or over-the-counter market on which such Party has its securities listed or traded, or (b) to any investors, prospective investors, lenders and other potential financing sources who are obligated to keep such information confidential. In the event that such disclosure is required as aforesaid, the disclosing Party shall make reasonable efforts to provide the other Party with notice beforehand and to coordinate with the other Party with respect to the wording and timing of any such disclosure. The Parties, upon the execution of this Agreement, will mutually agree to a press release with respect to this transaction for publication. Once such press release or any other written statement is approved for disclosure by both Parties, either Party may make subsequent public disclosure of the contents of such statement without the further approval of the other Party.

5.4 **Use of Name.** Neither Party shall employ or use the name of the other Party in any promotional materials or advertising without the prior express written permission of the other party.

## **6. PROVISIONS CONCERNING THE FILING, PROSECUTION AND MAINTENANCE OF PATENT RIGHTS**

### **6.1 Patent Filing, Prosecution and Maintenance.**

(a) Subject to the other terms of this Agreement, Licensor shall be responsible for preparing, filing, prosecuting, obtaining and maintaining, at its sole cost, expense and discretion, and using patent counsel reasonably acceptable to Licensee, all Licensed Patent Rights in the Territory. Licensor (i) will provide Licensee with a copy of any and all proposed patent applications within Licensed Patent Rights and relevant to the Exclusive Licensed Field and Nonexclusive Licensed Field for review and comment reasonably in advance of filing which shall under no circumstances be less than [ \* ] days, and (ii) will keep Licensee fully and timely informed of the status of such filing, prosecution and maintenance, including, without limitation, (A) by providing Licensee with copies of all communications and key strategy received from or filed in patent office(s) with respect to such filing, and (B) by providing Licensee, a reasonable time prior to taking or failing to take any action that might affect the scope or validity of any such of any such filing (including the substantially narrowing, cancellation or abandonment of any claim(s) without retaining the right to pursue such subject matter in a separate application, or the failure to file or perfect the filing of any claim(s) in any country), with prior written notice of such proposed action or inaction so that Licensee has a reasonable opportunity to review and comment.

(b) If Licensor fails to undertake the filing(s) of any patent application or submission with respect to any invention under such Licensed Patent Rights, then not less than [ \* ] days prior to the last date for making the applicable filing or submission to preserve rights under such patent application (the "Last Date"), Licensee may undertake such filing(s) at its own expense, the cost of which may be offset against amounts owed to Licensor ("Licensee Intervention"). In such case, Licensor will assign to Licensee all of its rights to such patent application and invention and any subsequently issued patent thereon in the country or countries in which Licensee undertakes such filing(s), each of which thereafter will be owned solely by

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Licensee, unless Licensor repays to Licensee within [ \* ] days after the Last Date all of Licensee's costs and expenses (including reasonable attorney fees, agent fees and filing fees) in preparing and making such filings (the "Licensor Option to Cure"). The Licensor Option to Cure may be exercised by Licensor only after the first two occurrences of a Licensee Intervention, after which Licensor shall no longer be permitted the Licensor Option to Cure.

(c) Should this Agreement be validly terminated for Licensee's uncured material breach, then Licensed Patent Rights assigned to Licensee pursuant to this Section shall be re-conveyed to Licensor by Licensee.

**6.2 Notice of Infringement.** If, during the License Term, either Party learns of any actual, alleged or threatened infringement by a Third Party of any Licensed Patent Rights under this Agreement, such Party shall promptly notify the other Party and shall provide such other Party with available evidence of such infringement.

**6.3 Infringement of Patent Rights.**

(a) Licensor shall have the first right to enforce any Patent Rights among the Licensed Patent Rights and/or Improvements relating to Licensed Products in the Nonexclusive License Field against any infringement or alleged infringement at Licensee's expense, such expense to be pro-rated according to the number of licensees, provided that if Licensor does not take an appropriate action within [ \* ] days after notice, or if it fails to diligently prosecute such action(s), then Licensee may take or assume such actions in its own name (with the cooperation of Licensor) and Licensee will thereafter have the right to enforce such License Patent Rights and/or Improvements. Licensor shall cooperate fully therewith, including agreeing to be joined as a party to such action if necessary or helpful.

(b) Licensee shall have the first right to enforce any Patent Rights among the Licensed Patent Rights and/or Improvements relating to Licensed Products indicated for use in the Exclusive Licensed Field against any infringement or alleged infringement. Licensor shall fully cooperate in any such litigation at Licensee's expense, including by agreeing to be joined as a party to such litigation if necessary or helpful.

(c) Any damages, monetary awards or other amounts recovered, whether by judgment or settlement, pursuant to any suit, proceeding or other legal action taken under this Section 6.3, shall applied as follows:

- (i) first, [ \* ];
- (ii) second, [ \* ]; and
- (iii) third, any amounts remaining go to [ \* ].

If a Party brings any such action or proceeding hereunder, the other Party agrees to be joined as party plaintiff if necessary to prosecute such action or proceeding, and to give the Party bringing such action or proceeding reasonable assistance and authority to file and

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prosecute the suit; provided, however, that neither Party shall be required to transfer any right, title or interest in or to any property to the other Party or any Third Party to confer standing on a Party hereunder.

## 7. REPRESENTATIONS, WARRANTIES, AND CERTAIN COVENANTS

7.1 **Licensor Representations.** Licensor represents, warrants and covenants to Licensee as follows.

(a) The execution and delivery of this Agreement and the performance of the transactions contemplated hereby have been duly authorized by all appropriate Licensor corporate action.

(b) This Agreement is a legal and valid obligation binding upon Licensor and enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Parties does not conflict with any agreement, instrument or understanding to which Licensor is a party or by which it is bound.

(c) Licensor has the full right and legal capacity to grant the rights granted to Licensee hereunder without violating the rights of any Third Party.

(d) The Licensed Patent Rights have been properly filed, prosecuted, and maintained, and Licensor is the sole owner of the Licensed Patent Rights and Licensed Technology.

(e) Licensor is not aware of any Third Party patent, patent application or other intellectual property rights that would be infringed (i) by practicing any process or method or by making, using or selling any composition that is claimed or disclosed in, or that constitutes, Licensed Technology, or (ii) by making, using, offering for sale, selling or importing Licensed Products.

(f) Licensor is not aware of any infringement or misappropriation by a Third Party of the Licensed Technology.

(g) Licensor represents and warrants that, other than the Preexisting Rights, no other licenses have been granted to the Licensed Patent Rights, Licensed Technology or Improvements. In connection therewith and described herein and in Exhibit A, the Preexisting Licensee has a nonexclusive license to the Licensed Patent Rights only to use c-di-GMP only in the field of ID and a limited option to convert its rights for c-di-GMP on an ID on a field-by-field basis. Licensor covenants that it will not extend the term of the Preexisting License or expand or extend the option rights under the Preexisting License. The Preexisting License was an arm's length transaction and Licensor, its directors, officers, and employees and their family members have no interest in the Preexisting Licensee or its Affiliates.

(h) Except as set forth in this Section 7.1 and in Exhibit A hereto, the Preexisting Licensee has no other rights and the Preexisting License does not contain any other provisions that might adversely affect Licensee's rights or increase Licensee's obligations under this Agreement.

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(i) Exhibit A is true, correct and complete in all respects.

(j) All agreements effective on or after the Effective Date related to the License Patent Rights or Licensed Technology Rights, including without limitation any agreement with the Preexisting Licensee or its Affiliates or development partners, shall (i) only contain provisions that are subject to those set forth in this Agreement, (ii) will not include rights outside the field of ID and (iii) will permit Licensee to review copies of the agreements redacted to remove key information identifying the party and financial terms (to the extent not already publicly available).

(k) Licensor shall keep Licensee fully informed of any infringement of the License Patent Rights or appropriation of the License Technology by the Preexisting Licensee in the Exclusive Field, Nonexclusive Field and outside of ID. Licensor agrees to fully cooperate in the enforcement of all of the terms of this Agreement and the terms of the Preexisting License and any successor agreement, and permit Aduro to lead such enforcement and offset against payments owed to Licensor hereunder the reasonable costs thereof.

**7.2 Licensee Representations.** Licensee represents and warrants to Licensor as follows.

(a) The execution and delivery of this Agreement and the performance of the transactions contemplated hereby have been duly authorized by all appropriate Licensee corporate action.

(b) This Agreement is a legal and valid obligation binding upon Licensee and enforceable in accordance with its terms, and the execution, delivery and performance of this Agreement by the Parties does not conflict with any agreement, instrument or understanding to which Licensee is a party of or by which it is bound.

(c) Licensee acknowledges that Licensor has represented to Licensee that Licensor has entered into a Preexisting License and, while Licensee's exclusive rights hereunder are unaffected thereby, certain of Licensee's nonexclusive rights and related options are subject to those Preexisting Rights to the extent demonstrated herein. For clarity, Licensee has not been permitted to see or review any version of the Preexisting License and Licensee is relying entirely on Licensor's account of its provisions.

**7.3 No Warranties.**

Except as expressly set forth in this Agreement, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR OF NON-INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS OF THIRD PARTIES, OR ANY OTHER EXPRESS OR IMPLIED WARRANTIES.

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## 8. INDEMNIFICATION

### 8.1 Indemnification.

8.1.1 Licensee Indemnity. Licensee shall indemnify, defend and hold harmless Licensor, its Affiliates and their respective directors, officers, employees, stockholders and agents and their respective successors, heirs and assigns (the “Licensor Indemnitees”) from and against any liability, damage, loss or expense (including reasonable attorneys’ fees and expenses of litigation) incurred by or imposed upon such Licensor Indemnitees, or any of them, in connection with any Third Party claims, suits, actions, demands or judgments, including, without limitation, personal injury and product liability matters, to the extent arising out of (a) Licensee’s making, using, selling or importation of a Licensed Product (or any component thereof), (b) any material breach of this Agreement by Licensee, or (c) the negligence or willful misconduct on the part of Licensee or any Affiliate or Sublicensee.

8.1.2 Licensor Indemnity. Subject to Section 8.1.1 above, Licensor shall indemnify, defend and hold harmless Licensee, its Affiliates and Sublicensees and their respective directors, officers, employees, stockholders, and agents, and their respective successors, heirs and assigns (the “Licensee Indemnitees”), from and against any liability, damage, loss or expense (including reasonable attorneys’ fees and expenses of litigation) incurred by or imposed upon such Licensee Indemnitees, or any of them, in connection with any Third Party claims, suits, actions, demands or judgments, including, without limitation, personal injury and product liability matters (but excluding any patent infringement matters, which are governed by Article 6 above), to the extent arising out of (a) any actions or omissions of Licensor under this Agreement, (b) any material breach of this Agreement by Licensor, (c) the negligence or willful misconduct on the part of Licensor, or (d) any acts or omissions of the Preexisting Licensee or any other licensee of Licensor.

8.2 Indemnification Procedures. In the event that any indemnitee is seeking indemnification under Section 8.1 above from a Party (the “Indemnifying Party”), the other Party shall notify the Indemnifying Party of such claim with respect to such Indemnified Party as soon as reasonably practicable after the Indemnified Party receives notice of the claim, and the Party (on behalf of itself and such Indemnified Party) shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration) and shall cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim. The indemnification obligations under Article 8 shall not apply to any harm suffered as a direct result of any delay in notice to the Indemnifying Party hereunder or to amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the consent of the Indemnifying Party, which consent shall not be withheld or delayed unreasonably. The Indemnified Party, its employees and agents, shall reasonably cooperate with the Indemnifying Party and its legal representatives in the investigation of any claim, demand, action or other proceeding covered by Section 8.1.

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### 8.3 **Certain Limitations of Liability.**

8.3.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR INDIRECT DAMAGES OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, LOST PROFITS, OPPORTUNITIES OR REVENUES, PROVIDED NO LIMITATION HEREIN SHALL LIMIT ANY AMOUNT PAYABLE BY A PARTY UNDER SECTION 8.1.1 OR 8.1.2 HEREOF, OR LOSSES ARISING FROM GROSS NEGLIGENCE, WILLFUL MISCONDUCT, FRAUD, OR A BREACH OF ARTICLE 5 OF THIS AGREEMENT.

8.3.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE PARTIES ACKNOWLEDGE THAT ANY LOST PROFITS OF LICENSEE OR ITS AFFILIATES OR SUBLICENSEES ARISING FROM A BREACH BY LICENSOR OF SECTION 7.1 OR EXHIBIT A SHALL BE DEEMED DIRECT DAMAGES FOR THE PURPOSE OF CALCULATING LICENSEE LOSSES.

## 9. TERM AND TERMINATION

9.1 **Term; Expiration.** The term of this Agreement ("Term") shall expire upon the expiration of the last Valid Claim in Patent Rights, unless earlier terminated as permitted herein. Upon the termination or expiration of the License Term in each country, all licenses hereunder shall be fully paid and perpetual in each country.

### 9.2 **Termination Rights for Breach.**

9.2.1 **Termination for Breach.** Subject to the other terms of this Agreement, this Agreement and the rights and options granted herein may be terminated by either Party upon any material breach by the other Party of any material obligation or condition, effective ninety (90) days after giving written notice to the breaching Party of such termination, which notice shall describe such breach in reasonable detail. The foregoing notwithstanding, if such default or breach is cured or remedied within the aforesaid ninety (90) day period, the notice shall be automatically withdrawn and of no effect. However, prior to giving any notice of termination for breach, the Parties shall first attempt to resolve any disputes as to the existence of any breach as set forth in Article 10.

9.2.2 **Voluntary Termination.** Licensee shall have the right to terminate this Agreement at any time upon ninety (90) days' written notice to Licensor.

9.3 **Termination for Bankruptcy.** In the event that either Party files for protection under bankruptcy laws, makes an assignment for the benefit of creditors, appoints or suffers appointment of a receiver or trustee over its property, files a petition under any bankruptcy or insolvency act or has any such petition filed against it that is not discharged within sixty (60) days of the filing thereof, then the other Party may terminate this Agreement effective immediately upon written notice to such Party.

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#### **9.4 Effects of Termination.**

9.4.1 **Termination for Licensee Breach.** Upon any termination of this Agreement by Licensor under Section 9.2.1 as of the effective date of such termination all relevant licenses and sublicenses granted by Licensor to Licensee hereunder shall terminate automatically. Notwithstanding the foregoing, (a) no such termination of this Agreement shall be construed as a termination of any valid sublicense of any Sublicensee hereunder, and thereafter each such Sublicensee shall be considered a direct licensee of Licensor, provided that (i) such Sublicensee is then in full compliance with all terms and conditions of its sublicense, (ii) all accrued payments obligations to Licensor have been paid, and (iii) such Sublicensee agrees in writing to assume all applicable obligations of Licensee under this Agreement, and (b) Licensee and its Affiliates and Sublicensees shall have the right, for twelve (12) months or such longer time period (if any) on which the Parties mutually agree in writing, to sell or otherwise dispose of all Licensed Products then on hand, with royalties to be paid to Licensor on all Net Sales of such Licensed Products as provided for in this Agreement.

#### **9.4.2 Other Terminations.**

(a) Upon any termination of this Agreement by Licensee under Section 9.2.1 for Licensor's material breach, or under Section 9.3 where Licensor has filed for protection under bankruptcy laws or has an involuntary bankruptcy petition filed against it that is not discharged within sixty (60) days of the filing, as of the effective date of such termination, Licensee thereafter automatically shall have a fully sublicensable and transferable, fully paid up (subject to the remainder of this Section 9.4), nonexclusive or exclusive (as the case may be) license in the Territory under the Licensed Patent Rights and Licensed Technology, to develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, import and have imported any and all Licensed Products and to practice the Licensed Technology in the Territory, provided that Licensee shall pay, for the remainder of any royalty term under Section 4.4 above, in lieu of any payments including milestones or royalties it would otherwise owe to Licensor under this Agreement, a royalty equal to sixty-six percent (66%) of the royalty rate that would otherwise apply with respect to the Licensed Product under Sections 4.2.1, 4.2.2, 4.2.3 and 4.2.4 of this Agreement.

(b) In the event of a transfer under Section 9.2.2, the Parties shall return to one another their respective Confidential Information, provided Licensee may retain one copy of the same for legal archives and one copy for any countries in which it has a fully paid license.

9.5 **Remedies.** Except as otherwise expressly set forth in this Agreement, the termination provisions of this Article 9 are in addition to any other relief and remedies available to either Party at law.

9.6 **Surviving Provisions.** Notwithstanding any provision herein to the contrary, the rights and obligations of the Parties set forth in Sections 1 (as relevant), 5, 7, 8, 9.1, 9.4.2 and 11, as well as any rights or obligations otherwise accrued hereunder (including any accrued payment obligations), shall survive the expiration or termination of the Term. Without limiting the generality of the foregoing, Licensee shall have no obligation to make any milestone or royalty payment to Licensor that has not accrued prior to the effective date of any termination of this Agreement, but shall remain liable for all such payment obligations accruing prior to the effective date of such termination.

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## 10. DISPUTES

The Parties recognize that a bona fide dispute relating to either Party's rights or obligations hereunder, may from time to time arise during the Term. In the event of the occurrence of such a dispute, either Party may, by written notice to the other Party, have such dispute referred to their respective senior officials designated below or their successors, for attempted resolution by good faith negotiations within [ \* ] days after such notice is received. Said designated senior officials are as follows:

For Licensee: Chief Executive Officer

For Licensor: President

In the event the designated senior officials are not able to resolve such dispute within the [ \* ] day period, either Party may seek any remedies available to it; provided that the foregoing shall not be construed to prohibit a Party from immediately seeking protection or relief it deems reasonable in light of the circumstances.

## 11. MISCELLANEOUS

11.1 **Notices.** All notices, requests and other communications hereunder shall be in writing, addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder, and be either (i) delivered by hand, (ii) made by facsimile transmission (to be followed with written fax confirmation), (iii) sent by private courier service providing evidence of receipt, or (iv) sent by registered or certified mail, return receipt requested, postage prepaid. The addresses and other contact information for the parties are as follows:

If to Licensor: Lize Davis-Karaolis  
President  
Karagen Pharmaceuticals, Inc.  
4 Club Road  
Baltimore, MD 21210

With a copy to: Royal W. Craig  
Ober, Kaler, Grimes & Shriver  
100 Light Street  
Baltimore, MD 21202

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If to Licensee: Stephen T. Isaacs  
Chairman and CEO  
Aduro BioTech, Inc.  
626 Bancroft Way, Suite 3C  
Berkeley, CA 94563  
FAX: [ \* ]  
[ \* ]

With a copy to: Steven Bodovitz  
Associate Director, Strategic Development  
Aduro BioTech, Inc.  
626 Bancroft Way, Suite 3C  
Berkeley, CA 94563  
FAX: [ \* ]  
[ \* ]

All notices, requests and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by the recipient, (iii) if sent by private courier, on the day such notice is delivered to the recipient, or (iv) if sent by registered or certified mail, on the fifth (5<sup>th</sup>) business day following the day such mailing is made.

11.2 **Language**. This Agreement has been prepared in the English language and the English language shall control its interpretation.

11.3 **Governing Law**. This Agreement will be construed, interpreted and applied in accordance with the laws of the California (excluding its body of law controlling conflicts of law).

11.4 **Limitations**. Except as expressly set forth in this Agreement, neither Party grants to the other Party any right or license to any of its intellectual property.

11.5 **Entire Agreement**. This is the entire Agreement between the Parties with respect to the subject matter hereof and supersedes all prior representations, understandings and agreements between the Parties with respect to the subject matter hereof. No modification shall be effective unless in writing with specific reference to this Agreement and signed by the Parties.

11.6 **Waiver**. The terms or conditions of this Agreement may be waived only by a written instrument executed by the Party waiving compliance. The failure of either Party at any time or times to require performance of any provision hereof shall in no manner affect its rights at a later time to enforce the same. No waiver by either Party of any condition or term shall be deemed as a continuing waiver of such condition or term or of another condition or term.

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11.7 **Headings.** Section and subsection headings are inserted for convenience of reference only and do not form part of this Agreement.

11.8 **Assignment.** Neither this Agreement nor any right or obligation hereunder may be assigned, delegated or otherwise transferred, in whole or part, by either Party without the prior express written consent of the other; provided, however, that either Party may, without the written consent of the other, assign this Agreement and its rights and delegate its obligations hereunder to its Affiliates, or in connection with the transfer or sale of all or substantially all of such Party's assets or business related to this Agreement, or in the event of its merger, consolidation, change in control or similar transaction. Any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment in violation of this Section 11.8 shall be void. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the parties.

11.9 **Force Majeure.** Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither Party shall be deemed in breach of its obligations, if such failure or delay is due to natural disasters or any causes beyond the reasonable control of such Party. In event of such force majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder.

11.10 **Construction.** The Parties hereto acknowledge and agree that: (i) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to all Parties hereto and not in favor of or against any Party, regardless of which Party was generally responsible for the preparation of this Agreement.

11.11 **Severability.** If any provision(s) of this Agreement are or become invalid, are ruled illegal by any court of competent jurisdiction or are deemed unenforceable under then current applicable law from time to time in effect during the Term hereof, it is the intention of the Parties that the remainder of this Agreement shall not be affected thereby provided that a Party's rights under this Agreement are not materially affected. The Parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid, illegal or unenforceable, it being the intent of the Parties that the basic purposes of this Agreement are to be effectuated.

11.12 **Status.** Nothing in this Agreement is intended or shall be deemed to constitute a partner, agency, employer-employee, or joint venture relationship between the Parties.

11.13 **Section 365(n).** All licenses granted under this Agreement are deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined in Section 101 of such Code. The Parties agree that Licensee may fully

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exercise all of its rights and elections under the U.S. Bankruptcy Code, regardless of whether either Party files for bankruptcy in the United States or other jurisdiction. The Parties further agree that, in the event Licensee elects to retain its rights as a licensee under such Code, Licensee shall be entitled to complete access to any technology licensed to it hereunder and all embodiments of such technology. Such embodiments of the technology shall be delivered to the Licensee not later than:

(a) the commencement of bankruptcy proceedings against the Licensor, upon written request, unless the Licensor elects to perform its obligations under the Agreement, or

(b) if not delivered under Section 11.14 above, upon the rejection of this Agreement by or on behalf of Licensee, upon written request.

11.14 **Export Compliance.** Licensee and its Affiliates and Sublicensees shall comply with all United States laws and regulations controlling the export of certain commodities and technical data, including without limitation all Export Administration Regulations of the United States Department of Commerce. Among other things, these laws and regulations prohibit or require a license for the export of certain types of commodities and technical data to specified countries. Licensee hereby gives written assurance that it will comply with, and will cause its Affiliates and Sublicensees to comply with, all United States export control laws and regulations, that it bears sole responsibility for any violation of such laws and regulations by itself or its Affiliates or Sublicensees, and that it will indemnify, defend, and hold Licensor harmless (in accordance with Article 8) for the consequences of any such violation.

11.15 **Further Assurances.** Each Party agrees to execute, acknowledge and deliver such further instructions, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

11.16 **Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**[Remainder of page intentionally left blank]**

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative as of the Effective Date.

KARAGEN PHARMACEUTICALS, INC.

ADURO BIOTECH, INC.

By: /s/ Lize Davis-Karaolis

By: /s/ Stephen T. Issacs

Title: President

Title: Chairman & CEO

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**Exhibit A**

Preexisting Rights Description

[ \* ]

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**Exhibit B**

**Licensed Patent Rights**

[ \* ]

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UNIVERSITY OF CALIFORNIA, BERKELEY  
OFFICE OF TECHNOLOGY LICENSING



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EXCLUSIVE LICENSE

BETWEEN

ADURO BIOTECH INC

AND

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

FOR

CYCLIC-DI-NUCLEOTIDES THAT STIMULATE HUMAN STING VARIANTS

AND

STIMULATOR OF INTERFERON GENE

UC Case No.: [ \* ]

U.S. Patent application Serial Nos. [ \* ]

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**EXCLUSIVE LICENSE  
FOR  
CYCLIC-DI-NUCLEOTIDES THAT STIMULATE HUMAN STING VARIANTS  
AND  
STIMULATOR OF INTERFERON GENE**

UC Case Nos.: [ \* ]  
U.S. patent applications [ \* ]

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This Exclusive License Agreement (“Agreement”) is effective September 25, 2014 (“Effective Date”) by and between **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**, a California corporation, whose legal address is 1111 Franklin Street, 12th Floor, Oakland, California 94607-5200, acting through its Office of Technology Licensing, at the University of California, Berkeley, 2150 Shattuck Avenue, Suite 510, Berkeley, CA 94704-1347 (“REGENTS”) and **ADURO BIOTECH, INC.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, Berkeley, CA 94710-2224 (“LICENSEE”). The parties agree as follows.

**1. BACKGROUND**

- 1.1 REGENTS has an assignment of the invention entitled, “[ \* ],” invented by [ \* ], employed by the University of California, as described in REGENTS’ Case No. [ \* ], and the invention entitled “[ \* ],” invented by [ \* ], employees of Aduro Biotech, as described in REGENTS’ Case No. [ \* ] (the “INVENTION”) and to the patents and patent applications under REGENTS’ PATENT RIGHTS and JOINT PATENT RIGHTS as defined below, which are directed to the INVENTION.
- 1.2 LICENSEE entered into a Secrecy Agreement with REGENTS effective April 16, 2013 and a Letter Agreement with REGENTS effective May 2, 2013 for the purpose of evaluating the INVENTION and granting LICENSEE an exclusive right to negotiate an option or exclusive license in REGENT PATENT RIGHTS to the INVENTION.
- 1.3 LICENSEE has provided REGENTS with a commercialization plan for the INVENTION and business strategy in order to evaluate its capabilities as a LICENSEE.

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- 1.4 The development of the INVENTION was sponsored in part by various grants by U.S. Government agencies, and as a consequence, REGENTS elected to retain title to the INVENTION subject to the rights of the U.S. Government under 35 USC 200-212 and implementing regulations, including that REGENTS, in turn, has granted back to the U.S. Government a non-exclusive, non-transferable, irrevocable, paid-up license to practice or have practiced the INVENTION for or on behalf of the U.S. Government throughout the world. These U.S. Government grants are National Institutes of Health Contract Nos. AI063302, AI075039, AI080749, AI082357 and OD008677.
- 1.5 REGENTS and LICENSEE wish to have the INVENTION developed and commercialized so that products resulting therefrom may be available for public use and benefit on a timeline that is reasonable in light of the financing and development requirements of such products.
- 1.6 LICENSEE wishes to acquire, and REGENTS wishes to grant to LICENSEE, an exclusive license under the REGENTS' PATENT RIGHTS and REGENT's right title and interest in the JOINT PATENT RIGHTS for the purpose of developing and commercializing LICENSED PRODUCT(S) on the terms set forth herein.

## 2. DEFINITIONS

- 2.1 "AFFILIATE" of LICENSEE means any entity that, directly or indirectly, Controls LICENSEE, is Controlled by LICENSEE, or is under common Control with LICENSEE. "Control" means (i) having the actual, present capacity to elect a majority of the directors of such affiliate, (ii) having the power to direct at least [ \* ] of the voting rights entitled to elect directors, or (iii) in any country where the local law will not permit foreign equity participation of a majority, ownership or control, directly or indirectly, of the maximum percentage of such outstanding stock or voting rights permitted by local law so long as control is secured by such ownership.
- 2.2 "CRE" shall mean efforts and diligence in developing and commercializing LICENSED PRODUCTS, LICENSED METHOD, or LICENSED SERVICE and in undertaking investigations and actions required to obtain regulatory approvals, necessary to market LICENSED PRODUCTS, LICENSED METHOD or LICENSED SERVICE in the LICENSED FIELD, such reasonable efforts and diligence to be, on a country-by-country basis, in accordance with the efforts and resources LICENSEE would use for a product candidate owned or licensed by it or to which it has similar rights, which is of similar market potential as the applicable LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE taking into account all relevant factors including without limitation the competitiveness of the marketplace; the proprietary position of the LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE; the relative potential safety and efficacy of the LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE; any third party intellectual property required for development or commercialization, logistical challenges; applicable laws, rules, and regulations; timing of market entry and competitive landscape; the cost of goods and availability

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of capacity to manufacture and supply the LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE at commercial scale, the profitability of the applicable LICENSED PRODUCT, and technical, legal, scientific or medical factors. CRE does not include LICENSEE, (i) prior to filing for the first regulatory approval for LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE [ \* ] for a LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE for [ \* ] or (ii) after First Commercial Sale, [ \* ] related to LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE for [ \* ].

- 2.3 “FIRST COMMERCIAL SALE” means, with respect to a LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE, the first sale in the United States in an arms-length transaction of such LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE to a Third-Party by LICENSEE, its Affiliates or a Sublicensee as part of a national commercialization effort after NDA approval.
- 2.4 “IND APPROVAL” means the expiration of the thirty-day waiting period for IND effectiveness, or earlier approval to proceed with clinical trial(s) under the IND, or, if a clinical hold is imposed, notification from a Division Director that the clinical trial may proceed.
- 2.5 “Joint PATENT RIGHTS” means (i) U.S. Patent Application Serial Number [ \* ] and assigned to REGENTS and LICENSEE; (ii) U.S. Patent Application Serial Number [ \* ] and assigned to REGENTS and LICENSEE; (iii) U.S. Patent Application Serial Number [ \* ] and assigned to REGENTS and LICENSEE; (iv) PCT Application Serial Number [ \* ] and assigned to REGENTS and LICENSEE; (v) any patent applications, utility models, inventors certificates, invention registrations, continuing applications, divisional applications, substitutions, continuation-in-part applications, and equivalents thereof in any jurisdiction anywhere in the world, in each case to the extent that claims in such filings are entitled to the filing date of the patent applications in (i)-(iv); and (vi) any granted patents issuing on (i)-(v) including any reissues, re-examinations, or extensions thereof.
- 2.6 “LICENSED FIELD OF USE” means any and all uses in all fields.
- 2.7 “LICENSED METHOD” means any process or method the use or practice of which, but for the license pursuant to this Agreement, would infringe any VALID CLAIM under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS in that country in which the LICENSED METHOD is used or practiced.
- 2.8 “LICENSED PRODUCTS” means all products or component parts of a product the manufacture, use, SALE, offer for SALE, or import of which: a) would require the performance of the LICENSED METHOD; or b) but for the license granted pursuant to this Agreement, would infringe a VALID CLAIM under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS.

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- 2.9 “LICENSED SERVICE” means provision of a service for a third party, the performance of which would infringe a VALID CLAIM under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS.
- 2.10 “LICENSED TERRITORY” means any country or jurisdiction having a VALID CLAIM within the REGENT PATENT RIGHTS or JOINT PATENT RIGHTS.
- 2.11 “NDA” shall mean a new drug application (as defined in Title 21 of the United States Code of Federal Regulations, as amended from time to time) filed with the FDA seeking Regulatory Approval to commercialize LICENSED PRODUCTS.
- 2.12 “NET SALES” means amounts invoiced by LICENSEE or a sublicensee for SALES of LICENSED PRODUCTS, LICENSED SERVICES, and LICENSED METHODS, less the sum of customary deductions to the extent permitted under U.S. Generally Accepted Accounting Principles and actually taken, which may include cash, trade or quantity discounts, discounts or rebates to governmental, supranational, buying groups (such as PAHO, UNICEF, GAVI, or the Gulf Consortium), or managed care organizations, credits or deductions for rejected product, returns, expired product or bad debts; sales, use, tariff, import/export duties or other excise taxes or duties (but not income taxes derived from such sales); and handling and transportation charges; and value added taxes but only to the extent such tax is not subject to a credit and deduction to a taxing authority. Sales of a LICENSED PRODUCT by and between LICENSEE and its Affiliates and Sublicensees are not sales to third parties and shall be excluded from Net Sales calculations for all purposes; provided that any resale by the purchaser to a third-party distributor or to a third-party for end use, shall be included in Net Sales. Compassionate use, “named patient sales”, sales made in connection with clinical trials, and product donations shall be excluded from Net Sales calculations.

In the event that LICENSED PRODUCTS, LICENSED SERVICES or LICENSED METHODS are COMBINATION PRODUCTS, the NET SALES of such COMBINATION PRODUCT, for the purposes of determining royalty payments pursuant to this Agreement, shall be determined by multiplying the NET SALES of the COMBINATION PRODUCT (as defined below) during the applicable royalty reporting period, by the fraction  $A/(A+B)$ , where A is the fair market value of the LICENSED PRODUCTS, LICENSED SERVICES or LICENSED METHODS, and B is the fair market value of all OTHER COMPONENTS included in the COMBINATION PRODUCT. If a COMBINATION PRODUCT is sold, whether or not the OTHER COMPONENTS are also sold separately, LICENSEE and the REGENTS shall make a good faith determination of the respective fair market values of the LICENSED PRODUCT, LICENSED SERVICES or LICENSED METHODS and all OTHER COMPONENTS included in the COMBINATION PRODUCT. If neither such LICENSED PRODUCT nor any other active ingredient in the COMBINATION PRODUCT is sold separately, the adjustment to NET SALES shall be determined by the REGENTS and the LICENSEE in good faith to reasonably reflect the fair market value of the contribution of such Product in the COMBINATION PRODUCT to the total fair market value of such COMBINATION PRODUCT.

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- 2.13 “COMBINATION PRODUCT” means a LICENSED PRODUCT, LICENSED SERVICE or LICENSED METHOD that incorporates at least one OTHER COMPONENT. For clarity, all references to “LICENSED PRODUCTS, LICENSED SERVICES or LICENSED METHODS” in this Agreement shall be deemed to include COMBINATION PRODUCTS.
- 2.14 “OTHER COMPONENT” means a proprietary active therapeutic ingredient or a delivery device, in each case that is not itself a LICENSED PRODUCT, LICENSED SERVICE or LICENSED METHOD.
- 2.15 “REGENTS’ PATENT RIGHTS” means REGENTS’ rights in (i) U.S. Patent Application, Serial Number [ \* ], and assigned to REGENTS; (ii) U.S. Patent Application, Serial Number [ \* ], and assigned to REGENTS; (iii) International Patent Application, Serial Number [ \* ], and assigned to REGENTS; (iv) any patent applications, utility models, inventors certificates, invention registrations, continuing applications, divisional applications, substitutions, continuation-in-part applications, and equivalents thereof in any jurisdiction anywhere in the world, in each case to the extent that claims in such filings are entitled to the filing date of the patent applications in (i)-(iii)); (v) any granted patents issuing on (i)-(iv) including any reissues, re-examinations, or extensions thereof.
- 2.16 “SALE” means, for LICENSED PRODUCTS and LICENSED SERVICES, the act of selling, leasing or otherwise transferring, providing, or furnishing such product or service, and for LICENSED METHOD the act of performing such method for any consideration. Correspondingly, “SOLD” means to have made or caused to be made a SALE.
- 2.17 “VALID CLAIM” shall mean a claim in an issued, unexpired patent included within the REGENT PATENT RIGHTS or JOINT PATENT RIGHTS or in a pending patent application (which claim is pending for no more than [ \* ] years) that (a) has not been cancelled, withdrawn, abandoned or rejected by any administrative agency or other body of competent jurisdiction from which no appeal has or can be taken, (b) has not been revoked, held invalid, or declared unpatentable or unenforceable in a decision of a court or other body of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal, (c) has not been rendered unenforceable through disclaimer or otherwise, and (d) is not lost through an interference proceeding. If a claim is pending for more than [ \* ] years and later issues in a patent, then as of the patent issue date, the claim again becomes a VALID CLAIM.

### 3. GRANT

- 3.1 Subject to the terms and conditions set forth in this Agreement, including the license granted to the U.S. Government and the rights reserved in Paragraph 3.3, REGENTS hereby grants to LICENSEE and LICENSEE hereby accepts an exclusive (even as to REGENTS other than as otherwise specifically reserved in Section 3.3) worldwide royalty-bearing sublicensable license under REGENTS’

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PATENT RIGHTS and REGENTS'S right, title and interest in JOINT PATENT RIGHTS to make, have made, use, have used, SELL, have SOLD, offer for SALE, import, have imported, export, have exported, develop, have developed, commercialize, and have commercialized LICENSED PRODUCTS and LICENSED SERVICES, and to practice the LICENSED METHOD, in the LICENSED FIELD OF USE in the LICENSED TERRITORY.

- 3.2 The license under Paragraph 3.1 will be exclusive for a term commencing on the Effective Date and ending on the date of the last-to-expire VALID CLAIM under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS, unless earlier terminated as permitted herein.
- 3.3 Nothing in this Agreement will be deemed to limit the right of REGENTS to publish any and all technical data resulting from any research performed by REGENTS relating to the INVENTION. REGENTS expressly reserves the right to use the INVENTION and related technology for its educational and research purposes, to permit other nonprofit institutions to practice the INVENTION for educational and research purposes; to disseminate the other tangible materials associated with, or required to practice the INVENTION and/or the REGENT PATENT RIGHTS and JOINT PATENT RIGHTS to researchers at nonprofit institutions for their educational and research purposes.
- 3.4 This Agreement will terminate ninety (90) days after written notice from REGENTS, if LICENSEE files a claim, including in anyway, the assertion that any portion of the REGENT PATENT RIGHTS or JOINT PATENT RIGHTS is invalid or unenforceable where the filing is by and assuming such claim is not withdrawn, the LICENSEE, a third party on behalf of the LICENSEE, or a third party at the written urging of the LICENSEE.
- 3.5 LICENSEE will have a continuing responsibility to keep REGENTS informed of the large/small entity status, as defined in 15 U.S.C. 632, of itself and its sublicensees.
- 3.6 The INVENTION was funded in part by the U.S. Government. In accordance with PL 96-517 as amended by PL 98-620, to the extent required by law or regulation, any products covered by patent applications or patents claiming the INVENTION and sold in the United States will be substantially manufactured in the United States. If such manufacture is not reasonable, REGENTS shall reasonably cooperate with LICENSEE in seeking exemption for such requirement.

#### **4. SUBLICENSES**

- 4.1 REGENTS also grants to LICENSEE the right to sublicense to AFFILIATES and third parties some or all of its rights hereunder provided that LICENSEE has exclusive rights under this Agreement to the rights being sublicensed at the time of sublicensing. LICENSEE agrees to use its CRE to enforce the provisions of any sublicense of the rights hereunder to the extent material to REGENTS. Every such sublicense will include:

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- (a) a statement setting forth the date upon which LICENSEE'S exclusive rights, privileges, and license hereunder will expire;
- (b) as applicable, all the rights of, and require the performance of all the obligations due to, REGENTS (and, if applicable, the United States Government) under this Agreement other than those rights and obligations specified in
- (c) as applicable, all the rights of, and require the performance of all the obligations due to, REGENTS (and, if applicable, the United States Government) under this Agreement other than those rights and obligations specified in Article 5 (License Issue Fee) and Paragraph 6.5 (minimum annual royalty);
- (d) a provision requiring payment of royalties to LICENSEE in an amount sufficient to permit LICENSEE to meet its royalty obligations to REGENTS at the rates and bases set forth in this Agreement; and
- (e) the same provision for indemnification of REGENTS as has been provided for in this Agreement.

4.2 In the event LICENSEE grants a sublicense to the REGENTS' PATENT RIGHTS and JOINT PATENT RIGHTS, LICENSEE shall pay REGENTS the following percentages of any SUBLICENSING REVENUE (the "SUBLICENSING REVENUE PERCENTAGE" or "SLP") received by LICENSEE from such sublicensee based on the LICENSED PRODUCT, LICENSED METHOD or LICENSED SERVICE being sublicensed where "SUBLICENSING REVENUE" means, up front license fee payments and/or annual license fees to the extent attributable to the grant of a sublicense of rights under this Agreement, but shall exclude, royalties, minimum royalties, milestone payments (but subject to the last paragraph of this subsection), development services payments at fair market value, legal fees for sublicensing, research funding plus reasonable overhead and profit, amounts at up to [ \* ] of fair market value directly for development, sales, and/or marketing activities, debt financing at up to [ \* ] of fair market value, purchase of equity at up to [ \* ] of fair market value, and/or reimbursement of patent filing, prosecution and maintenance fees and expenses:

- (a) [ \* ]: [ \* ].
- (b) [ \* ]: [ \* ].
- (c) [ \* ]: [ \* ].
- (d) [ \* ]: [ \* ].
- (e) If SUBLICENSING REVENUE is received from any sublicense or other transfer of rights granted under this Agreement where such transaction includes:

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- i. [ \* ] the payments made by LICENSEE to the third party in respect of the Third Party Licensed Rights and
- ii. [ \* ] the payments made by LICENSEE to such third parties in respect of the Third Party Licensed Rights.

Notwithstanding anything to the contrary the final amount of SUBLICENSING REVENUE payable after permitted reductions shall not be less than [ \* ] of the amount payable prior to the application of deductions.

- 4.3 LICENSEE will notify REGENTS of each sublicense granted hereunder and furnish to REGENTS a copy of each such sublicense agreement, provided any provisions that are not relevant to LICENSEE'S fulfillment of its obligations under this Agreement may be redacted.
- 4.4 LICENSEE will deliver all reports due REGENTS and received from sublicensees.
- 4.5 AFFILIATES will have no licenses under REGENT PATENT RIGHTS and JOINT PATENT RIGHTS except as granted by sublicense pursuant to this Agreement.
- 4.6 LICENSEE remains responsible for the payment of all monies and other consideration due REGENTS as a consequence of sublicenses, and deliver all reports due REGENTS and received from sublicensees, provided LICENSEE may require sublicensees to make reports and payments directly to REGENTS in the interests of timing. Should a sublicensee breach its payment obligations under a sublicense, LICENSEE shall pay to REGENTS its proportional share of any monies actually recovered from the sublicensee after payment by LICENSEE of its reasonable collection costs and legal fees and costs related thereto.
- 4.7 To the extent permitted under the sublicense agreement, a sublicensee shall have the right to grant further sublicenses to its AFFILIATE and third parties to the extent such sublicensee deems such further sublicense to be commercially reasonable, useful or necessary for the development and/or commercialization of LICENSED PRODUCT(S), LICENSED SERVICE or LICENSED METHOD(S) in accordance with this Agreement; provided that (i) such further sublicense is subject to a written sublicense agreement and is bound by all of the applicable terms, conditions, obligations, restrictions and other covenants of this Agreement that protect or benefit the REGENTS' (and, if applicable, the U.S. Government's) rights and interests under this Agreement, and (ii) the sublicensee shall, within [ \* ] days after issuing any further sublicense, furnish to LICENSEE for delivery to REGENTS, subject to any confidentiality provisions with third parties, a copy of each such sublicense agreement, provided any provisions that are not relevant to LICENSEE'S fulfillment of its obligations under this Agreement may be redacted..
- 4.8 Upon termination of this Agreement for any reason, all sublicenses that are granted by LICENSEE pursuant to this Agreement where the sublicensee is in compliance with its sublicense agreement as of the date of such termination will remain in effect and, will be assigned to REGENTS except that REGENTS will not be bound to perform any duties or obligations set forth in any sublicenses that extend beyond the duties and obligations of REGENTS set forth in this Agreement.

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4.9 Beginning on [ \* ] and thereafter:

- (a) If REGENTS provides the LICENSEE written clinical or other compelling and reliable scientific, safety and commercial evidence demonstrating a significant commercial opportunity within the LICENSED FIELD OF USE, which use was undiscovered as of the Effective Date and at the time of notice from REGENTS is not currently being developed or commercialized, and is not the subject of a plan to be developed or commercialized, by LICENSEE, its Affiliates or sublicensees (the “NEW FIELD”), LICENSEE shall use CRE either to provide REGENTS with a development plan and start development in the NEW FIELD, or attempt to sublicense the NEW FIELD use to a third party.
- (b) If within [ \* ] months of such written notification by REGENTS, LICENSEE has not initiated reasonable efforts to finance, develop or sublicense the NEW FIELD, REGENTS may for the following [ \* ] months (the “Negotiation Period”) on written notice to the LICENSEE enter into negotiations with a third party for a license to the NEW FIELD. If (i) REGENTS has during the Negotiation Period a bona fide offer from a third party (“Third Party Licensee”) to enter into a license for the development of the NEW FIELD on terms that reflect fair market value for the rights to be granted, (ii) the Third Party Licensee has submitted a bona fide development and commercialization plan for the NEW FIELD, and (iii) REGENTS and LICENSEE have agreed in writing that development of the indication as planned will not adversely affect current or anticipated development and commercialization of LICENSED PRODUCTS and LICENSED SERVICES including, without limitation, obtaining approval or sales for LICENSED PRODUCTS for anticipated indications for use, REGENTS may enter into the license contemplated in 4.9(b)(ii) in the NEW FIELD with such Third Party Licensee. Upon execution of the new license meeting all the requirements herein, the LICENSED FIELD OF USE shall be amended *mutatis mutandis*. For clarity, such amendment to the LICENSED FIELD OF USE permitted by this Section shall not be effective until REGENTS and the third party licensee enters into the proposed license.
- (c) If a license meeting the requirements herein is not executed by REGENTS and the Third Party Licensee prior to the end of such Negotiation Period, then the license shall not be granted by REGENTS and the termination of the relevant indication and amendment of the LICENSED FIELD OF USE shall not be effective. If any license with the Third Party Licensee that is permitted under this provision is terminated, written notice of the same will be delivered to LICENSEE and the terminated rights shall be automatically restored as part of LICENSEE’s rights under this Agreement as of the date of termination, unless requested otherwise by the LICENSEE. Following such restoration, the terms and conditions under this Section 4.9 will be reinstated and restored in full force as of the termination date.

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- 4.10 For clarity, this Section shall not be applicable if LICENSEE reasonably demonstrates to REGENTS that commercializing such LICENSED PRODUCT(S) or LICENSED SERVICE(S) or granting such a sublicense in the NEW FIELD would have a potentially adverse commercial effect upon development, marketing or sales, or future development, marketing or sales, of the LICENSED PRODUCT(S) or LICENSED SERVICES.

**5. LICENSE ISSUE FEE**

LICENSEE will pay to REGENTS a license issue fee of Fifty Thousand US Dollars (US\$50,000) due within [ \* ] days of signing this Agreement by both parties. This fee is non-refundable and is not an advance against royalties or other payments due under this Agreement.

**6. ROYALTIES, ANNUAL LICENSE MAINTENANCE FEE AND MINIMUM ROYALTIES**

- 6.1 For the duration of the term of this Agreement, LICENSEE will pay to REGENTS earned royalties at the rate of [ \* ] of the NET SALES of LICENSED PRODUCT(S) OR LICENSED METHOD; subject to the following:
- (a) If LICENSEE [ \* ] to make any payment (including upfront payments, milestones, royalties or other license fees or payments) to a third party to obtain a license or other patent rights [ \* ], such third party payments will be creditable against amounts owed to REGENTS in the order such amounts are owed until fully credited, provided that [ \* ] will credits reduce any amounts owed to REGENTS by more than [ \* ] of amounts owed to REGENTS [ \* ]. When making payment under this Paragraph 6.1 (i), LICENSEE shall provide REGENTS with supporting information and documentation used to determine the amount of any such credit.
- 6.2 Royalties accruing to REGENTS will be paid to REGENTS quarterly within [ \* ] days after the end of each calendar quarter, and [ \* ] days with respect to NET SALES by sublicensees.
- 6.3 LICENSEE will also pay to REGENTS an annual license maintenance fee of Twenty Thousand U.S. Dollars (US\$20,000) beginning on the first anniversary date of the Effective Date and on each anniversary of the Effective Date thereafter during the term of the AGREEMENT until the FIRST COMMERCIAL SALE by LICENSEE of a LICENSED PRODUCT.
- 6.4 Beginning with the first calendar year that begins after FIRST COMMERCIAL SALE and for each succeeding calendar year thereafter, LICENSEE will pay to the REGENTS a minimum annual royalty of [ \* ] increasing by [ \* ] every year

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thereafter but capped at a total of [ \* ] per year in minimum royalties for the remainder of term of this Agreement. This minimum annual royalty will be paid to the REGENTS by January 30 of each such calendar year and will be credited against the earned royalty due and owing for the calendar year in which the minimum payment was made.

- 6.5 LICENSEE will pay the following one-time milestone payments on the first occurrence of the following:
- (a) LICENSEE will pay to REGENTS a non-refundable, non-creditable milestone payment of [ \* ] within [ \* ] days of [ \* ].
  - (b) LICENSEE will pay to REGENTS a non-refundable, non-creditable milestone payment of [ \* ] within [ \* ] days of [ \* ].
  - (c) LICENSEE will pay to REGENTS a non-refundable, non-creditable milestone payment of [ \* ] within [ \* ] days of [ \* ].
  - (d) LICENSEE will pay to REGENTS a non-refundable, non-creditable milestone payment of [ \* ] within [ \* ] days of [ \* ].
  - (e) LICENSEE will pay to REGENTS a non-refundable, non-creditable milestone payment of [ \* ] within [ \* ] days of [ \* ].
- 6.6 All payments due REGENTS will be payable in United States Dollars. When LICENSED PRODUCTS, LICENSED SERVICES, or LICENSED METHOD are SOLD for monies other than United States Dollars, royalties will first be determined in the foreign currency of the country in which the SALE was made and then converted into equivalent United States Dollars. The exchange rate will be that rate quoted in the *Wall Street Journal* on the average of last [ \* ] business days of the reporting period.
- 6.7 If any patent or patent application, or any claim thereof, included within REGENTS' PATENT RIGHTS or JOINT PATENT RIGHTS does not include a VALID CLAIM all obligation to pay royalties based on such patent, patent application or claim, or any claims patentably indistinct therefrom, will cease as of the date of such expiration or final decision. LICENSEE will not, however, be relieved from paying any royalties that accrued before such expiration or decision or that are based on another VALID CLAIM.
- 6.8 Payments due and payable to REGENTS for SALES occurring in any country outside the United States will be reduced by any taxes, fees, or other charges or withholding imposed by the government of such country on the remittance of royalty income. LICENSEE will also be responsible for all bank transfer charges, shall reasonably cooperate with REGENTS in the recovery of any amounts paid by LICENSEE on REGENTS' behalf.
- 6.9 LICENSEE will make all payments under this Agreement by check payable to "The Regents of the University of California" and forward it to: University of California, Innovation Alliances and Services (IAS), Attn: Accounts Receivable, 1111 Franklin Street, 5th Floor, Oakland, CA 94607.

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6.10 No earned royalties will be collected or paid to REGENTS hereunder on SALES to, or for use by, the United States Government. LICENSEE will reduce the amount charged for such SALES by an amount equal to the earned royalty otherwise due REGENTS as provided herein.

7. DUE DILIGENCE

- 7.1 LICENSEE will use its CRE to proceed with the development, manufacture, and SALE of LICENSED PRODUCTS, and will use its CRE to manufacture LICENSED PRODUCT in quantities sufficient to meet the market demand.
- 7.2 In addition to its obligations under Paragraph 7.1, LICENSEE specifically commits to achieving the following objectives in its due diligence activities under this Agreement:

<u>Key Milestone</u>	<u>Year Completed</u>
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]
[ * ]	[ * ]

- 7.3 If LICENSEE is unable to meet any of its diligence obligations set forth in Paragraphs 7.1 and 7.2, then REGENTS will so notify LICENSEE of failure to perform. LICENSEE will have the right and option to extend the target date of any such due diligence obligation for periods of [ \* ] months upon the payment of [ \* ] within [ \* ] days of the date to be extended for each such extension option exercised by LICENSEE, and all following milestone dates shall be adjusted accordingly. LICENSEE may further extend the target date of any diligence obligation for an additional [ \* ] months upon payment of an additional [ \* ], and all following milestone dates shall be adjusted accordingly. Additional extensions may be granted only by mutual written agreement of the parties to this Agreement. Payments made by LICENSEE in respect of extension periods for the achievement of a Key Milestone are in addition to the minimum royalty payments specified in Paragraph 6.5. Should LICENSEE opt not to extend the obligation or fail to meet it by the extended target date, then REGENTS will have the right and option either to terminate this Agreement or to reduce LICENSEE’s exclusive license to a non-exclusive royalty-bearing license. This right, if exercised by REGENTS, supersedes the rights granted in Article 3. The right to terminate this Agreement or

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reduce LICENSEE's exclusive license granted hereunder to a non-exclusive license will be REGENTS' sole remedy for breach of Paragraph 7.1 or 7.2. Should REGENTS choose to reduce LICENSEE's exclusive license to a non-exclusive royalty-bearing license, LICENSEE shall have the right to terminate this Agreement on written notice from LICENSEE to REGENTS under Article 12.

- 7.4 At the written request of either party for arbitration, any controversy or claim arising out of or relating to the diligence provisions of Paragraphs 7.1 and 7.2 will be settled by a single arbitrator with no fewer than [ \* ] years' experience in pharmaceutical licensing as part of an arbitration conducted in San Francisco, California in accordance with the then current Licensing Agreement Arbitration Rules of the American Arbitration Association. The arbitrator shall be mutually agreed upon by the parties unless no arbitrator can be agreed within [ \* ] days of the initial request for arbitration, in which case American Arbitration Association will appoint an arbitrator, and the arbitration is concluded within [ \* ] days after the initial request for arbitration. Judgment upon the award rendered by the arbitrator(s) will be binding on the parties and may be entered by either party in the court or forum having jurisdiction. For clarity, the parties intend that the judgment not be subject to review or modification by any other court or tribunal. In determination of due diligence, the arbitrator may determine solely the issues of fact or law with respect to termination of LICENSEE's rights under this Agreement but will not have the authority to award monetary damages or grant equitable relief.
- 7.5 To exercise either the right to terminate this Agreement or to reduce the license to a non-exclusive license for lack of diligence under Paragraph 7.1 or 7.2, REGENTS will give LICENSEE written notice of the deficiency. LICENSEE thereafter has [ \* ] days to cure the deficiency or to request arbitration. If REGENTS has not received a written request for arbitration or satisfactory tangible evidence that the deficiency has been cured by the end of the [ \* ] - day period, then REGENTS may, at its option, either terminate this Agreement or reduce LICENSEE's exclusive license to a non-exclusive license by giving written notice to LICENSEE. If LICENSEE requests arbitration and the arbitrator concludes that LICENSEE has fulfilled all of its obligations under Sections 7.1 and 7.2, then REGENTS shall not have the right to terminate this Agreement or reduce LICENSEE's exclusive license to a non-exclusive license, and LICENSEE's costs and expenses of arbitration shall be offset against any amounts payable to REGENTS until paid in full.. These notices will be subject to Article 23 (Notices).

## **8. PROGRESS AND ROYALTY REPORTS**

- 8.1 For the period beginning March 2015, LICENSEE will submit to REGENTS a semi-annual progress report covering LICENSEE's activities related to the development and testing of all LICENSED PRODUCTS, LICENSED SERVICES and LICENSED METHOD and the obtaining of necessary governmental approvals, if any, for marketing in the United States. These progress reports will be made for all development activities until FIRST COMMERCIAL SALE.

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- 8.2 Each progress report will be a sufficiently detailed summary of activities of LICENSEE and any sublicensees so that REGENTS may evaluate and determine LICENSEE's progress in development of LICENSED PRODUCTS, LICENSED SERVICES, and LICENSED METHOD, and in meeting its diligence obligations under Article 7, and will include (to the extent relevant at the time of reporting) the following: summary of work completed and in progress; current schedule of anticipated events and milestones, including diligence milestones under Paragraph 7.2; anticipated market introduction dates for the licensed territories; and sublicensee's activities during the reporting period. For clarity, any discussion by LICENSEE in a progress report as to anticipated events is speculative in all respects and subject to change and, as a result, may not be relied on by REGENTS.
- 8.3 LICENSEE also will report to REGENTS in its immediately subsequent progress and royalty reports, the date of first SALE.
- (a) After the FIRST COMMERCIAL SALE anywhere in the world, LICENSEE will make quarterly royalty reports to REGENTS within [ \* ] days after the quarters ending March 31, June 30, September 30, and December 31, of each year. Each such royalty report will include at least the following: The number of LICENSED PRODUCTS manufactured and the estimated number SOLD;
  - (b) Gross revenue from SALE of LICENSED PRODUCTS, LICENSED SERVICES and LICENSED METHOD;
  - (c) NET SALES pursuant to Paragraph 2.8;
  - (d) Total royalties due REGENTS; and
  - (e) Names and addresses of any new sublicensees along with a summary of the material terms of each new sublicense agreement entered into during the reporting quarter.
- 8.4 If no SALES have occurred during the report period, a statement to this effect is required in the royalty report for that period.

## **9. BOOKS AND RECORDS**

- 9.1 LICENSEE will keep full, true, and accurate books and records containing all particulars that may be necessary for the purpose of showing the amount of royalties payable to REGENTS and LICENSEE's compliance with other obligations under this Agreement. Said books and records will be kept at LICENSEE's principal place of business or the principal place of business of the appropriate division of LICENSEE to which this Agreement relates. Said books and records and the supporting data will be open at all reasonable times during normal business hours upon reasonable notice, for [ \* ] years following the end of the calendar year to which they pertain, to the inspection and audit by representatives of REGENTS for the purpose of verifying LICENSEE's royalty statement or compliance in other respects with this Agreement. Such

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representatives will be bound to hold all information in confidence except as necessary to communicate LICENSEE's non-compliance with this Agreement to REGENTS.

- 9.2 The fees and expenses of REGENTS' representatives performing such an examination will be borne by REGENTS. However, if an error in underpaid royalties to REGENTS of more than [ \* ] of the total royalties due for any year is discovered, then the fees and expenses of these representatives will be borne by LICENSEE.

## 10. TERM OF THE AGREEMENT

- 10.1 Unless earlier terminated as permitted in this Agreement, the term of this Agreement shall begin on the Effective Date and will continue until the termination of the last VALID CLAIM of the REGENTS' PATENT RIGHTS and JOINT PATENT RIGHTS.
- 10.2 Any termination of this Agreement shall not affect the rights and obligations set forth in the following articles:
- |            |   |
|------------|---|
| Article 2  | Definitions                                       |
| Article 4  | Sublicenses                                       |
| Article 9  | Books and Records                                 |
| Article 10 | Term of the Agreement                             |
| Article 13 | Disposition of Licensed Products Upon Termination |
| Article 16 | Use of Names and Trademarks                       |
| Article 17 | Limited Warranties and Limit of Liability         |
| Article 19 | Indemnification                                   |
| Article 23 | Notices   |
| Article 24 | Late Payments                                     |
| Article 26 | Confidentiality                                   |
| Article 29 | Applicable Law; Venue                             |
- 10.3 Any termination of this Agreement will not relieve LICENSEE of its obligation to pay any monies due or owing at the time of such termination and will not relieve any obligations, of either party to the other party, accruing prior to termination.

## 11. TERMINATION BY REGENTS

If LICENSEE materially breaches any material term of this Agreement, then REGENTS may give written notice of such material breach ("Notice of Default") to LICENSEE. If LICENSEE should fail to remedy such material breach within ninety (90) days of the effective date of such notice, REGENTS will have the right to terminate this Agreement and the licenses herein by a second written notice ("Notice of Termination") to LICENSEE. If a Notice of Termination is sent to LICENSEE, this Agreement will

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automatically terminate on the effective date of such notice. Such termination will not relieve LICENSEE of its obligation to pay any royalty or license fees owing at the time of such termination and will not impair any accrued rights of REGENTS. These notices will be subject to Article 23 (Notices).

## **12. TERMINATION BY LICENSEE**

- 12.1 LICENSEE will have the right at any time to terminate this Agreement in whole or as to any portion of REGENT PATENT RIGHTS or JOINT PATENT RIGHTS by giving notice in writing to REGENTS. Such notice of termination will be subject to Article 23 (Notices) and termination of this Agreement will be effective ninety (90) days after the effective date of such notice.
- 12.2 Any termination pursuant to Paragraph 12.1 will not relieve LICENSEE of any obligation or liability accrued hereunder prior to such termination or rescind anything done by LICENSEE or any payments made to REGENTS hereunder prior to the time such termination becomes effective, and such termination will not affect in any manner any rights of REGENTS arising under this Agreement prior to such termination.

## **13. DISPOSITION OF LICENSED PRODUCTS UPON TERMINATION**

Upon termination of this Agreement, for a period of one year after the date of termination LICENSEE may complete and SELL any LICENSED PRODUCTS in stock, in process or subject to binding purchase orders, and continue to render any previously commenced LICENSED SERVICES under existing agreements, and continue the practice of LICENSED METHOD only to the extent necessary to do so; provided, however, that all such SALES will be subject to the terms of this Agreement including, but not limited to, the payment of royalties at the rate and at the time provided herein and the rendering of reports thereon.

## **14. PATENT PROSECUTION AND MAINTENANCE**

- 14.1 REGENTS will diligently prosecute and maintain the United States and foreign patent applications and patents under REGENTS' PATENT RIGHTS, subject to LICENSEE'S reimbursement of REGENTS' out of pocket costs under Article 14.4 below, and all patent applications and patents under REGENTS' PATENT RIGHTS will be held in the name of REGENTS. REGENTS will have sole responsibility for retaining and instructing patent counsel with regards to U.S. Patent Applications, Serial No. [ \* ], and continuing applications thereof including divisions, substitutions, extensions and continuation-in-part applications any patents issuing on said application or continuing applications including reissues; and any corresponding foreign patents or applications, but continued use of such counsel at any point in the patent prosecution process subsequent to initial filing of a U.S. patent application covering the INVENTION shall be subject to the approval of LICENSEE. If LICENSEE rejects three of REGENTS' choices of prosecution counsel, then REGENTS may select new prosecution counsel without LICENSEE's consent. REGENTS shall promptly provide LICENSEE with copies of all relevant documentation so that LICENSEE may be currently informed and apprised of the

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continuing prosecution and LICENSEE agrees to keep this documentation confidential in accordance with Article 26. LICENSEE may comment upon such documentation, provided, however, that if LICENSEE has not commented upon such documentation in reasonable time for REGENTS to sufficiently consider LICENSEE's comments prior to the deadline for filing a response with the relevant government patent office, REGENTS will be free to respond appropriately without consideration of LICENSEE's comments. LICENSEE and LICENSEE's patent counsel will have the right to consult with patent counsel chosen by REGENTS.

- 14.2 LICENSEE will diligently prosecute and maintain the United States and foreign patent applications and patents under JOINT PATENT RIGHTS and all patent applications and patents under JOINT PATENT RIGHTS will be held in the name of REGENTS and LICENSEE. LICENSEE will have sole responsibility for retaining and instructing patent counsel with regards to U.S. Patent Applications, Serial Nos. [ \* ], and continuing applications thereof including divisions, substitutions, extensions and continuation-in-part applications any patents issuing on said application or continuing applications including reissues; and any corresponding foreign patents or applications. LICENSEE shall promptly provide REGENTS with copies of all relevant documentation so that REGENTS may be currently informed and apprised of the continuing prosecution and REGENTS agrees to keep this documentation confidential in accordance with Article 26. REGENTS may comment upon such documentation, provided, however, that if REGENTS has not commented upon such documentation in reasonable time for LICENSEE to sufficiently consider REGENTS's comments prior to the deadline for filing a response with the relevant government patent office, LICENSEE will be free to respond appropriately without consideration of REGENTS comments. REGENTS and REGENTS' patent counsel will have the right to consult with patent counsel chosen by LICENSEE. If LICENSEE decided to not file or cease patent prosecution on a patent application or maintenance of a JOINT PATENT RIGHTS, the LICENSEE will notify the REGENTS so the REGENTS may continue the patent prosecution or maintenance at its own cost.
- 14.3 REGENTS and LICENSEE will use reasonable efforts to prepare or amend any patent application to include claims reasonably requested by LICENSEE and REGENTS to protect the LICENSED PRODUCTS contemplated to be SOLD or to be practiced under this Agreement.
- 14.4 Subject to Paragraphs 14.4 and 14.5, all past (unreimbursed), present, and future costs for preparing, filing, prosecuting, and maintaining all United States and foreign patent applications, and patents under REGENTS' PATENT RIGHTS will be borne by LICENSEE, so long as the licenses granted to LICENSEE herein are exclusive. To date the unreimbursed past patent costs are approximately Four Thousand One Hundred and Seven U.S. Dollars (US\$4,107.00) Payments are due within [ \* ] days after receipt of invoice from REGENTS. If, however, REGENTS reduces the exclusive licenses granted herein to non-exclusive licenses pursuant to Paragraphs 7.3, 7.4, or 7.5 and REGENTS grants additional license(s), the costs of preparing, filing, prosecuting and maintaining such patent applications and patents will be divided equally among the licensed parties from the effective date of each subsequently granted license agreement.

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14.5 LICENSEE's obligation to underwrite and to pay all domestic and foreign patent filing, prosecution, and maintenance costs will continue for so long as this Agreement remains in effect, provided, however, that LICENSEE may terminate its obligations with respect to any given patent application or patent in any or all designated countries upon [ \* ] months' written notice to REGENTS. REGENTS will use its best efforts to curtail patent costs when such a notice is received from LICENSEE. REGENTS may continue prosecution and/or maintenance of such applications or patents at its sole discretion and expense; provided, however, that LICENSEE will have no further right or licenses thereunder.

**15. MARKING**

LICENSEE agrees to mark LICENSED PRODUCT(S) (or their containers or labels) made, sold, licensed or otherwise disposed of in the United States under the license granted in this Agreement with the patent numbers of any applicable U.S. patent(s) in accordance with applicable U.S. laws. All LICENSED PRODUCTS shipped to, manufactured, or sold in other countries will be marked in such manner as to conform with the patent laws and practice of such countries.

**16. USE OF NAMES AND TRADEMARKS**

Nothing contained in this Agreement will be construed as conferring any right to use in advertising, publicity or other promotional activities any name, trademark, trade name, or other designation of either party hereto by the other (including any contraction, abbreviation, or simulation of any of the foregoing). Unless required by law or consented to in writing by REGENTS, the use by LICENSEE of the name "The Regents of the University of California" or the name of any University of California campus in advertising, publicity or other promotional activities is expressly prohibited.

**17. LIMITED WARRANTIES AND LIMITATION OF LIABILITY**

17.1 REGENTS warrants to LICENSEE that it has the lawful right to grant this license.

17.2 This license and the associated INVENTION are provided WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESSED OR IMPLIED. REGENTS MAKES NO REPRESENTATION OR WARRANTY THAT THE INVENTION, REGENTS' PATENT RIGHTS OR JOINT PATENT RIGHTS, LICENSED PRODUCT(S), LICENSED SERVICES OR LICENSED METHOD WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.

17.3 SUBJECT TO LICENSEE'S DUTIES UNDER ARTICLE 19 FOR CLAIMS OF THIRD PARTIES, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INCIDENTAL, SPECIAL, INDIRECT OR CONSEQUENTIAL OR PUNITIVE DAMAGES RESULTING FROM EXERCISE OF THIS LICENSE OR THE USE OF THE INVENTION, REGENTS' PATENT RIGHTS AND JOINT PATENT RIGHTS, LICENSED METHOD, OR LICENSED PRODUCT(S).

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17.4 Nothing in this Agreement is or will be construed as:

- (a) A warranty or representation by REGENTS as to the validity, enforceability or scope of any REGENT PATENT RIGHTS or JOINT PATENT RIGHTS; or
- (b) A warranty or representation that anything made, used, or SOLD under any license granted in this Agreement is or will be free from infringement of patents of third parties; or
- (c) An obligation to bring or prosecute actions or suits against third parties for patent infringement, except as provided in Article 18; or
- (d) Conferring by implication, estoppel, or otherwise any license or rights under any patents of REGENTS other than REGENTS' PATENT RIGHTS AND JOINT PATENT RIGHTS as defined herein, regardless of whether such patents are dominant or subordinate to REGENTS' PATENT RIGHTS AND JOINT PATENT RIGHTS; or
- (e) An obligation to furnish any know-how not provided in the patents and patent applications under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS.

## **18. PATENT INFRINGEMENT**

- 18.1 In the event that a party (for the REGENTS, to the extent of actual knowledge of the licensing professional responsible for administration of this Agreement) learns of the substantial infringement of any REGENT PATENT RIGHTS or JOINT PATENT RIGHTS under this Agreement, they will promptly provide the other party with notice and reasonable evidence of such infringement ("Infringement Notice"). During the period and in a jurisdiction where LICENSEE has exclusive rights under this Agreement, neither party will notify a third party, including the infringer, of the infringement without first obtaining consent of the other party, which shall not be unreasonably withheld. The parties will cooperate to terminate such infringement without litigation.
- 18.2 If the infringing activity of potential commercial significance has not been abated within [ \* ] days following the effective date of the Infringement Notice, LICENSEE may institute suit for patent infringement against the infringer. REGENTS may voluntarily join such suit at its own expense, but may not thereafter commence suit against the infringer for the acts of infringement that are the subject of LICENSEE's suit or any judgment rendered in that suit. LICENSEE may not join REGENTS in a suit initiated by LICENSEE without REGENTS' prior written consent. If, in a suit initiated by LICENSEE, REGENTS is involuntarily joined

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other than by LICENSEE, LICENSEE will pay the out-of-pocket costs incurred by REGENTS arising out of such suit, including but not limited to, any legal fees of counsel that REGENTS selects and retains to represent it in the suit, assuming REGENTS will use reasonable efforts to pursue a joint defense if there are no related conflicts that make such joint defense unreasonable. For the avoidance of doubt, REGENTS will determine reasonableness.

- 18.3 If, within [ \* ] days following the effective date of the Infringement Notice, the infringing activity of potential commercial significance has not been abated and if LICENSEE has not brought suit against the infringer, REGENTS may institute suit for patent infringement against the infringer. If REGENTS institutes such suit, LICENSEE may not join such suit without REGENTS' consent and may not thereafter commence suit against the infringer for the acts of infringement that are the subject of REGENTS' suit or any judgment rendered in that suit.
- 18.4 Such legal action as is decided upon will be at the expense of the party on account of whom suit is brought and all recoveries recovered thereby will belong to such party, provided that legal action brought jointly by REGENTS and LICENSEE and participated in by both, will be at the joint expense of the parties and all recoveries will be allocated in the following order: a) to each party reimbursement in equal amounts of the attorney's costs, fees, and other related expenses to the extent each party paid for such costs, fees, and expenses until all such costs, fees, and expenses are paid in full; and b) any remaining amount shared jointly by them in proportion [ \* ], but in no event will REGENTS' share be less than [ \* ] of such remaining amounts if REGENTS is a party.
- 18.5 Each party will cooperate with the other in litigation instituted hereunder but at the expense of the party on account of whom suit is brought. Such litigation will be controlled by the party bringing the action, except that REGENTS may, at its own expense, be represented by counsel of its choice in any suit brought by LICENSEE.

## 19. INDEMNIFICATION

- 19.1 LICENSEE will, and will require its sublicensees, to indemnify, hold harmless, and defend REGENTS, its officers, employees, and agents, sponsor(s) of the research that led to the INVENTION, the inventors of any patents and patent applications in REGENTS' PATENT RIGHTS and JOINT PATENT RIGHTS, and their employers ("REGENTS INDEMNITEES") against any and all claims, suits, losses, damages, costs, fees, and expenses resulting from or arising of exercise of this license or any sublicense including, without limitation, any cause of action relating to product liability. This indemnification will include but not be limited to any product liability.
- 19.2 LICENSEE, at its sole cost and expense, will insure its activities in connection with any work performed hereunder and will obtain, keep in force, and maintain the following insurance:
- (a) prior to clinical trials, Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

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Each Occurrence	\$ 500,000
Products/Completed Operations Aggregate	\$ 0.
Personal and Advertising Injury	\$ 0.
General Aggregate	\$1,000,000

- (b) upon the earlier of any clinical trials, Commercial Form General Liability Insurance (contractual Liability included) with limits as follows:

Each Occurrence	\$5,000,000
Products/Completed Operations Aggregate	\$5,000,000
Personal and Advertising Injury	\$0.
General Aggregate	\$3,000,000

- (c) upon the earlier of the First Commercial Sale of a LICENSED PRODUCT or LICENSED SERVICE, Commercial Form General Liability Insurance (contractual Liability included) with limits as follows:

Each Occurrence	\$ 5,000,000
Products/Completed Operations Aggregate	\$10,000,000
Personal and Advertising Injury	\$ 5,000,000
General Aggregate	\$10,000,000

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination or expiration of this Agreement. The insurance shall have a retroactive date of placement prior to or coinciding with the First Commercial Sale of LICENSED PRODUCT; and

- (d) worker's compensation as legally required in the jurisdiction in which LICENSEE is doing business.

- 19.3 The coverage and limits referred to in Subparagraphs 19.2a, 19.2b and 19.2c above will not in any way limit the liability of LICENSEE under this Article. Upon the execution of this Agreement, LICENSEE will furnish REGENTS with certificates of insurance evidencing compliance with all requirements. Such certificates will:

- (a) indicate that REGENTS has been endorsed as an additional insured under the coverage described above in Subparagraph 19.2.
- (b) include a provision that the coverage will be primary and will not participate with, nor will be excess over, any valid and collectable insurance or program of self-insurance maintained by REGENTS.

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LICENSEE will promptly notify REGENTS of any cancellation of insurance coverages; LICENSEE will promptly notify REGENTS of any material reduction of the insurance coverages below the amounts required hereunder.

- 19.4 LICENSEE will provide prompt written notice of any cancellation of insurance coverages or any material reduction of the insurance coverages below the amounts required above in Subparagraph 19.2.
- 19.5 REGENTS will promptly notify LICENSEE in writing of any claim or suit brought against REGENTS for which REGENTS intends to invoke the provisions of this Article 19. LICENSEE will keep REGENTS informed of its defense of any claims pursuant to this Article 19.

## **20. COMPLIANCE WITH LAWS**

LICENSEE will comply with all applicable international, national, state, regional, and local laws and regulations in performing its obligations hereunder and in its use, manufacture, SALE or import of the LICENSED PRODUCTS, LICENSED SERVICES, or practice of the LICENSED METHOD. LICENSEE understands that REGENTS is subject to United States laws and regulations (including the Arms Export Control Act, as amended, and the Export Administration Act of 1979), controlling the export of technical data, computer software, laboratory prototypes and other commodities, and REGENTS' obligations under this Agreement are contingent on compliance with such laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE will not export such technical data and/or commodities to certain foreign countries without prior approval of such agency. REGENTS neither represents that a license will not be required nor that, if required, it will be issued.

## **21. GOVERNMENT APPROVAL OR REGISTRATION**

If this Agreement or any associated transaction is required by the law of any nation to be either approved or registered with any governmental agency, LICENSEE will assume all legal obligations to do so. LICENSEE will notify REGENTS if it becomes aware that this Agreement is subject to a United States or foreign government reporting or approval requirement. LICENSEE will make all necessary filings and pay all costs including fees, penalties, and all other out-of-pocket costs associated with such reporting or approval process.

## **22. ASSIGNMENT**

This Agreement is binding upon and shall inure to the benefit of REGENTS, its successors and assigns. This Agreement will be personal to LICENSEE and is only assignable by LICENSEE only with the written consent of REGENTS, except that LICENSEE may freely assign this Agreement to its AFFILIATE, or an acquirer of all or substantially all of LICENSEE's stock, assets or business to which this Agreement relates. If LICENSEE assigns this Agreement to a non-AFFILIATE third party, then upon execution of the assignment, LICENSEE will (i) provide REGENTS with the updated contact information, and (ii) pay REGENTS Three Hundred Thousand Dollars (\$300,000) within [ \* ] days after

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the effective date of the assignment. The REGENTS may assign to an invention management organization without LICENSEES approval, provided that the organization is managing the inventions on behalf of the University of California, Berkeley.

## 23. NOTICES

All notices under this Agreement shall be in writing and may be delivered in person, or mailed by registered or certified U.S. mail, or sent by nationally recognized overnight courier. All such notices shall be deemed delivered at the following address.

To REGENTS:	Office of Technology Licensing 2150 Shattuck Avenue, Suite 510 Berkeley, CA 94704-1347 Attn.: Director (UC Case No.: [ * ])
To LICENSEE:	Aduro Biotech 626 Bancroft Way Berkeley, CA 94710-2224 Attn.: Steven Bodovitz <sbodovitz@adurobiotech.com>

If received on a day other than a business day, then such notice shall be deemed delivered on the next business day at the address of receipt. Either party may change its address upon written notice to the other party.

## 24. LATE PAYMENTS

If monies owed to REGENTS under this Agreement are not received by REGENTS when due, LICENSEE will pay to REGENTS interest charges at a rate of [ \* ] per annum. Such interest will be calculated from the date payment was due until actually received by REGENTS. Such accrual of interest will be in addition to, and not in lieu of, enforcement of any other rights of REGENTS related to such late payment. Acceptance of any late payment will not constitute a waiver under Article 25 (Waiver) of this Agreement.

## 25. WAIVER

The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement will not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party. None of the terms and conditions of this Agreement can be waived except by the written consent of the party waiving compliance.

## 26. CONFIDENTIALITY

26.1 Each party will secure and hold the other party's proprietary business and technical information, patent prosecution material and other proprietary information, including the negotiated terms of this Agreement, in confidence and against disclosure to third parties with at least the same degree of care as it exercises to protect its own data and license agreements of a similar nature. This obligation will expire [ \* ] years after the termination or expiration of this Agreement.

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- 26.2 Nothing contained herein will in any way restrict or impair the right of LICENSEE or REGENTS to use, disclose, or otherwise deal with any information or data which:
- (a) at the time of disclosure to a receiving party is generally available to the public or thereafter becomes generally available to the public by publication or otherwise through no act of the receiving party;
  - (b) the receiving party can show by written record was in its possession prior to the time of disclosure to it hereunder and was not acquired directly or indirectly from the disclosing party;
  - (c) is independently made available to the receiving party without restrictions as a matter of right by a third party; or
  - (d) is subject to disclosure under the California Public Records Act or other requirements of law.
- 26.3 REGENTS will be free to release to the inventors and senior administrators employed by REGENTS the terms and conditions of this Agreement upon their request. If such release is made, REGENTS will inform such employees of the confidentiality obligations set forth above and will request that they do not disclose such terms and conditions to others. Should a third party inquire whether a license to REGENT PATENT RIGHTS or JOINT PATENT RIGHTS is available, REGENTS may disclose the existence of this Agreement and the extent of the grant in Articles 3 and 4 to such third party, but will not disclose the name of LICENSEE unless LICENSEE has already made such disclosure publicly, except where REGENTS is required to release information under either the California Public Records Act or other applicable law, provided REGENTS gives prior written notice to LICENSEE of such disclosure. REGENTS can publicly identify LICENSEE's corporate name and contact information as an entity with which REGENTS has an agreement that involves the commercialization of technology developed at the University of California, Berkeley; however this exception does not cover other information about this AGREEMENT, including INVENTIONS and INVENTORS, when used in association with LICENSEE's name
- 26.4 LICENSEE and REGENTS agree to destroy or return to the disclosing party proprietary information received from the other in its possession within [ \* ] days following the effective date of termination of this Agreement. However, each party may retain one copy of proprietary information of the other solely for archival purposes in non-working files for the sole purpose of verifying the ownership of the proprietary information, provided such proprietary information will be subject to the confidentiality provisions set forth in Article 26.1. LICENSEE and REGENTS agree to provide each other, within [ \* ] days following termination of this Agreement, with a written notice that proprietary information has been returned or destroyed.

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**27. FORCE MAJEURE**

Except for LICENSEE's obligation to make any payments to REGENTS hereunder (assuming that the ability of LICENSEE to recover revenue and make payments is unimpaired by the force majeure), the parties to this Agreement shall be excused from any performance required hereunder if such performance is rendered impossible or unfeasible due to any catastrophes or other major events beyond their reasonable control, including, without limitation, war, riot, and insurrection; laws, proclamations, edicts, ordinances, or regulations; strikes, lockouts, or other serious labor disputes; and floods, fires, explosions, or other natural disasters. When such events have abated, the parties' respective obligations hereunder will resume.

**28. SEVERABILITY**

The provisions of this Agreement are severable, and in the event that any provision of this Agreement will be determined to be invalid or unenforceable under any controlling body of law, such invalidity or enforceability will not in any way affect the validity or enforceability of the remaining provisions hereof.

**29. APPLICABLE LAW AND VENUE**

THIS AGREEMENT WILL BE CONSTRUED, INTERPRETED, AND APPLIED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, excluding any choice of law rules that would direct the application of the laws of another jurisdiction, but the scope and validity of any patent or patent application under REGENT PATENT RIGHTS or JOINT PATENT RIGHTS will be determined by the applicable law of the country of such patent or patent application. Any legal action brought by the parties relating to this Agreement will be conducted in San Francisco, California.

**30. SCOPE OF AGREEMENT**

This Agreement (except for the Confidentiality Agreement dated April 16, 2013, which will continue to the extent it is not inconsistent with this Agreement) incorporates the entire agreement between the parties with respect to the subject matter hereof, and this Agreement may be altered or modified only by written amendment duly executed by the parties hereto.

**31. HEADINGS**

Section and subsection headings are inserted for convenience of reference only and do not form part of this Agreement.

**32. COUNTERPARTS**

This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**33. ELECTRONIC COPY**

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The parties to this document agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by their duly authorized officers or representatives.

**THE REGENTS OF THE  
UNIVERSITY OF CALIFORNIA**

**ADURO BIOTECH INC**

By /s/ Carol Mimura  
Carol Mimura, Ph.D.  
Assistant Vice Chancellor  
Office of Technology Licensing

By /s/ Gregory W. Schafer  
Printed Name Gregory W. Schafer  
Title COO

Date 10/6/2014

Date 26 September 2014

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**EXCLUSIVE LICENSE AGREEMENT**

**for INSTITUTIONS' TECHNOLOGY**

**“Compositions & Methods for Altering Second Messenger Signaling”**

Reference Numbers:

Rutgers: L2015-0995\_LFSC

Rockefeller: RU 1136

University of Bonn: V-20141215-0766

MSK: SK2014-1899

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This Exclusive License Agreement is effective as of December 18, 2014 (“Effective Date”), and is by and between **Memorial Sloan Kettering Cancer Center**, a New York not-for-profit corporation with principal offices at 1275 York Avenue, New York, NY 10065 (“MSK”), **The Rockefeller University**, a New York not-for-profit corporation with principal offices at 1230 York Avenue, New York, NY 10065, **Rutgers, The State University of New Jersey**, having its statewide Office of Technology Commercialization at 3 Rutgers Plaza, New Brunswick, New Jersey 08901, and **University of Bonn** (“UB”), all of which will be collectively referred to as “INSTITUTIONS” and **Aduro Biotech, Inc.**, a corporation with principal offices located at 626 Bancroft Way, #3C, Berkeley, CA 94710 (“LICENSEE”). INSTITUTIONS and LICENSEE are sometimes referred to singly as “Party” and collectively as “Parties”.

#### WITNESSETH

WHEREAS, the INSTITUTIONS are the sole owners of certain Licensed Rights (as later defined herein) associated with technology relating to unique chemical linkages in compounds that alter second messenger signaling (hereinafter defined as “Technology”) and has the right to grant licenses under said Licensed Rights; and

WHEREAS, the INSTITUTIONS desire to have the Licensed Rights utilized in the public interest and is willing to grant a license to its interest thereunder; and

WHEREAS, LICENSEE seeks to commercially develop the Licensed Rights through a thorough, vigorous and diligent program of exploiting the Licensed Rights whereby public utilization shall result therefrom;

WHEREAS, the Licensed Rights were developed, at least in part, by Dr. Thomas Tuschl, an employee of the Howard Hughes Medical Institute (“HHMI”) at his laboratory at The Rockefeller University;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

#### ARTICLE I DEFINITIONS

For the purpose of this Agreement, the following words and phrases shall have the following meanings:

1.1 “Affiliate” as used herein in either singular or plural means, with respect to a party, any corporation, company, partnership, joint venture or other entity, which directly or indirectly: (a) Controls, is Controlled by or is under common Control with the specified entity; or (b) both (i) owns, is owned by, or is under common ownership with the specified entity, in whole or in part, and (ii) conducts business under a trade identifier of the specified entity, with the authorization of the specified entity. For purposes of this definition, “Control” of an entity means the direct or indirect ownership or control of at least fifty percent (50%) of the right to direct or cause the direction of the policies and management of such person or entity, whether by the ownership of

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stock, by contract or otherwise. In any jurisdiction where 50% control is not permitted by applicable law, the “greater than 50%” threshold shall be deemed satisfied by the possession of substantially the maximum percentage allowable in such jurisdiction. The term “control” wherever used in this Agreement shall mean ownership, directly or indirectly, of more than fifty percent (50%) of the equity capital.

1.2 “Agreement” means this Exclusive License Agreement between the Parties effective on the Effective Date.

1.3 “Confidential Information” shall mean all confidential and proprietary information disclosed by one Party to the other Party regarding the Technology, including any uses, processes, methods, formulations, clinical data, test results, research and development plans, pricing policies, business plans, sales, information relating to customer identities, characteristics and agreements, financial information and projections, work in progress, future development, marketing, and investors whether in oral, graphic, electronic or any other media or form. The Confidential Information of LICENSEE shall include the existence and terms of this Agreement. “Confidential Information” shall not include information: (a) which is now, or becomes in the future, public knowledge other than through acts or omissions of receiving party; (b) which is lawfully obtained by the receiving party without a confidentiality restriction and without breach of this Agreement from a source other than a party hereto; or (c) which the receiving party can demonstrate was independently developed by employees of the receiving party having no knowledge of the Confidential Information. The Confidential Information of UB shall be deemed to include all related Confidential Information disclosed by the employees of PROvendis GmbH in connection with this Agreement.

1.4 “Contract Quarter-Year” shall mean the three month periods ending on March 31, June 30, September 30 and December 31 of each year.

1.5 “Field of Use” shall mean therapeutic and/or prophylactic use in humans.

1.6 “First Commercial Sale” means the first commercial sale of a Licensed Product in a country in the Territory, which product is sold as part of commercialization effort. Licensed Product provided for: (i) clinical study purposes; (ii) compassionate use; (iii) similar uses by a limited number to support regulatory approval (provided that the Licensed Product is not otherwise generally available for purchase in such country); and (iv) early access programs; shall not constitute a First Commercial Sale.

1.7 “Know-How” means the proprietary and confidential know-how, skills, data, techniques, knowledge, protocols, regulatory filings, assays, results of experimentation and testing, inventions, methods and other information, whether or not patentable, existing prior to the Effective Date of this Agreement as described in Exhibit B and that are necessary for the commercial exploitation of the Patent Rights.

1.8 “Licensed Rights” shall mean Know-How and Patent Rights.

1.9 “Licensed Products” means any product or component (whether alone or in combination with other products or ingredients) thereof (i) the making, using, selling or

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importation of which is covered, in whole or in part, by a Valid Claim, or (ii) which is manufactured using Know-How. For purposes of clarity, Licensed Product refers only to a product that incorporate INSTITUTIONS' proprietary chemical linkages described in the Licensed Rights in LICENSEE'S compounds contained in Exhibit C.

1.10 "Net Sales" means LICENSEE'S and its Sublicensees' invoiced sales price for Licensed Products less the sum of the following: a) discounts actually allowed and granted; b) credits, rebates, or allowances actually granted; c) freight out, postage, shipping and insurance charges; e) bad debts and uncollectible receivables; provided that, in any calendar year, such deduction will not exceed [ \* ] of the total billings for sales of Licensed Products sold in that year; and (f) any other deductions permitted under U.S. generally accepted accounting principles.

No deductions shall be made for commissions paid to commercial sales force members whether they be with independent sales agencies or regularly employed by LICENSEE and on its payroll, provided that LICENSEE shall not be responsible for paying royalty on any amounts paid or payable to wholesalers and distributors for the Licensed Product.

Licensed Products shall be considered sold when billed and invoiced.

Customary distribution of samples of Licensed Product by LICENSEE or Affiliates shall not be included in any calculation of Net Sales provided that the total volume of samples of Licensed Products distributed is less than [ \* ] of the total volume of Licensed Products sold.

Net Sales of a Combination Product in a country shall be calculated in accordance with Section 5.1(b)(i).

Net Sales shall not accrue in respect of Licensed Product used for charitable uses or Licensed Product used for development, community access programs, and sampling.

1.11 "Other Consideration" shall mean any payments received by LICENSEE or its Affiliates from a Sublicensee(s) to the extent attributable specifically to the grant of a Sublicense to the Patent Rights [ \* ], but not including royalties; purchases of equity or debt except to the extent the purchase price is more than [ \* ] of fair market value.

1.12 "Patent Rights" shall mean rights in all of the following intellectual property owned by INSTITUTIONS:

(a) the United States patent applications listed in Exhibit A;

(b) any United States and foreign patents, utility models, inventors certificates, invention registrations, continuing applications, divisional applications, substitutions, and equivalents thereof in any jurisdiction, that claim priority to the provisional applications listed in Exhibit A;

(c) any United States and foreign patents issued from the applications listed in Exhibit A, and from divisionals and continuations of these applications;

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(d) continuation-in-part applications, and equivalents thereof in any jurisdiction anywhere in the world, and any United States and foreign patents issued therefrom, in each case solely regarding claims in such filings that are entitled to the filing date of the patent applications in (a) and are directed to subject matter specifically described in the applications in Exhibit A; and

(e) any reissues, re-examinations or extensions of patents described in (a), (b), or (c); and any reissues, re-examinations or extensions of patents described in (d) solely regarding claims that are directed to subject matter specifically described in the applications listed in Exhibit A.

1.13 “Royalty Term” shall mean with respect to a given country in the Territory, the period beginning on the First Commercial Sale of Licensed Product in such country and ending on the later of: (a) expiration of the last Patent Right covering such Licensed Product in such country or (b) ten (10) years from the First Commercial Sale in such country.

1.14 “Royalty Year” shall mean each twelve (12) month period commencing January 1 and ending December 31 during the term of this Agreement. For the first year of this Agreement, the Royalty Year shall be the period of time between the signing of the Agreement and December 31.

1.15 “Sublicense” means the license from LICENSEE to a non-affiliated third party some or all of the Licensed Rights. For clarity, any licenses granted to a third party in order to enable LICENSEE or its Affiliates or a Sublicensee to develop or commercialize Licensed Product or to otherwise fulfill its obligations hereunder shall not be considered a Sublicense. Examples of the foregoing shall include, without limitation, licenses to contract manufacturers and wholesalers and distributors but shall not include sublicenses of Licensed Rights from Licensee to a third party bona fide collaborator or third party bona fide Licensed Product development and commercialization partner in exchange for a payment to LICENSEE or material Other Consideration.

1.16 “Sublicensee” means any business entity to which a Sublicense is granted under Section 3.1.

1.17 “Term” shall mean the term of this Agreement which begins on the Effective Date and expires on the date of the expiration of the last Royalty Term for any Licensed Product, unless earlier terminated pursuant to the Article 16 of this Agreement.

1.18 “Territory” shall mean worldwide.

1.19 “Valid Claim” shall mean a claim of (i) an issued and unexpired patent included within the Patent Rights unless the claim has been held unenforceable or invalid by the final, un-reversed, and un-appealable decision of a court or other government body of competent jurisdiction, has been irretrievably abandoned or disclaimed, or has otherwise been finally admitted or determined to be invalid, unpatentable or unenforceable, whether through reissue, reexamination, disclaimer or otherwise, or (ii) a pending patent application within the Patent Rights to the extent the claim continues to be prosecuted in good faith, but not to exceed [ \* ] years.

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ARTICLE II  
GRANT

2.1 License Grant. Subject to the terms of this Agreement, the INSTITUTIONS hereby grant to LICENSEE and its Affiliates (i) an exclusive worldwide royalty-bearing license under their interest in and to the Patent Rights and (ii) a non-exclusive worldwide royalty-bearing license under the Know-How, with respect to clauses (i) and (ii), to make, have made, use, have used, sell, have sold, offer for sale, import, have imported, export, have exported, develop, have developed, commercialize and have commercialized Licensed Products in the Field of Use (whether alone or in combination with other products or ingredients) throughout the Term hereof in the Territory. LICENSEE acknowledges that on the Effective Date there is not an issued Valid Claim of the Patent Rights in every country in the Territory.

2.2 Notwithstanding any other provisions of this Agreement, the rights granted herein are subject to the right of the INSTITUTIONS and their respective Affiliates to freely practice the Patent Rights and Know-How, provided that INSTITUTIONS will not grant to a commercial third party the same rights granted to LICENSEE to the Patent Rights hereunder. The INSTITUTIONS also reserve the right to permit others at academic, government, and non-profit institutions to use the Licensed Rights for their own internal, non-commercial, and educational research purposes, including teaching and patient care activities. All rights reserved to the United States Government and others under 35 USC §§200-212, as amended, shall remain and shall in no way be affected by this Agreement.

2.3 INSTITUTIONS reserve all rights not expressly granted in the Agreement. The license granted hereunder to LICENSEE shall not be construed to confer any rights upon LICENSEE by implication, estoppel or otherwise as to any technology not included in the Licensed Rights.

2.4 LICENSEE acknowledges that it has been informed that the Patent Rights and Know-How were developed, at least in part, by employees of HHMI and that HHMI has a fully paid-up, non-exclusive, irrevocable, worldwide license to exercise any intellectual property rights with respect to the Patent Rights and Know-How for research purposes, but with no rights to assign or sublicense (the foregoing research license, the “HHMI License”). This Agreement is explicitly made subject to the HHMI License.

2.5 LICENSEE acknowledges that it has been informed that the Patent Rights and Know-How were developed, at least in part, by employees of UB and that UB has a fully paid-up, non-exclusive, irrevocable, worldwide license to exercise any intellectual property rights with respect to the Patent Rights and Know-How for research purposes, but with no rights to assign or sublicense (the foregoing research license, the “UB License”). This Agreement is explicitly made subject to the UB License.

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ARTICLE III  
SUBLICENSES

3.1 LICENSEE shall have the unrestricted right to grant Sublicenses of its rights granted under this Agreement, subject to written notice, and a confidential copy of such Sublicense will be provided to INSTITUTIONS with any competitive information redacted unless the redaction of such competitive information would prevent INSTITUTIONS from confirming LICENSEE's compliance with this Agreement including without limitation LICENSEE's compliance with any financial provisions. In addition, upon request of an INSTITUTION and solely to permit INSTITUTION to confirm LICENSEE's compliance with its obligations related to the Sublicense, LICENSEE will make available an unredacted copy of the document in a format in which further reproduction or distribution is disabled, such as electronically through a data room and/or physically through a reading room. LICENSEE agrees that any Sublicenses granted by it shall provide that the obligations to INSTITUTIONS set forth in Articles 2, 4, 6, 7, 8, 9, 10, 12, 13, and 14 and section 18.12 of this Agreement shall be binding upon the Sublicensee as if it were a party to this Agreement. Each sublicensee must be subject to a written agreement that also contains obligations, terms and conditions in favor of HHMI or the HHMI Indemnitees and, as applicable, that are substantially similar to those undertaken by LICENSEE in favor of HHMI or the HHMI Indemnitees, as applicable, under this Agreement and intended for the protection of the HHMI Indemnitees, including, without limitation, the obligations, terms and conditions regarding indemnification, insurance and HHMI's third party beneficiary status. If a material breach of any of the clauses of the forgoing provision is caused by Sublicensee, INSTITUTIONS shall have the right to require LICENSEE to terminate the Sublicense unless the material breach is cured within sixty (60) days after LICENSEE provides written notice of such material breach to the Sublicensee, provided that INSTITUTIONS agree that if Sublicensee disagrees that there has been a material breach of the Sublicense and implements dispute resolution on that matter, then the cure period shall be tolled during completion of the dispute resolution process.

3.2 Any subcontractor engaged by LICENSEE to perform for LICENSEE any of its rights and obligations under this Agreement (a "Third Party Subcontractor") shall be party to a written agreement consistent with the terms and conditions of this Agreement, including without limitation, and as applicable, those provisions pertaining to confidentiality, intellectual property rights, regulatory/safety matters, indemnification, insurance and HHMI's third party beneficiary status. In all cases, LICENSEE remains fully responsible (i) for the performance of its obligations hereunder regardless of whether such performance has been delegated to a Third Party Subcontractor, and (ii) for the actions and conduct of the Third Party Subcontractor in performance of LICENSEE's obligations.

ARTICLE IV  
DILIGENCE

4.1 LICENSEE and its Sublicensees shall use commercially reasonable efforts to develop and commercialize a Licensed Product.

(a) Specifically, the LICENSEE will:

(i) [ \* ] within [ \* ] of the Effective Date or pay [ \* ];

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(ii) [ \* ] within [ \* ] of the Effective Date or pay [ \* ] to postpone this diligence milestone and the remaining diligence milestones by [ \* ] one time;

(iii) [ \* ] within [ \* ] of the Effective Date; and

(iv) [ \* ] within [ \* ] of the Effective Date or pay [ \* ] to postpone this diligence milestone by [ \* ] one time;

(v) In the event LICENSEE fails to achieve any of the milestones above or make the relevant payment, INSTITUTIONS may treat such failure as a material breach in accordance with Section 16.4, subject to the following. Notwithstanding the above, if INSTITUTIONS determine reasonably and in good faith that the LICENSEE is using commercially reasonable efforts to develop and commercialize Licensed Product(s), INSTITUTIONS will agree to negotiate in good faith with LICENSEE to extend the diligence time requirements by a period not less than [ \* ].

LICENSEE shall not be responsible for, and the foregoing periods shall be extended to reflect, circumstances beyond the reasonable control of the LICENSEE. Such circumstances may include technical difficulties or delays in preclinical or clinical studies or regulatory processes.

(b) LICENSEE agrees to give INSTITUTIONS written notice and evidence within [ \* ] days of the achievement of each of the milestones set forth in Section 4.1(a) above.

(c) LICENSEE will have delivered to INSTITUTIONS prior to the execution of this Agreement, its detailed business plan for the development of the Licensed Rights, substantially in the form attached hereto as Exhibit D. LICENSEE shall provide similar reports to INSTITUTIONS annually.

(d) LICENSEE will be solely responsible, at LICENSEE's sole cost and expense, for securing any federal (including FDA), state, or local regulatory approval necessary for commercial sale of Licensed Products ("Regulatory Approval"). INSTITUTIONS will provide reasonable cooperation through providing LICENSEE, upon LICENSEE's written request and in a timely fashion, with all documentation and information reasonably necessary to secure such Regulatory Approval. LICENSEE shall advise INSTITUTIONS, through annual reports described in Section 4.1(c) above of its program of development for obtaining said approvals.

4.2 If LICENSEE is the subject of an inquiry or inspection by a governmental authority or certification agency in relation to any Licensed Product, LICENSEE will notify INSTITUTIONS as soon as reasonably possible and keep INSTITUTIONS reasonably apprised of the results of such inspection.

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ARTICLE V  
PAYMENTS

5.1 INSTITUTIONS acknowledge and agree that all payments to be made under or in connection with this Agreement shall be made to MSK on behalf of INSTITUTIONS, and LICENSEE does not have an obligation to make payments directly to any INSTITUTION other than MSK unless specifically agreed to otherwise by all the Parties in writing. MSK agrees to share such payments with the other INSTITUTIONS as agreed in writing among them and LICENSEE is not responsible therefor. In partial consideration of its rights hereunder, LICENSEE shall pay to MSK in the manner hereinafter provided, until the end of the Term:

(a) License Fee: LICENSEE shall pay to MSK a license issue fee of Fifty Thousand US Dollars (US\$50,000) within [ \* ] days of execution of this Agreement.

(b) Royalties on Licensed Products:

(x) LICENSEE shall pay to MSK a running royalty equal to [ \* ] of the worldwide annual Net Sales of Licensed Products covered by a Valid Claim during the Royalty Term.

(y) LICENSEE shall pay to MSK a running royalty equal to [ \* ] of the worldwide annual Net Sale of Licensed Products not covered by a Valid Claim during the Royalty Term.

(i) Such royalties shall be payable for each calendar quarter and shall be due and payable to MSK within [ \* ] days after the end of each such calendar quarter. If a Licensed Product is sold in combination with other services or products ("Combination Product"), Net Sales are determined on a country-by-country basis by multiplying the Net Sales by the fraction  $A / (A + B)$  wherein "A" is the value of the Net Sales of the Licensed Product in a given country and "B" is the net sales of the other service(s) or product(s) of the Combination Product when sold separately during the same calendar quarter in the same country. If there is no substantial data on separate pricing, then the Parties shall agree upon the appropriate allocation of value between the products and services in the Combination Product, such agreement not to be unreasonably withheld.

(ii) Annual minimum royalty payments: LICENSEE shall pay to MSK minimum annual royalties of:

(A) [ \* ] on the [ \* ] anniversaries of the Effective Date;

(B) [ \* ] on the [ \* ] anniversaries of the Effective Date;

(C) [ \* ] commencing on the [ \* ] anniversary of the Effective Date and due and payable on each subsequent anniversary until the end of the Term.

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Such minimum royalty payments shall be prorated for the year of issuance. The minimum royalty payments shall be credited against the earned royalty payments due and payable in respect of the same Royalty Year.

(iii) No multiple royalties shall be payable by LICENSEE including without limitation because any Licensed Product, its manufacture, use, lease, sale, import or provision is or shall be covered by more than one of the Licensed Rights granted under this Agreement.

(c) Milestones:

Milestone payments are one time payments that LICENSEE will pay to MSK for each Licensed Product as follows:

- (i) [ \* ] upon [ \* ];
- (ii) [ \* ] upon [ \* ];
- (iii) [ \* ] upon [ \* ];
- (iv) [ \* ] upon [ \* ].
- (v) [ \* ] upon [ \* ].

(d) Sharing of Other Consideration: Subject to subsection (e) below, LICENSEE shall pay to MSK a portion of Other Consideration received from a Sublicensee based on the date of receipt as follows:

- (i) [ \* ]: [ \* ]
- (ii) [ \* ]: [ \* ]
- (iii) [ \* ]: [ \* ]
- (iv) [ \* ]: [ \* ]

(e) If consideration is received by LICENSEE for the sublicense or other transfer of the licenses and rights granted to LICENSEE and the transaction giving rise to such consideration constitutes:

- (i) [ \* ] due to MSK under this Agreement.
- (ii) [ \* ] due to MSK under this Agreement.

Under no circumstances shall INSTITUTION'S share of Other Consideration be less than [ \* ]. Also, in no circumstances shall MSK's percentage of Other Consideration be less than each other third party(ies) Other Consideration percentage.

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5.2 Payment Terms: Payments shall be due and payable [ \* ] days after they are due, paid in United States dollars in New York, NY, or at such other place as MSK may reasonably designate consistent with the laws and regulations controlling in any foreign country, but not in any other currency. If any currency conversion shall be required in connection with the payment of royalties hereunder, such conversion shall be made by using the exchange rate prevailing at the JP Morgan Chase Bank on the last business day of the Contract Quarter-Year reporting period to which such royalty payments relate. The License Fee due under Section 5.1(a) above and the past patent costs in the amount of \$100,254.19 due under Section 7.1 below shall be due and payable within [ \* ] days after the Effective Date.

5.3 INSTITUTIONS are not-for-profit, tax-exempt, academic and research medical centers. The LICENSEE agrees that if this Agreement is subject to taxation by any governmental authority, the LICENSEE will cooperate with INSTITUTIONS in its efforts to pay only those taxes legally required by the relevant governmental authority. If any withholdings are to be withheld by the LICENSEE on any payment(s) to be made to MSK pursuant to this Agreement, then the LICENSEE will timely inform MSK of the specific withholdings in order to allow MSK to seek exemption. To the extent available to LICENSEE and relevant to the calculation of amounts due and payable under this Agreement, LICENSEE shall verify the related tax amount and payment, and shall provide:

- (i) copies of tax assessments from the requesting tax authority, evidencing the amount of the assessed tax that is to be withheld, and the country and authority to whom it should be paid;
- (ii) copies of tax receipts from, and tax declarations filed with, the requesting taxing authority, evidencing that the required amount was paid to the appropriate country and authority;
- (iii) any other documentation to satisfy compliance with the LICENSEE's royalty reporting obligations under this Agreement; and
- (iv) any other information MSK, or its auditors, may reasonably request regarding the payment of taxes.

LICENSEE agrees to provide any translations of the foregoing to the extent the original is not in English and a translation was prepared by LICENSEE.

5.4 In the event the royalties set forth in the Agreement are higher than the maximum royalties permitted by the law or regulations of a particular country, then the royalty payable for sales in such country shall equal to the maximum permitted royalty under such law or regulations. Notice of such an event shall be provided to MSK. An authorized representative of the LICENSEE shall notify MSK, in writing, within [ \* ] days of discovering that such royalties are approaching or have reached the maximum amount, and shall provide MSK with written documentation regarding the laws or regulations establishing such maximum, and a translation into English.

5.5 Interest: LICENSEE shall pay to MSK interest on any amounts not paid when due. Such interest will accrue from the [ \* ] day after the payment was due and payable at an annual

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rate of [ \* ] or the highest interest rate permitted by law, whichever is lower. The interest payment will be due and payable on the first day of each calendar month after interest begins to accrue, until full payment of all amounts due and payable MSK is made. MSK rights to receive such interest payments shall be in addition to any other rights and remedies available to MSK.

## ARTICLE VI REPORTS AND RECORDS

6.1 LICENSEE shall keep, and shall require its Affiliates and Sublicensees to keep, full, true and accurate books of account containing all particulars that may be necessary for the purpose of showing the amounts payable to MSK hereunder. Said books and records shall include, but not be limited to: Invoice registers and original invoices, product sales analysis reports, accounting general ledgers, sub-license and distributor agreements, price lists, product catalogs and marketing materials, audited financial statements and/or income tax returns, sales tax returns, inventory and production records and shipping documents. Said books and records shall be maintained for a period of no less than [ \* ] years following the period to which they pertain. Such records shall include original data files used to prepare the submitted royalty reports for the term of this Agreement, and at least annually, MSK or their agents shall have the right once per year upon written notice to inspect such books and records for the purpose of verifying LICENSEE's royalty statement or compliance in other respects with this Agreement. Such inspections shall be during normal working hours of LICENSEE. Should such inspection lead to the discovery of an underpayment of greater than [ \* ] of the amount owed for the relevant calendar year, LICENSEE agrees to pay all costs for the inspection, in addition to repaying the underpayment with interest.

If the audit determines an error that is due to misinterpretation of the license agreement language or if the error results from the application of an incorrect accounting or clerical methodology, LICENSEE shall be entitled to correct such errors without penalty. Any additional royalties due from the correction of errors from the prior periods will not be subject to late payment interest as called for in Article 5 of the Agreement.

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6.2 Commercialization Reports: LICENSEE, within [ \* ] days of the end of each Contract Quarter-Year beginning after First Commercial Sale of a Licensed Product, shall deliver to MSK true and accurate reports setting forth the Net Sales for the prior Contract Quarter-Year. The reports shall include at least the following information, to be itemized per Licensed Product and/ or Licensed Service by country of sales origin:

- (a) Extended sales dollars;
- (b) Royalty rate;
- (c) Extended royalty dollars due;
- (d) the portion of Net Sales that was received from Sublicensees; and
- (e) any Other Consideration received in the prior quarter.

6.3 With each such report submitted, LICENSEE shall pay to MSK the royalties due and payable under this Agreement. If no royalties shall be due, LICENSEE shall so report. In addition, LICENSEE shall also submit annually a report summarizing LICENSEE's research, development, commercialization and other business progress during the prior year that relates to Licensed Products, and its projections of activity anticipated for the next year.

6.4 Milestone payments shall be reported and paid when due.

6.5 LICENSEE agrees to forward to MSK a copy of all fully executed Sublicense agreements and any reports received by LICENSEE from its sublicensees during the preceding Royalty Year (to the extent required under Section 3.1 hereof).

## ARTICLE VII PATENT PROSECUTION

7.1 Patent Cost Reimbursement. LICENSEE shall reimburse during the term of the Agreement reasonable out-of-pocket expenses borne by INSTITUTIONS for filing, prosecuting and maintaining Patent Rights through an independent third-party counsel of INSTITUTIONS' choice, reasonably acceptable to LICENSEE. LICENSEE shall reimburse INSTITUTIONS for all historic patent costs related to the Patent Rights within [ \* ] days of the Effective Date.

7.2 INSTITUTIONS shall diligently file, prosecute, protect, and maintain the Patent Rights in the United States and in such countries as are determined by INSTITUTIONS and agreed to by LICENSEE or as may be designated by LICENSEE in a written notice to INSTITUTIONS within a reasonable time in advance of the required foreign filing dates, using independent third-party counsel. If LICENSEE does not agree to bear the expense of filing or maintaining patent applications in any foreign countries in which INSTITUTIONS wish to obtain patent protection, then INSTITUTIONS may file and prosecute such applications at its own expense and any license granted hereunder shall exclude such countries. If LICENSEE requests filings in additional countries or jurisdictions, INSTITUTIONS shall comply at LICENSEE's cost.

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7.3 LICENSEE shall have the opportunity to advise and cooperate with INSTITUTIONS in the prosecution, filing and maintenance of such patents. INSTITUTIONS shall provide LICENSEE with copies of all relevant patent prosecution documentation so that LICENSEE may be informed and to give LICENSEE reasonable opportunity to advise INSTITUTIONS on the continuing prosecution, and LICENSEE agrees to keep this documentation confidential.

7.4 Patent counsel remains counsel to INSTITUTIONS with an appropriate contract (and shall not jointly represent LICENSEE unless mutually agreed to in writing by the Parties).

7.5 The Parties agree that they share a common legal interest in obtaining valid, enforceable patents and that LICENSEE will maintain confidential all information received pursuant to this Article 7.

7.6 In the event INSTITUTIONS license Patent Rights to third party(ies), INSTITUTIONS shall notify LICENSEE and patent expenses described above shall be shared among the Patent Right licensees according to the rights granted to each licensee.

## ARTICLE VIII INFRINGEMENT

8.1 Monitoring. LICENSEE shall use commercially reasonable efforts to monitor third party infringement of the Patent Rights in the Field of Use. LICENSEE shall keep INSTITUTIONS timely informed of any activities by LICENSEE in regard hereto

8.2 Actions. Each Party shall inform the other promptly in writing of any alleged commercially material infringement of the Patent Rights by a third party, and of any available evidence thereof. This Section sets forth the parties' right of enforcement and defense in relation to the Patent Rights.

(a) First Right. LICENSEE (and its Sublicensees) shall have the first right, but not the obligation, to control the conduct and resolution of any adversarial legal proceeding relating to the Patent Rights (including without limitation any declaratory judgment action, patent infringement action or opposition) during the Term and will be responsible for all expenses related thereto. INSTITUTIONS shall join in any such action, at LICENSEE's request and expense.

(b) Secondary Right. If LICENSEE does not wish to exercise either of the foregoing rights in (a), LICENSEE shall provide INSTITUTIONS with written notice no later than [ \* ] calendar days after receipt of notification of alleged infringement, that LICENSEE declines such right, and after receiving such notice, INSTITUTIONS shall have the secondary right to undertake such infringement action or defend against such challenge and will in that case be responsible for all expenses related thereto. INSTITUTIONS are not obligated to take part.

8.3 Cooperation. To the extent either Party (or its Sublicensees) conducts any legal proceedings in relation to the enforcement or defense of Patent Rights in the Field of Use, it shall keep the other Party reasonably informed of such proceedings. The other Party shall cooperate in

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all respects and, to the extent reasonably possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like at the expense of the requesting party. Notwithstanding anything to the contrary: (a) in any action conducted by INSTITUTIONS, INSTITUTIONS may use the name of LICENSEE as party plaintiff, and LICENSEE will join any such action as may be requested by INSTITUTIONS; (b) in any action conducted by LICENSEE, LICENSEE may affect joinder of INSTITUTIONS, if INSTITUTIONS are indispensable or necessary parties under the applicable law; and (c) no settlement, consent judgment or other voluntary final disposition of any action by LICENSEE that admits or impairs the invalidity or unenforceability of the Patent Rights may be entered into without the prior written consent of INSTITUTIONS, which consent shall not unreasonably be withheld.

8.4 Costs and Recoveries. All costs of any action by either Party to enforce, or to defend against a challenge to, the Patent Rights shall be borne by such party, which shall keep any sums recovered or obtained in connection therewith (whether as damages, reasonable royalties, license fees, or otherwise in judgment or settlement derived therefrom), except that in the case of actions commenced by LICENSEE, the excess of such recoveries after payment of reasonable costs and expenses shall be treated as Net Sales subject to INSTITUTIONS' rights under this Agreement to collect royalties thereon. For the avoidance of doubt, LICENSEE may not otherwise deduct, from Net Sales payable on such overage any portion of LICENSEE'S internal costs or expenses related to any investigation, enforcement, defense, judgment or settlement of any such actions.

8.5 Third Party Patents. In the event LICENSEE is sued for patent infringement or, threatened with such suit, it shall promptly notify INSTITUTIONS. If LICENSEE is permanently enjoined from exercising its license rights granted hereunder LICENSEE may terminate this Agreement upon [ \* ] days prior written notice to INSTITUTIONS. In any such action, LICENSEE shall be fully responsible for all its costs, including expenses, judgments and settlements.

8.6 Patent Challenges by LICENSEE. LICENSEE will provide written notice to INSTITUTIONS at least [ \* ] months prior to LICENSEE or any of its Affiliates bringing any legal proceeding to challenge the validity or enforceability any claim included in the Patent Rights (a "Patent Challenge"), including: (a) stating the basis for such Patent Challenge; and (b) providing a copy of all relevant prior art or other materials used as the basis for such Patent Challenge. In the event that LICENSEE brings a Patent Challenge: (i) INSTITUTIONS may at any time thereafter terminate this Agreement upon written notice to LICENSEE; (ii) during pendency of the Patent Challenge, all license fees, milestone payments and royalties due under this Agreement will be doubled; and (iii) in the event of an unsuccessful Patent Challenge by LICENSEE, (A) LICENSEE shall reimburse INSTITUTIONS for all reasonable costs and attorney fees that INSTITUTIONS incurs in connection with such Patent Challenge, and (B) starting on the date (if at all) that the Patent Challenge is determined to be Unsuccessful, all license fees, milestone payments and royalty rates due as per this Agreement will be trebled. As used herein, "Unsuccessful" means that, upon the conclusion of the action before the court or other governmental authority in which the Patent Challenge was brought, LICENSEE failed to obtain a judgment that all of the patent claims within the Patent Challenge were invalid or unenforceable.

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ARTICLE IX  
CONFIDENTIALITY

Each Party agrees that Confidential Information of the other Party disclosed to it or to its employees under this Agreement shall for [ \* ] years after the Term:

- (a) be used only in connection with the legitimate purposes of this Agreement;
- (b) be disclosed only to those who have a need to know it in connection with the Agreement; and
- (c) be safeguarded with the same care normally afforded confidential information in the possession, custody or control of the party holding the Confidential Information but no less than reasonable.
- (d) not be disclosed, divulged or otherwise communicated except with the express written consent of the disclosing party.

The foregoing shall not apply when, after and to the extent the Confidential Information disclosed:

- (i) can be demonstrated to have been in the public domain prior to the date of the disclosure; or
- (ii) enters the public domain through no fault of the receiving party; or
- (iii) was already known to the receiving party at the time of disclosure as evidenced by written records in the possession of the receiving party prior to such time; or
- (iv) was subsequently received by the receiving party in good faith from a third party without breaching any confidential obligation between the third party and the disclosing party; or
- (v) was independently developed, as established by tangible evidence, by the receiving party without reference to information or material provided by the disclosing party; or
- (vi) is required to be disclosed for minimal compliance with court orders, statutes or regulations or INSTITUTIONS' audits for compliance with such regulatory requirements, provided that prior to any such disclosure to the extent reasonably practicable, the party from whom disclosure is sought shall promptly notify the other party and shall afford such other party the opportunity to challenge or otherwise lawfully seek limits upon such disclosure of Confidential Information.

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ARTICLE X  
INDEMNIFICATION, PRODUCT LIABILITY

10.1 LICENSEE will indemnify, defend and hold harmless (and cause its sublicensees to so indemnify, defer and hold harmless) INSTITUTIONS and their respective trustees, directors, officers, medical and professional staff, employees, students, and agents and their respective successors, heirs, and assigns (each an "Indemnatee"), against all third party claims and expenses (including legal expenses and reasonable attorney's fees) arising out of the death of or injury to any person or persons, or out of any damage to property, against any infringement or misappropriation of intellectual property and against any other claim, proceeding, demand, expense and liability of any kind whatsoever resulting from the production, manufacture, sale, use, lease, consumption, or advertisement of Licensed Products hereunder or from a breach by LICENSEE of any of its representations, warranties or obligations under this Agreement, provided however, that LICENSEE will not be obligated to indemnify, defend and hold harmless any Indemnatee against any claim, proceeding, demand, expense, or liability to the extent it arises out of, results from, or is increased by (a) the material breach of this Agreement by INSTITUTIONS, or (b) INSTITUTIONS' gross negligence or willful misconduct. The Indemnatee will promptly give notice to LICENSEE of any claims or proceedings which might be covered by this Section 10.1 and LICENSEE will have the right to defend the same, including selection of counsel and control of the proceedings; provided that LICENSEE will not, without the written consent of the Indemnatee, settle or consent to the entry of any judgment with respect to such third party claims (i) that does not release the Indemnatee from all liability with respect to such third party claim, or (ii) which may materially adversely affect the Indemnatee or under which the Indemnatee would incur any obligation or liability, other than one as to which LICENSEE has an indemnity obligation hereunder. INSTITUTIONS agree to cooperate and provide reasonable assistance to such defense at LICENSEE's expense. INSTITUTIONS at all times reserve the right to select and retain counsel of its own at its own expense to defend INSTITUTIONS's interests.

10.2 For the term of this Agreement, upon the commencement of clinical use, production, sale, or transfer, whichever occurs first, of any Licensed Product, LICENSEE shall obtain and carry in full force and effect general liability insurance that shall protect LICENSEE, INSTITUTIONS, and HHMI in regard to events covered by Section 10.1 above and Section 10.4 below. Such insurance shall be written by a reputable insurance company, shall list INSTITUTIONS and HHMI as an additional named insured thereunder, shall be endorsed to include liability coverage, and shall provide [ \* ] days' prior notice to INSTITUTIONS prior to any cancellation or material change that would result in LICENSEE's coverage being less than the coverage required by this provision. The limits of such insurance shall not be less than two million dollars (\$2,000,000) per occurrence with an annual aggregate of five million dollars (\$5,000,000) for personal injury, death or property damage. LICENSEE shall provide INSTITUTIONS with Certificates of Insurance evidencing the same and provide INSTITUTIONS with prior written notice of any material change in or cancellation of such insurance.

10.3 This Agreement and the licenses granted herein shall immediately and automatically terminate without notice in the event LICENSEE or its Sublicensees or other party acting under authority of LICENSEE, fails to obtain the insurance required under Section 10.2, or if the insurance lapses or is cancelled. A termination occurring under this paragraph shall occur

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and become effective at the time such insurance coverage ends or becomes required and is not obtained, and LICENSEE or its Sublicensees shall then have no right to complete production and sale of Licensed Products. Nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination. Notwithstanding the foregoing, in the [ \* ] month period subsequent to the date of such an automatic termination of this Agreement by operation of this paragraph, to the extent that such rights are still available for licensing, LICENSEE shall have the right to reinstate the effectiveness of this Agreement by obtaining the required insurance, whereupon this Agreement shall automatically become effective as of the date of reinstatement of said insurance, and shall remain in full force and effect without any further action of the parties.

10.4 HHMI and its trustees, officers, employees, and agents (collectively, “HHMI Indemnitees”), will be indemnified, defended by counsel acceptable to HHMI, and held harmless by LICENSEE from and against any liability, cost, expense, damage, deficiency, loss, or obligation, of any kind or nature (including, without limitation, reasonable attorneys’ fees and other costs and expenses of defense) based upon, arising out of, or otherwise relating to any third-party claim (collectively, “Claims”), based upon, arising out of, or otherwise relating to this Agreement or any sublicense, including without limitation any cause of action relating to product liability. The previous sentence will not apply to any Claim that is determined with finality by a court of competent jurisdiction to result solely from the gross negligence or willful misconduct of an HHMI Indemnitee. Notwithstanding any other provision of this Agreement, Company’s obligation to defend, indemnify and hold harmless the HHMI Indemnitees under this paragraph will not be subject to any limitation or exclusion of liability or damages or otherwise limited in any way.

## ARTICLE XI REPRESENTATIONS, WARRANTIES AND DISCLAIMERS

### 11.1 Representations and Warranties of LICENSEE

(a) LICENSEE hereby represents and warrants to INSTITUTIONS that as of the Effective Date, to its knowledge, the execution and performance of LICENSEE’s obligations under this Agreement does not conflict with, cause a default under, or violate any existing contractual obligation that may be owed by LICENSEE to any third party.

(b) LICENSEE hereby represents, warrants and covenants to INSTITUTIONS that all Licensed Products produced under the licenses granted herein will be manufactured in all material respects in accordance with applicable federal, state and local laws, rules and regulations, including, without limitation, in all material respects in accordance with all applicable rules and regulations of the FDA.

(c) LICENSEE hereby represents and warrants to INSTITUTIONS that LICENSEE is a corporation duly organized, validly existing and in good standing and has all requisite corporate power and authority to execute and deliver this agreement.

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## 11.2 Representations and Warranties of INSTITUTIONS

(a) INSTITUTIONS hereby represent and warrant to LICENSEE that to the best of the INSTITUTIONS' knowledge, they are the sole owners of the Patent Rights and, as of the Effective Date, to the best of INSTITUTIONS knowledge, there is no pending or threatened infringement claim related to any of the Patent Rights granted hereunder. INSTITUTIONS have the right to grant LICENSEE all the rights granted hereunder and have paid, and will pay, in full any amounts due to any relevant inventors in consideration of the PATENT RIGHTS, including any required to be paid under applicable law.

## 11.3 Disclaimer.

EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, INSTITUTIONS MAKE NO REPRESENTATIONS, NO WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY, VALIDITY OF LICENSED RIGHTS, CLAIMS ISSUED OR PENDING OR THAT THE MANUFACTURE, SALE OR USE OF THE LICENSED PRODUCTS WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER PROPRIETARY RIGHTS. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO LOSS OF ANTICIPATED PROFIT, FROM ITS PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT.

## ARTICLE XII EXPORT CONTROLS

It is understood that INSTITUTIONS are subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended and the Export Administration Act of 1979), and that its obligations hereunder are contingent on compliance with applicable United States export laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE shall not export data or commodities to certain foreign countries without prior approval of such agency. INSTITUTIONS neither represent that a license shall not be required nor that, if required, it shall be issued.

## ARTICLE XIII NON-USE OF NAMES

Neither Party shall use the name of the other Party, nor of any of their employees, nor any adaptation thereof, in any press release, advertising, promotional or sales literature without prior written consent obtained from the other Party in each case. During and after the term of this Agreement, neither Party shall utilize or register any trademark, service mark, tradename, or other trade identifier of the other Party, or that contains (in whole or in part) or is confusingly

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similar to the foregoing, or is a translation of any of the foregoing, without the prior express written consent of the other Party. Notwithstanding the above, each Party may freely disclose in the ordinary course of business (but not in a press release, except with prior approval) that it has entered into this Agreement. LICENSEE acknowledges that under HHMI policy, LICENSEE may not use the name of HHMI or of any HHMI employee (including Dr. Tuschl) in a manner that reasonably could constitute an endorsement of a commercial product or service; but that use for other purposes, even if commercially motivated, is permitted provided that (1) the use is limited to accurately reporting factual events or occurrences, and (2) any reference to the name of HHMI or any HHMI employees in press releases or similar materials intended for public release is approved by HHMI in advance.

#### ARTICLE XIV PUBLICATION

LICENSEE recognizes and accepts that under INSTITUTIONS' mission as academic medical centers, INSTITUTIONS and their investigators must have a meaningful right to publish without LICENSEE's approval or editorial control. INSTITUTIONS reserve the right to publish the scientific findings from research related to Licensed Rights.

#### ARTICLE XV ASSIGNMENT

No party may assign or delegate any or all of its rights or obligations under this Agreement, or transfer this Agreement, without the prior written consent of the other party, except that (a) either party shall have the right to assign any of its rights, delegate any of its obligations, or transfer this Agreement without such consent (i) to an Affiliate or (ii) as part of a merger or acquisition or other transfer of all or substantially all of the assets of its business to which this Agreement pertains, and (b) INSTITUTIONS may without consent of LICENSEE freely assign all or any portion of the payments due under this Agreement to a Third Party. Additionally, LICENSEE shall, on written prior consent of INSTITUTIONS (such consent not to be unreasonably withheld or delayed), be permitted to assign this Agreement in connection with the sale or transfer of a limited portion of its business to which this Agreement pertains. Any assignment, delegation or transfer by any party without the consent of the other party shall be void and of no effect.

#### ARTICLE XVI TERMINATION

16.1 Term. This Agreement commences on the Effective Date and shall remain in effect, until the end of the Royalty Term in all countries in the Territory, as provided in Section 1.13 unless sooner terminated in accordance with the provisions herein. After expiration of this Agreement or the valid termination of this Agreement by LICENSEE pursuant to Section 16.5, the licenses granted to LICENSEE hereunder shall survive and are hereby fully paid.

16.2 Bankruptcy or Cessation/Enjoiner of Business. INSTITUTIONS may terminate this Agreement upon written notice to LICENSEE if: (a) a petition in bankruptcy is filed against LICENSEE and is consented to, acquiesced in or remains undismissed for sixty (60) days; (b)

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LICENSEE makes a general assignment for the benefit of creditors, or a receiver is appointed for LICENSEE, and LICENSEE does not return to solvency before the expiration of a thirty (30) day period; (c) LICENSEE ceases to do business; or (d) if the enactment of any law, decree, or regulation, or the issuance of any order (including, but not limited to, an injunction), by any governmental authority renders it impracticable or impossible for LICENSEE to perform any of its obligations hereunder.

16.3 Nonpayment. If LICENSEE fails to pay INSTITUTIONS fees, royalties, ongoing patent expenses or other amounts payable hereunder, and, following receipt of notice from INSTITUTIONS of such failure, such payments remain past due for more than [\*] days after the date due and payable, and LICENSEE fails to pay any amounts [\*], INSTITUTIONS shall have the right to terminate this Agreement on [\*] days' prior written notice, unless LICENSEE pays to INSTITUTIONS within the [\*] day notice period, all fees, royalties and patent expenses, together with any interest due and payable thereon, [\*].

16.4 Breach. In addition to any other termination right specified in this Agreement, either party may terminate this Agreement upon ninety (90) days' written notice (specifying the breach to be cured and demanding it be cured) to the other party, if such other party materially breaches a provision of this Agreement, unless LICENSEE cures any such breach prior to the expiration of the ninety (90) day period; or

16.5 Termination by LICENSEE. LICENSEE may terminate this Agreement, in whole or in part, without cause on thirty (30) days' notice to INSTITUTIONS.

16.6 Product Sell Off. In the event of termination of this Agreement other than by INSTITUTIONS pursuant to Section 16.4, LICENSEE and its Sublicensees shall have the right for [ \* ] months thereafter to dispose of all Licensed Products then in its inventory, contingent upon LICENSEE: (a) providing to INSTITUTIONS an inventory identifying the volumes of Licensed Products on hand with LICENSEE that were manufactured or in process prior to the termination date, certified and signed by an officer of the LICENSEE; and (b) continuing to submit all reports and make all payments (including, without limitation, royalties) that would have been required in accordance with this Agreement, if this Agreement had not terminated.

16.7 [\*]. The Parties shall negotiate all matters of joint concern in good faith, with the intention of resolving issues between them in a mutually satisfactory manner. If a disagreement between the Parties cannot be resolved through informal discussions, it shall be deemed a "Dispute" upon one party (the "Declaring Party") declaring, by the delivery of a written notice (the "Notice") to the other party, that a Dispute exists. The Notice shall specify the nature and cause of the Dispute and the action that the Declaring Party deems necessary to resolve the Dispute. Following receipt of the Notice, the parties shall use good faith efforts to resolve the Dispute, including making personnel with appropriate decision-making authority available to the other Party to discuss resolution of the Dispute. If a Dispute is not resolved within [ \* ] days of the date of the Notice, then the Declaring Party and the other Party shall resolve the Dispute in accordance with the [\*] procedures below. The Parties agree that [\*].

**[\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

16.8 Effect on Sublicensees. All sublicenses, and rights of Affiliates and Sublicensees, will terminate as of the effective date of termination of this Agreement, provided, however, that if at the effective date of termination any Sublicensee is in good standing with regard to its obligations under its Sublicense and agrees to assume the applicable obligations of LICENSEE hereunder, then, at the request of the Sublicensee, such Sublicense shall survive such termination or expiration of this Agreement and be assigned to INSTITUTIONS; provided, in such case the obligations of INSTITUTIONS to Sublicensee shall not exceed the obligations of INSTITUTIONS to LICENSEE under the Agreement and obligations of Sublicensee to INSTITUTIONS shall not exceed the obligations of LICENSEE to INSTITUTIONS under the Agreement.

16.9 Survival. Upon any expiration or termination of this Agreement, the following shall survive:

(a) any provision expressly indicated to survive, such survival to extend for the period indicated or indefinitely, or if no survival period is indicated;

(b) any liability which any Party has accrued prior to expiration or termination;

(c) LICENSEE's reporting and payment obligations for activities occurring prior to expiration or termination or after termination); and

(d) ARTICLE 1 (entitled Definitions), ARTICLE 9 (entitled Confidentiality), ARTICLE 10 (entitled Indemnification, Product Liability), ARTICLE 11 (entitled Representation, Warranties and Disclaimers), ARTICLE 13 (entitled Non-Use of Names), ARTICLE 17 (entitled Notices and Other Communications), and ARTICLE 18 (entitled Miscellaneous Provisions) and Sections 11.3 (entitled Disclaimer), 16.8 (entitled Effect on Sublicensees), 16.9 (entitled Survival), and 18.12 (entitled HHMI Third-Party Beneficiary).

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ARTICLE XVII  
NOTICES AND OTHER COMMUNICATIONS

Except for payments, each notice or other communication pursuant to this Agreement shall be sufficiently made or given when delivered by courier or other means providing proof of delivery to such party at its address below or as it shall designate by written notice given to the other party:

In the case of MSK:

Memorial Sloan Kettering Cancer Center  
Office of Technology Development

If by mail:

1275 York Ave., Box 524  
New York, NY 10065

If by courier:

600 Third Avenue, 16th floor  
New York, NY 10016  
Attn: Vice President, Technology Development  
Tel: [ \* ] (not for notice)  
Fax: [ \* ] (not for notice)

With copies to:

Memorial Sloan Kettering Cancer Center  
Office of General Counsel

If by mail:

1275 York Ave.  
New York, NY 10065

If by courier:

1275 York Ave.  
New York, NY 10065  
Attn: General Counsel  
Tel: [ \* ] (not for notice)  
Fax: [ \* ] (not for notice)

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In the case of LICENSEE:

Aduro Biotech, Inc.  
626 Bancroft Way, 3C  
Berkeley, California 94710  
Attention: CEO and President

ARTICLE XVIII  
MISCELLANEOUS PROVISIONS

18.1 Governing Law; Disputes. This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of New York, without giving effect to any choice/conflict of law principles, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent was filed or granted. Disputes arising from this Agreement shall be resolved as set forth in Section 16.7.

18.2 Assignment. No party may assign or delegate any or all of its rights or obligations under this Agreement, or transfer this Agreement, without the prior written consent of the other party, except that (a) either party shall have the right to assign any of its rights, delegate any of its obligations, or transfer this Agreement without such consent (i) to an Affiliate or (ii) as part of a merger or acquisition or other transfer of all or substantially all of the assets of its business to which this Agreement pertains, and (b) INSTITUTIONS may without consent of LICENSEE freely assign all or any portion of the payments due under this Agreement to a Third Party. Any assignment, delegation or transfer by any party without the consent of the other party shall be void and of no effect.

18.3 Severability. Except to the extent a provision is stated to be essential, or otherwise to the contrary, the provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or unenforceable under any controlling body of the law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

18.4 Marking. LICENSEE agrees to legibly mark the Licensed Products (and packaging, marketing materials, package inserts, patient information leaflets, and other documentation therefore) sold in the United States with all applicable United States patent numbers, and other notices relating to INSTITUTIONS' Patent Rights, such markings and notices to be in accordance with any written guidelines that may be provided by INSTITUTIONS from time to time. All Licensed Products shipped to or sold in other countries shall be marked in such a manner as to conform to the patent laws and practice of the country of manufacture or sale. In connection with such patent marking, LICENSEE shall also include a statement that the Licensed Product is made under license from INSTITUTIONS.

18.5 Waiver. The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

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18.6 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be an original and all such counterparts shall together constitute but one and the same agreement.

18.7 Force Majeure. Neither party shall lose any rights hereunder or be liable to the other party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting party to the extent such the failure arises from circumstances outside the reasonable control of the party, which may include war, strike, fire, act of God, earthquake, flood, lockout, embargo, governmental or regulatory acts or orders or restrictions (except if imposed due to or resulting from the party's violation of law or regulations), market disruptions, recession, depression, monetary controls, and failure of suppliers; provided, however, that the affected party is using reasonable efforts to bring about an end to the force majeure or to mitigate its effects, to the extent such efforts are possible and commercially reasonable. In connection therewith, in no event shall a party be required to settle any labor dispute or disturbance.

18.8 Further Assurances. At any time or from time to time on and after the date of this Agreement, INSTITUTIONS shall at the written request of LICENSEE execute, and deliver or cause to be delivered, all such consents, documents or further instruments required by law to register or confirm the licenses granted in this Agreement.

18.9 Entire Agreement. This Agreement, including its attachments and exhibits (which attachments and exhibits are incorporated herein by reference), constitutes the entire understanding among and between the parties with respect to the subject matter hereof, and supersedes all prior agreements and communications, whether written, oral or otherwise. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement.

18.10 Relationship between the Parties. The relationship between the parties under this Agreement is that of independent contractors. Nothing contained in this Agreement shall be construed to create a partnership, joint venture or agency relationship between any of the parties. No party is a legal representative of any other party, and no party can assume or create any obligation, liability, representation, warranty or guarantee, express or implied, on behalf of another party for any purpose whatsoever.

18.11 Construction and Interpretation. Words (including defined terms) denoting the singular shall include the plural and vice versa. The words "hereof", "herein", "hereunder" and words of the like import when used in this Agreement shall refer to this Agreement as a whole, and not to any particular provision of this Agreement. The term "include" (and any variant thereof), and the giving of examples, shall not be construed as terms of limitation unless expressly indicated by the context in which they is used. The headings in this Agreement shall not affect its interpretation. Except as expressly provided herein, the rights and remedies herein provided shall be cumulative and not exclusive of any other rights or remedies provided by law or otherwise. Each of the parties has had an opportunity to consult with counsel of its choice. Each provision of this Agreement shall be construed without regard to the principle of contra proferentum. If any provision of this Agreement is held to be invalid or unenforceable the validity of the remaining

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provisions shall not be affected. The parties shall replace the invalid or unenforceable provision by a valid and enforceable provision closest to the intention of the parties when signing this Agreement. This Agreement was negotiated, and shall be construed and interpreted, exclusively in the English language.

18.12 HHMI Third-Party Beneficiary. HHMI is not a party to this Agreement and has no liability to any licensee, sublicensee, or user of anything covered by this Agreement, but HHMI is an intended third-party beneficiary of this Agreement and certain of its provisions are for the benefit of HHMI and are enforceable by HHMI in its own name.

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IN WITNESS WHEREOF, authorized representatives of the parties have signed and dated this Agreement below.

LICENSEE

By: /s/ Gregory W. Schafer  
Name: Gregory W. Schafer  
Title: COO

Date: December 18, 2014

THE ROCKEFELLER UNIVERSITY

By: /s/ Kathleen A. Deni  
Name: Kathleen A. Denis, Ph.D.  
Title: Associate VP, Technology Transfer

Date: December 19, 2014

RUTGERS UNIVERSITY

By: /s/ S. David Kimball  
Name: S. David Kimball  
Title: Associate Vice President, Research  
Commercialization

Date: 12/22, 2014

THE UNIVERSITY OF BONN

By: /s/ Rüdiger Mull  
Name: Rüdiger Mull  
Title: Rheinische  
Friedrich-Wilhelms-Universität  
Der Kanzler

Date: December 19, 2014

MEMORIAL SLOAN KETTERING CANCER CENTER

By: /s/ Gregory Raskin  
Name: Gregory Raskin, MD  
Title: Vice President  
Technology Development

Date: December 18, 2014

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**Exhibit A**

**Patent Rights**

[ \* ]

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**Exhibit B**

**“Know-How” Related to Licensed Cyclic Dinucleotide (CDN) Structures**

[ \* ]

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**Exhibit C**

**Aduro Proprietary Cyclic Dinucleotide Structures**

[ \* ]

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**Exhibit D**  
**Development Plan**

**<8 pages omitted>**

**[ \* ]**

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## MANUFACTURING SERVICES AGREEMENT

This Manufacturing Services Agreement (this “**Agreement**”) is made as of August 6, 2013, (the “**Effective Date**”) between **Lonza Walkersville, Inc.**, a Delaware corporation having its principal place of business at 8830 Biggs Ford Road, Walkersville, Maryland 21793 (“**LWI**”), and **Aduro BioTech, Inc.**, a Delaware corporation located at 626 Bancroft Way, 3C, Berkeley, CA 94710-2224 (“**CLIENT**”) (each of LWI and CLIENT, a “**Party**” and, collectively, the “**Parties**”).

### RECITALS

A. LWI operates a multi-client production facility located at 8830 Biggs Ford Road, Walkersville, Maryland 21793 (the “**Facility**”).

B. CLIENT desires to have LWI produce a product containing human cells and intended for therapeutic use in humans, and LWI desires to produce such product.

C. CLIENT desires to have LWI conduct work according to individual Statement of Work, as further defined in Section 1.37 below.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficient of which is acknowledged by the Parties, LWI and CLIENT hereby agree as follows.

### AGREEMENT

#### 1. DEFINITIONS

When used in this Agreement, capitalized terms will have the meanings as defined below and throughout the Agreement. Unless the context indicates otherwise, the singular will include the plural and the plural will include the singular.

1.1 “**Acceptance Period**” shall have the meaning set forth in Section 5.2.2.

1.2 “**Affiliate**” means, with respect to either Party, any other corporation or business entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Party. For purposes of this definition, the term “control” and, with correlative meanings, the terms “controlled by” and “under common control with” means direct or indirect ownership of more than fifty percent (50%) of the securities or other ownership interests representing the equity voting stock or general partnership or membership interest of such entity or the power to direct or cause the direction of the management or policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

1.3 “**Applicable Laws**” means all applicable laws, statutes, regulations, guidelines, guidance and ordinances of the relevant regulatory authorities, including cGMP, in or of the United States and the European Union if agreed in the relevant Statement of Work.

1.4 “**Batch**” means a specific quantity of Product that is intended to have uniform character and quality, within specified limits, and is produced according to a single manufacturing order during the same cycle of manufacture.

1.5 “**Batch Documentation**” has the meaning set forth in Section 5.2.1.

1.6 “**Batch Record**” means the production record pertaining to a Batch.

1.7 “**cGMP**” means, as amended from time to time, the regulatory requirements for current good manufacturing practices promulgated by the FDA under 21 CFR Parts 210 and 211, and, as applicable, Guide to Good Manufacturing Practices for Medicinal Products as promulgated under European Directive 91/356/EEC.

1.8 “**Change Order**” has the meaning set forth in Section 2.2.

1.9 “**CLIENT Development Materials**” has the meaning set forth in Section 2.3.

1.10 “**CLIENT New IP**” has the meaning set forth in Section 11.1.3.

1.11 “**CLIENT Personnel**” has the meaning set forth in Section 4.6.1.

1.12 “**CLIENT Process**” has the meaning set forth in Section 11.1.2.

1.13 “**CLIENT Technology Transfer**” means the transfer of documentation, specifications, and production process by CLIENT to LWI for the development of the Master Production Record for the manufacturing of the Product specifically for the CLIENT.

1.14 “**Confidential Information**” has the meaning set forth in Section 10.1.

1.15 “**Disapproval Notice**” has the meaning set forth in Section 5.2.3.

1.16 “**Delivery Period**” has the meaning set forth in Section 4.3.

1.17 “**Draft Plan**” has the meaning set forth in Section 4.1.

1.18 “**FDA**” means the U.S. Food and Drug Administration, and any successor agency thereof.

1.19 “**Intellectual Property**” means, with respect to a Party, all its worldwide rights to patents, copyrights, trade secrets, know-how and all other intellectual property rights, including all applications and registrations with respect thereto, but excluding all trademarks, trade names, service marks, logos and other corporate identifiers.

1.20 “**Losses**” has the meaning set forth in Section 15.1.

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1.21 “**LWI Intellectual Property**” means the proprietary Intellectual Property of LWI, including, but without limitation, LWI New IP and LWI Operating Documents.

1.22 “**LWI New IP**” has the meaning set forth in Section 11.1.4.

1.23 “**LWI Operating Documents**” means LWI’s proprietary standard operating procedures, standard manufacturing procedures, raw material specifications, protocols, validation documentation, and supporting documentation used by LWI, such as environmental monitoring, for operation and maintenance of the Facility and LWI equipment used in the process of producing the Product, excluding any of the foregoing that are unique to the manufacture of Product.

1.24 “**LWI Parties**” has the meaning set forth in Section 15.2.

1.25 “**Master Production Record**” means the documentation developed by LWI that contains a detailed description of the Process and any other instructions to be followed by a party in the production of the Product, which record meets the reasonable requirements of CLIENT and is approved by the CLIENT in writing.

1.26 “**Materials**” means all raw materials and supplies, including without limitation cell lines, to be used in the production of a Product.

1.27 “**Process**” means the manufacturing process for the Product developed by LWI pursuant to the terms of this Agreement.

1.28 “**Product**” has the meaning set forth in a Statement of Work.

1.29 “**Product Warranties**” means those warranties relating to the Product or Process specifically set forth in Section 5.2.2.

1.30 “**Production Rerun**” has the meaning set forth in Section 5.4.1.

1.31 “**Production Term**” has the meaning set forth in Section 4.2.

1.32 “**Quality Agreement**” means the Quality Agreement entered into by the Parties simultaneously with the execution hereof relating to a Product.

1.33 “**Regulatory Approval**” means the approval by the FDA to market and sell the Product in the United States.

1.34 “**Remaining CLIENT Property**” has the meaning set forth in Section 7.2.

1.35 “**SOP**” means a standard operating procedure.

1.36 “**Specifications**” means the Product specifications set forth in the Statement of Work or as modified by the Parties in connection with the production of a particular Batch of Product hereunder.

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1.37 “**Statement of Work**” means a plan to develop a Process or Product that is executed by the Parties and attached hereto as Appendix A or later becomes attached through an amendment by the Parties. The first Statement of Work, which is attached hereto, shall be numbered Appendix A-1 and, when executed and delivered by the Parties, is hereby incorporated and made a part of this Agreement. It is contemplated that each separate project shall have its own Statement of Work. As each subsequent Statement of Work is agreed to by the Parties, each shall state that it is to be incorporated and made a part of this Agreement and shall be consecutively numbered as A-2, A-3, etc.

1.38 “**Third Party**” means any party other than LWI, CLIENT or their respective Affiliates.

## **2. STATEMENTS OF WORK - PROCESS AND PRODUCT DEVELOPMENT; CLIENT TECHNOLOGY TRANSFER; PROCESS OR PRODUCT MANUFACTURE**

2.1 **Statement of Work.** Prior to performing any Process or Product development, CLIENT Technology Transfer, or Product manufacture, the Parties will collaborate to develop a Statement of Work, describing the activities to be performed by the Parties, or to be subcontracted by LWI to Third Parties. Once agreed to by the Parties, the Statement of Work shall be executed by each of the Parties and appended hereto as part of Appendix A and shall be a part hereof. In the event of a conflict between the terms and conditions of this Agreement and any Statement of Work, the terms and conditions of this Agreement shall control.

2.2 **Modification of Statement of Work.** Should CLIENT want to change a Statement of Work or to include additional services to be provided by LWI, CLIENT may propose to LWI an amendment to the Statement of Work with the desired changes or additional services (“**Change Order**”). After LWI utilizes its best efforts to accommodate CLIENT’s reasonable requests, if LWI determines that it has the resources and capabilities to accommodate such Change Order, LWI will prepare a modified version of the Statement of Work reflecting such Change Order (including, without limitation, any changes to the estimated timing, estimated charges or scope of a project) and will submit such modified version of the Statement of Work to CLIENT for review and comment. The modified Statement of Work shall be binding on the Parties only if it refers to this Agreement, states that it is to be made a part thereof, and is signed by both Parties, whereafter such modified version of the Statement of Work will be deemed to have replaced the prior version of the Statement of Work. Notwithstanding the foregoing, if a modified version of the Statement of Work is not agreed to by both Parties, the existing Statement of Work shall remain in effect unless terminated by CLIENT upon [ \* ] days prior written notice to LWI, in which case CLIENT shall be responsible for the fees set forth in Section 14.6.3.

### **2.3 CLIENT Deliverables.**

2.3.1 Within the time period specified in a Statement of Work, CLIENT will provide LWI with (a) the materials listed in the Statement of Work for which CLIENT is responsible for delivering to LWI, and any handling instructions, protocols, SOPs and other documentation necessary to maintain the properties of such materials for the performance of the Statement of Work, and (b) any related protocols, SOPs and other information and documentation

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in possession or control of CLIENT and necessary for the performance of the Statement of Work, and for the preparation of the Master Production Record in conformance with cGMP, including, without limitation, process information, SOPs, development data and reports, quality control assays, raw material specifications (including vendor, grade and sampling/testing requirements), product and sample packing and shipping instructions, and product specific cleaning and decontamination information (collectively, the “**CLIENT Development Materials**”). For clarity, CLIENT Development Materials includes CLIENT’s PANC 10.3 and PANC 6.05 cell lines (the “**Cell Lines**”).

2.3.2 LWI agrees that the CLIENT Development Materials shall only be used as specified in writing by CLIENT in this Agreement or the applicable Statement of Work, and not for any other purpose. CLIENT Development Materials shall be maintained, handled and stored in accordance with the written directions of CLIENT. Title to the CLIENT Development Materials shall at all times remain in CLIENT. LWI agrees that it shall not make any claim or place any lien or encumbrance on any CLIENT Development Materials. Upon direction of CLIENT, LWI shall provide CLIENT with an accounting of the CLIENT Development Materials and a list of persons with access to the CLIENT Development Materials, and will return to CLIENT all CLIENT Development Materials supplied by CLIENT, except to the extent such CLIENT Development Materials are no longer available to return as the materials have been utilized, or are incorporated in Product or work in process in connection with the services performed hereunder. Risk of loss to Cell Lines shall remain with LWI while CLIENT Developed Materials are in LWI’s control, except for any risk of loss that is inherent to the Cell Lines and so long as the loss is unrelated to the negligent or willful acts or omissions of LWI or its agents. CLIENT shall have the absolute right upon reasonable notice and reasonable request to recover the CLIENT Development Materials, except to the extent such CLIENT Development Materials are no longer available to return as the materials have been utilized or are incorporated in Product or work in process in connection with the services performed hereunder, and LWI shall cooperate in the same. Title to each cell line made from Cell Lines shall vest in CLIENT after CLIENT pays LWI for the cost for the creation of each such cell line, as such cost is specifically set forth in the relevant Statement of Work.

2.3.3 LWI covenants not to share any CLIENT Development Materials with any person located outside the United States without the express prior written consent of CLIENT, which consent shall not be unreasonably withheld or delayed if (i) LWI demonstrates to CLIENT that such sharing is essential to the purposes of this Agreement and no reasonable alternative is available and (ii) the receiving party, LWI, and CLIENT have executed appropriate written agreements that secure and protect the CLIENT Development Materials and in which LWI takes responsibility for the same.

**2.4 Performance by LWI.** Subject to the provision by CLIENT of the CLIENT Development Materials pursuant to Section 2.3, LWI will use commercially reasonable efforts to perform, directly or, if specifically contemplated in the Statement of Work or approved in writing in advance by CLIENT (such approval not to be unreasonably withheld or delayed), through a Third Party contractor, the work described in a Statement of Work in a professional and workmanlike manner in accordance with the terms of this Agreement on the timeline set forth in the Statement of Work. LWI will promptly notify CLIENT of any material delays that arise during the performance of the Statement of Work and the Parties will promptly meet to determine whether

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there is any reasonable remediation that might lessen the impact of any such delay. LWI shall be responsible for any delays that are within its reasonable control or that of any of its Affiliates or permitted subcontractors. All work will be completed by LWI at the LWI facility located in Walkersville, Maryland, USA, unless otherwise approved in writing by CLIENT.

**2.5 Subcontracting.** LWI may not subcontract with any Third Party to perform any of its Product-specific obligations under this Agreement without the prior written consent of CLIENT, which consent shall not be unreasonably withheld or delayed. LWI shall be entitled to instruct one or more of its Affiliates to perform any of LWI's obligations in this Agreement, but LWI shall remain fully responsible in respect of those obligations. LWI will be solely responsible for the performance of any Affiliate or permitted subcontractor, and for costs, expenses, damages, or losses of any nature arising out of such performance as if such performance had been provided by LWI itself under this Agreement and to which the terms of this Agreement shall apply. LWI will cause any such Affiliate or permitted subcontractor to be bound by, and to comply with, the terms of this Agreement or any other ancillary agreements the Parties may enter into in connection with the provision of the services, as applicable, including, without limitation, all confidentiality, quality assurance, regulatory and other obligations and requirements of LWI.

**2.6 Management.** Each Party shall appoint one person to serve as a point person for matters related to this Agreement. CLIENT will initially be represented by [ \* ]. LWI will initially be represented by [ \* ].

### **3. CLIENT TECHNOLOGY TRANSFER**

**3.1 By CLIENT to LWI.** Based on the information provided by CLIENT and including process changes developed by LWI pursuant to any applicable Statement of Work, LWI will prepare the Master Production Record for the Process in accordance with the schedule set forth in the Statement of Work. CLIENT will inform LWI of any specific requirements CLIENT may have relating to the Master Production Record, including, without limitation, any information or procedures CLIENT wishes to have incorporated therein. Except for LWI Operating Documents, if LWI would like CLIENT to consider including as part of the Master Production Record the use of any assay, medium, or other intellectual property or technology that is proprietary to LWI or any Third Party, LWI will inform CLIENT of such desire and the Parties will meet to discuss and attempt to agree in good faith on the terms of use of such materials or technology in the Process. (For clarity, the terms for use of LWI Intellectual Property are set forth in Section 11.2.) In addition, LWI will disclose to CLIENT all reasonable alternatives of which it is aware so that all reasonable alternatives are considered and discussed by the Parties.

3.2 CLIENT will cooperate with LWI to assist LWI to develop the Master Production Record and Process, including, without limitation, by providing LWI with additional information and procedures in CLIENT's control that is required to create the Master Production Record, Process, which may include the following: (i) manufacturing process information, SOPs, development reports, (ii) quality control assays, (iii) raw material specifications (including vendor, grade and sampling/testing requirements), (iv) Product and sample packing and shipping instructions, and (v) Product specific cleaning and decontamination information.

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3.3 LWI will deliver a draft version of the Master Production Record to CLIENT for its review and approval in accordance with the schedule set forth in the Statement of Work. CLIENT will notify LWI in writing of any objections it has to the draft Master Production Record, and upon such notification, representatives of LWI and CLIENT will meet promptly to resolve such objections. Upon CLIENT's written acceptance of the draft Master Production Record, or in the event that CLIENT does not submit a written notice setting forth CLIENT's objections to the draft Master Production Record within [ \* ] business days following receipt of such draft by CLIENT, such draft will be deemed approved by CLIENT, provided that CLIENT may request and shall be permitted additional time if reasonably requested by CLIENT, in which case CLIENT shall be responsible for any costs incurred by LWI arising from such additional time.

#### **4. MANUFACTURE OF PRODUCT; ORDER PROCESS; DELIVERIES**

4.1 **Draft Plan.** To the extent not already delivered prior to the execution of any Statement of Work, LWI will deliver to CLIENT for review and comment, a proposed draft plan describing the activities to be performed by LWI, or to be subcontracted by LWI to Third Parties, in the production of a Product (the "**Draft Plan**"). Once LWI delivers to CLIENT the proposed Draft Plan, the parties will meet to decide whether to issue a new Statement of Work pursuant to Section 2.1, or to modify an existing Statement of Work pursuant to Section 2.2, based on that Draft Plan and any agreed upon modifications.

4.2 **Manufacture by LWI.** During the time period specified in any Statement of Work during which Process and Product will be developed and manufactured which will end only after completion of the services and delivery of the deliverables set forth in the Statement of Work (the "**Production Term**"), LWI will use its commercially reasonable best efforts to develop, manufacture, package, ship, handle quality assurance and quality control for the Product and perform all other services and deliver all deliverables as set forth in the Statement of Work, and to deliver to CLIENT the quantities of Product requested by CLIENT in the Statement of Work, all in accordance with the terms of this Agreement.

4.3 **Packaging and Shipping.** LWI will package and label the Product for shipment in accordance with the Master Production Record and LWI's standard practices in effect at the time of performance by LWI. LWI will ship the Product [ \* ] (Incoterms 2010) [ \* ] to a common carrier designated by CLIENT to LWI in writing not less than [ \* ] days prior to the delivery date that is either set forth in the Statement of Work or otherwise agreed in writing by the Parties. CLIENT will provide to LWI its account number with the selected carrier and will pay for all shipping costs in connection with each shipment of Product. LWI will use commercially reasonable efforts to deliver each shipment of Product to CLIENT on the requested delivery date for such shipment. LWI will promptly notify CLIENT if LWI reasonably believes that it will be unable to meet a delivery date and the reasons therefor. CLIENT shall be required to take delivery of a Batch of Product within [ \* ] days after acceptance of such Batch in accordance with Section 5.2 (the "**Delivery Period**"). Notwithstanding anything to the contrary, title in all Product shall pass to CLIENT upon delivery to the carrier.

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**4.4 Quality Agreement.** Promptly after the Effective Date, the Parties shall enter into a separate Quality Agreement setting forth the terms for Product quality. Such Quality Agreement shall be separately appended to this Agreement.

**4.5 Records.** LWI will maintain accurate records for the production of the Product, as required by all Applicable Laws. LWI will retain possession of the Master Production Record, all Batch Records and LWI Operating Documents, and will make copies thereof available to CLIENT upon CLIENT's request and at CLIENT's expense. CLIENT will have the right to use and reference any of the foregoing in connection with a filing for Regulatory Approval of the Product, as per Section 8.4, or as otherwise authorized by the Agreement. LWI Operating Documents will remain LWI Confidential Information.

**4.6 CLIENT Access.**

4.6.1 CLIENT's employees and agents (including its independent contractors) (collectively, "**CLIENT Personnel**") may participate in the development of the Product, Process, and Master Production Record and the production of the Product to the extent agreed in advance by the Parties or as may be contemplated in this Agreement. CLIENT Personnel working at the Facility are required to comply with LWI Operating Documents and any other applicable LWI facility and/or safety policies. For the avoidance of doubt, CLIENT Personnel may not physically participate in the production or manufacture of any Product that may be used in or on humans, provided that CLIENT Personnel shall be permitted to observe preparation for and Product production.

4.6.2 CLIENT Personnel working at the Facility will be and remain employees of CLIENT, and CLIENT will be solely responsible for the payment of compensation for such CLIENT Personnel (including applicable Federal, state and local withholding, FICA and other payroll taxes, workers' compensation insurance, health insurance, and other similar statutory and fringe benefits). CLIENT covenants and agrees to maintain workers' compensation benefits and employers' liability insurance as required by applicable Federal and Maryland laws with respect to all CLIENT Personnel working at the Facility.

4.6.3 CLIENT will pay for the actual cost of repairing or replacing to its previous status any property of LWI damaged or destroyed by CLIENT Personnel, provided CLIENT shall not be liable for repair or replacement costs resulting from ordinary wear and tear.

4.6.4 CLIENT Personnel visiting or having access to the Facility will abide by LWI standard policies, operating procedures and the security procedures established by LWI. CLIENT will be liable for any breaches of security by CLIENT Personnel. All CLIENT Personnel will agree to abide by LWI policies and SOPs established by LWI, and will sign an appropriate confidentiality agreement.

4.6.5 CLIENT will indemnify and hold harmless LWI from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) arising out of any injuries suffered by CLIENT Personnel while at the Facility or elsewhere, except to the extent caused by the negligence or willful misconduct on the part of any LWI Party or breach of this Agreement by LWI.

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4.7 Disclaimer. LWI covenants that it will not engage in any Product refinement or development of the Product, other than as expressly set forth in this Agreement and the Statement of Work. The Parties certify that (i) as of the Effective Date no LWI Parties have participated in the invention or testing of any Product, and (ii) LWI Parties have not evaluated whether Product is safe and effective for use in humans or otherwise.

## 5. PRODUCT WARRANTIES; ACCEPTANCE AND REJECTION OF PRODUCTS

5.1 **Product Warranties.** LWI warrants that any Product manufactured by LWI pursuant to this Agreement, at the time of delivery pursuant to Section 4.3: (a) conforms to the Specifications; (b) was manufactured in accordance with the Master Production Record; (c) was manufactured in accordance with cGMP using a process, components and a facility that comply with all Applicable Laws; and (d) is delivered free and clear of any liens or encumbrances of any kind. For the purposes of this Agreement, compliance with the product warranties set forth in Sections 5.1(a) – (c) shall mean the Product is not “adulterated”. The foregoing are collectively referred to as the “**Product Warranties**”.

### 5.2 Approval of Shipment.

5.2.1 When the Product ordered by CLIENT is ready for delivery, LWI will notify CLIENT and supply CLIENT with the Batch Documentation. If a Batch of Product conforms to the Product Warranties, then a certificate of compliance will be completed and approved by LWI. This certificate of compliance, a certificate of analysis, the Specifications, a complete and accurate copy of the consolidated Batch Records, and the Process description (collectively, the “**Batch Documentation**”) for such Batch of Product will be provided to CLIENT within [ \* ] calendar days of completing testing, either electronically through a secure portal or by a reputable overnight courier or by registered or certified mail, postage prepaid, return receipt required to verify delivery date. Upon request, LWI will also provide CLIENT with all results relating to the manufacture of each Batch of Product, which results are set forth in the Batch Record.

5.2.2 Within [ \* ] calendar days after CLIENT’s receipt of such Batch Documentation regarding such Product (the “**Acceptance Period**”), CLIENT shall determine by review of such Batch Documentation whether or not the Batch Documentation reflects that the given Batch conforms to the Product Warranties set forth in Section 5.1 above, except to the extent a warranty cannot be confirmed by reviewing such documentation. Notwithstanding the foregoing, if CLIENT reasonably requests to extend the Acceptance Period and its review of the Batch Documentation has commenced and CLIENT is diligently reviewing the Batch Documentation within such [ \* ]-day period, the Acceptance Period shall be extended to a period not to exceed [ \* ] days, so long as the CLIENT is making diligent efforts, and assuming LWI cooperates fully therewith.

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**5.2.3 Non-Conforming Batch(es).** If CLIENT asserts that the Product does not comply as described in the prior sentence with the Product Warranties set forth in Section 5.1 above, CLIENT will deliver to LWI, in accordance with the notice provisions set forth in Section 17.3 hereof, written notice of disapproval (the “**Disapproval Notice**”) of such Product, stating in reasonable detail the basis for such assertion of non-compliance with the Product Warranties. If a valid Disapproval Notice is received by LWI during the Acceptance Period, then LWI and CLIENT will provide one another with all related paperwork and records (including, but not limited to, quality control tests) relating to both the production of the Product and the Disapproval Notice. If a valid Disapproval Notice is not received during the Acceptance Period, the Product will be deemed accepted and ready for shipment and the Product shall be delivered to CLIENT. CLIENT shall accept delivery thereof within [ \* ] days after such acceptance. Risk of loss to such Product shall pass to CLIENT at the time of delivery to the common carrier pursuant to Section 4.3.

**5.3 Dispute Resolution.** LWI and CLIENT will attempt to resolve any dispute regarding the conformity of a shipment of Product with the Product Warranties. If such dispute cannot be settled within [ \* ] days of the submission by each Party of such related paperwork and records to the other Party, and if the Product is alleged not to conform with the Product Warranties set forth in Section 5.1, then CLIENT will submit a sample of the Batch of the disputed shipment to an independent testing laboratory of recognized repute selected by CLIENT and approved by LWI (such approval not to be unreasonably withheld) for analysis, under quality assurance approved procedures, of the conformity of such shipment of Product with the Specifications. If the existence or cause of the alleged nonconformity cannot be determined solely by laboratory testing, then the CLIENT shall also select appropriate experts of recognized repute and approved by LWI (such approval not to be unreasonably withheld) in order to conduct an audit of documents and facilities in order to confirm conformity to of Product with Product Warranties. The costs associated with such analyses by such independent testing laboratory and experts will be paid by the Party whose assessment of the conformity of the shipment of Product with the Product Warranties was mistaken.

#### **5.4 Remedies for Non-Conforming Product.**

5.4.1 Until the Process is submitted as part of a biologic license application and is approved by the FDA, in the event that the Parties agree, or an independent testing laboratory or experts determine, pursuant to Section 5.3, a Batch of Product materially fails to conform to the Product Warranties due to the failure of: (a) LWI to properly execute the Master Production Record in respect of the manufacture of the Product, (b) LWI to comply with cGMP, (c) LWI’s negligence or willful misconduct, or (d) LWI facilities or utilities then, at CLIENT’s request, LWI will promptly produce for CLIENT sufficient quantities of Product to replace the non-conforming portion of such Batch of Product (the “**Production Rerun**”), in accordance with the provisions of this Agreement and at no additional cost to CLIENT. If the CLIENT has not yet paid for the failed Batch of Product, then CLIENT will be billed when it receives the replacement.

5.4.2 Until the Process is submitted as part of a biologic license application and is approved by the FDA, in the event that the Parties agree, or an independent testing laboratory or experts determine, pursuant to Section 5.3, that a Batch of Product materially fails to conform to

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the Product Warranties for any reason other than as set forth in Section 5.4.1, then LWI shall have no liability to CLIENT with respect to such Batch and LWI will, at CLIENT's request, produce for CLIENT as soon as practicable a Production Rerun at CLIENT's expense.

5.4.3 After the Process is submitted as part of a biologic license application and once it is approved by the FDA, in the event that the Parties agree, or an independent testing laboratory or experts determine, pursuant to Section 5.3, that a Batch of Product materially fails to conform to the Product Warranties and such failure is (a) not the result of an inherent characteristic of the Process, Materials, or CLIENT Development Materials, including any cell lines originally provided by CLIENT, or (b) not the result of circumstances outside of LWI's reasonable control or the control of its Affiliates or permitted contractors, LWI will produce for CLIENT as soon as practicable a Production Rerun, in accordance with the provisions of this Agreement and at no additional cost to CLIENT.

5.4.4 After the Process is submitted as part of a biologic license application and once it is approved by the FDA, in the event that the Parties agree, or an independent testing laboratory or experts determine, pursuant to Section 5.3, that a Batch of Product materially fails to conform to the Product Warranties as a result of (i) an inherent characteristic of the Process, Materials, or CLIENT Development Materials, including any of the cell lines originally provided by CLIENT, or (ii) a failure that is the result of circumstances outside of LWI's reasonable control or the control of its Affiliates or permitted contractors, then LWI shall have no liability to CLIENT with respect to such Batch and LWI will, at CLIENT's request, produce for CLIENT as soon as practicable a Production Rerun at CLIENT's expense.

5.4.5 Except with respect to [ \* ], CLIENT [ \* ], and in furtherance thereof, [ \* ].

5.4.6 Each Party will promptly notify the other in the event that it becomes aware of any circumstance that might be reasonably expected to result in a Product recall or market withdrawal. In the event that the CLIENT determines that a recall or market withdrawal of Product is needed, CLIENT shall manage and lead such recall or withdrawal and LWI shall fully cooperate with CLIENT in connection therewith. The administrative costs of a recall or withdrawal will be borne by CLIENT except to the extent that the recall or withdrawal is the result of a negligent or willful act or omission of LWI.

## **5.5 Remedies for Non-Conforming Services.**

5.5.1 Notwithstanding anything to the contrary herein, if LWI provides any services, other than manufacturing of the Product to which Section 5.4 shall apply, which services fail to conform to agreed upon written instructions or which are not performed according to customary professional standards of established practice in the industry or the applicable requirements of this Agreement, CLIENT may require LWI to (i) reperform such services at no additional cost to CLIENT or (ii) if LWI does not or cannot promptly reperform such service, or if CLIENT has a reasonable basis to move the services to another manufacturer taking into account all relevant factors, promptly repay to CLIENT any monies paid by CLIENT to LWI for the performance of such services.

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## 6. DAMAGE OR DESTRUCTION OF MATERIALS AND/OR PRODUCT

6.1 **Remedies.** If during the manufacture of Product pursuant to this Agreement, Product and/or Materials are destroyed or damaged by LWI Personnel, and such damage or destruction resulted from LWI's failure to execute the Process in conformity with the Master Production Record or is otherwise attributable to the negligence or willful misconduct of LWI Personnel or the breach of this Agreement by LWI, then, except as provided in Section 6.2 below, LWI, as soon as it is commercially practicable to do so, will provide CLIENT with additional Product production time equal to the actual time lost because of the destruction or damage of the Product and/or Materials and will [ \* ]. CLIENT acknowledges and agrees that [ \* ], and in furtherance thereof, [ \* ].

6.2 **Limitations.** Notwithstanding anything to the contrary set forth in the preceding Section 6.1, if during the manufacture of Product pursuant to this Agreement, Product or Materials are destroyed or damaged by LWI Personnel while LWI Personnel were acting at the written direction of CLIENT Personnel, unless CLIENT is directing during active production, in which case such direction may not be in writing, then LWI will have no liability to CLIENT as the result of destruction or damage arising from the competent execution of such directions.

## 7. STORAGE OF MATERIALS

7.1 **Pre-Production.** LWI will store at the expense of CLIENT any CLIENT Development Materials, equipment or other property delivered pursuant to the Statement of Work or the Draft Plan to the Facility by CLIENT more than [ \* ] days prior to the commencement date. The storage rates will be set forth in the Statement of Work and may be amended from time to time by LWI. No storage fees will be charged during the period starting [ \* ] days prior to the commencement date and ending upon the expiration or termination of the Production Term and for [ \* ] days thereafter.

7.2 **Post-Production.** LWI will store at the Facility free of charge any in-process materials, Materials paid for by CLIENT, equipment and other CLIENT property (other than Product manufactured hereunder) that remains at the Facility on the date of expiration or termination of the Production Term (collectively "**Remaining CLIENT Property**"), for up to [ \* ] calendar days. In the event that LWI continues to store such Remaining CLIENT Property, CLIENT will pay to LWI a storage charge at LWI's then-standard storage rates for the period beginning on the [ \* ] day after the expiration or termination of the Production Term through the date that the storage terminates. LWI shall have no right to destroy Remaining CLIENT Property.

7.3 **Product.** Notwithstanding the foregoing, if CLIENT fails to take delivery of a Product within [ \* ] days after the expiration or termination of the Production Term, CLIENT will pay to LWI a storage charge at [ \* ] times LWI's then-standard storage rate, which shall begin accruing on the first day following the expiration of the applicable Delivery Period.

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## **8. REGULATORY MATTERS**

**8.1 Permits and Approvals.** During the Production Term, LWI will use commercially reasonable efforts to maintain any licenses, permits and approvals necessary for the manufacture of the Product in the Facility. LWI will promptly notify CLIENT if LWI receives notice that any such license, permit, or approval is or may be revoked or suspended.

**8.2 Inspections/Quality Audit by CLIENT.** Up to one time per calendar year during the Production Term without cause and otherwise with cause, and upon not less than [ \* ] days' prior written notice, LWI will permit CLIENT to inspect and audit the parts of the Facility where the manufacture of the Product is carried out in order to assess LWI's compliance with this Agreement, and to discuss any related issues with LWI's management personnel. CLIENT Personnel engaged in such inspection will abide by the terms and conditions set forth in Sections 4.6.1, 4.6.4, and 10. If any deficiencies are noted, LWI shall not more than [ \* ] days thereafter provide to CLIENT a remediation plan, which plan will be commented upon by CLIENT. LWI will use commercially reasonable efforts to take all reasonable comments to the plan and then execute the plan as soon as reasonably practicable thereafter so as to attempt to limit the duration of any delay.

**8.3 Inspections by Regulatory Agencies.** LWI will allow representatives of any regulatory agency to inspect the relevant parts of any LWI Facility relevant to Product or this Agreement, and to inspect the Master Production Record and Batch Records to verify compliance with cGMP and other practices or regulations and will promptly notify CLIENT of the scheduling or initiation of any such inspection relating to the manufacture of Product. LWI will notify CLIENT of any planned governmental or regulatory authority inspections that are reasonably likely to involve or impact Product not less than [ \* ] calendar days prior to the inspection. CLIENT shall have the right to observe such inspection if any material portion of the inspection relates specifically to Product. LWI will promptly, but in no more than [ \* ] business days (i) send to CLIENT a copy of any reports, citations, or warning letters received by LWI and (ii) convey to CLIENT any oral comments of regulatory authorities, in connection with an inspection of a regulatory agency to the extent such documents or comments relate to or affect the manufacture of the Product, and LWI will answer any and all questions that CLIENT may have related thereto. LWI will share with CLIENT its plan to promptly remedy any deficiencies noted by a regulatory agency and LWI will implement such plan as soon as reasonably practicable thereafter. If such remedy is specifically related to Product, LWI will allow CLIENT the opportunity to comment before submitting a response to the governmental or regulatory authority.

**8.4 Regulatory Submissions.** CLIENT will be responsible for obtaining, at its expense, all regulatory and governmental approvals and permits necessary for CLIENT's use of any Product developed and/or manufactured under this Agreement, including, without limitation, IND amendments and any analogous submissions filed with the appropriate governmental or regulatory authority. LWI will be responsible, at CLIENT's expense, for providing CLIENT with relevant supporting data and information relating to the development and/or manufacture of Product (or any component thereof) necessary for obtaining such approvals; however, any trade secrets or confidential or proprietary information of LWI may be provided by LWI directly to the appropriate governmental or regulatory authority in its drug master file ("DMF"), and LWI shall permit CLIENT and/or its licensees to refer to such DMF as part of CLIENT's submissions to such governmental or regulatory authority.

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## 9. FINANCIAL TERMS

9.1 **Payments.** CLIENT will make payments to LWI for professional fees, pass through costs and other fees or costs in the amounts and at the times set forth in the Statement of Work, upon receipt of an invoice from LWI as set forth in Section 9.5. Any agreed advances and terms related thereto shall also be included in any Statement of Work. In the event that CLIENT has not paid an undisputed invoice within [ \* ] business days of the applicable due date (as established by this Agreement) and such invoice is not disputed by CLIENT in good faith, LWI may consider such nonpayment a material breach under Section 14.2, subject to the notice and cure provisions set forth therein. Further, in addition to all other remedies available to LWI and remedies and defenses available to CLIENT, in the event that CLIENT has not paid an invoice within [ \* ] business days of the applicable due date (as established by this Agreement) and such invoice is not disputed by CLIENT in good faith, LWI may [ \* ], provided that CLIENT shall remain liable for all fees owed pursuant to the Statement of Work [ \* ].

9.2 **Pass-through Costs.** Pass through costs shall be invoiced to CLIENT at actual cost plus any additional fees set forth in the applicable Statement of Work. Payment terms for pass through costs are set forth in each relevant Statement of Work.

9.3 **Advance Payments.** The amount of any advance payment shall be defined in the Statement of Work (the “Advance Payment”) and shall not exceed [ \* ] of the total estimated payment due under such Statement of Work. For Statements of Work whose term are initially estimated to be less than or equal to [ \* ] months, advances shall be applied equally to the final [ \* ] invoices. For Statements of Work whose term are initially estimated to be more than [ \* ] months, advances shall be applied equally to the final [ \* ] invoices.

9.4 **Progress and Estimates.** The Parties shall meet at least one time per month to discuss any active Statements of Work and the progress of each project against the anticipated timelines and costs estimated therefor. At such meetings and otherwise upon the request of CLIENT, LWI will provide to CLIENT with updated estimates of project costs and up to date progress against initial budget. Increases of more than [ \* ] percent of any material line item of the budget set forth in a Statement of work must be approved by CLIENT in advance in writing. LWI shall not exceed any estimated budget set forth in a Statement of Work without the prior written consent of CLIENT.

9.5 **Invoices.** Within [ \* ] days of the end of each month during which charges were incurred, LWI will provide CLIENT with an invoice setting forth a detailed account of any fees, expenses, or other payments payable by CLIENT under this Agreement for the preceding month. The amounts set forth in each such invoice will be due and payable within [ \* ] days of receipt of such invoice by CLIENT.

9.6 **Taxes.** CLIENT agrees that it is responsible for and will pay any sales, use or other taxes (the “Taxes”) resulting from LWI’s production of Product under this Agreement (except for

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income or personal property taxes payable by LWI). To the extent not paid by CLIENT, CLIENT will indemnify and hold harmless the LWI Parties from and against any and all penalties, fees, expenses and costs whatsoever in connection with the failure by CLIENT to pay the Taxes. LWI will not collect any sales and use taxes from CLIENT in connection with the production of any Product hereunder if CLIENT provides to LWI the appropriate valid exemption certificates.

9.7 **Interest.** Any fee, charge or other payment due to LWI by CLIENT under this Agreement that is not paid within [ \* ] days after it is due will accrue interest on a daily basis at a rate of [ \* ]% per month (or the maximum legal interest rate allowed by Applicable Laws, if less) from and after such date.

9.8 **Method of Payment.** All payments to LWI hereunder by CLIENT will be in United States currency and will be by check, wire transfer, money order, or other method of payment approved by LWI. Bank information for wire transfers is as follows:

Mailing address for wire transfer payments:

[ \* ]

ABA# for wires and ACH for our account = [ \* ]

Lockbox # [ \* ]

Account # [ \* ]

Lonza Walkersville, Inc.

12261 Collections Center Drive

Chicago, Illinois, 60693

9.9 **Cost Adjustments.** Beginning [ \* ] months after the effective date of a Statement of Work, LWI may [ \* ] adjust the various costs and rates, including the professional fees, set forth in the Statement of Work attached hereto [ \* ]; provided, however, that any [ \* ] shall not exceed [ \* ]. LWI agrees to provide CLIENT with written notice not less than [ \* ] days prior to such cost adjustment. In the event of a material increase in the costs of LWI, which increase is out of the reasonable control of LWI, for (i) LWI's compliance with a new or changed environmental or regulatory standard or (ii) a component of LWI's suite fees, upon prior written notice to CLIENT of not less than [ \* ] days and having provided to CLIENT at the time of such notice, reasonable detail and calculations in justification of such increased costs, as well as answers to all related questions of CLIENT, LWI may increase its fees for such costs, provided that (i) if CLIENT reasonably requests additional information and such [ \* ] day notice period expires, LWI shall not increase the price until [ \* ] days after such additional information is provided to CLIENT, provided that any such price increase shall be retroactive to the date on which the [ \* ] day notice period expires or the date on which LWI's costs are actually increased, whichever is later, (ii) if the change is specific to the Product or Process, CLIENT shall bear all of such increase and (iii) [ \* ].

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## 10. CONFIDENTIAL INFORMATION

10.1 **Definition. “Confidential Information”** means all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, specifications, data, results and other material, pre-clinical and clinical trial results, manufacturing procedures, test procedures and purification and isolation techniques, and any tangible embodiments of any of the foregoing, and any scientific, manufacturing, marketing and business plans, any financial and personnel matters relating to a Party or its present or future products, sales, suppliers, customers, employees, investors or business, that has been disclosed by or on behalf of such Party or such Party’s Affiliates to the other Party or the other Party’s Affiliates either in connection with the discussions and negotiations pertaining to this Agreement or in the course of performing this Agreement. Without limiting the foregoing, the terms of this Agreement will be deemed “Confidential Information” and will be subject to the terms and conditions set forth in this Article 10.

10.2 **Exclusions.** Notwithstanding the foregoing Section 10.1, any information disclosed by a Party to the other Party will not be deemed “Confidential Information” to the extent that such information:

- (a) at the time of disclosure is in the public domain;
- (b) becomes part of the public domain, by publication or otherwise, through no fault of the Party receiving such information;
- (c) at the time of disclosure is already in possession of the Party who received such information, as established by contemporaneous written records;
- (d) is lawfully provided to a Party, without restriction as to confidentiality or use, by a Third Party lawfully entitled to possession of such Confidential Information; or
- (e) is independently developed by a Party without use of or reference to the other Party’s Confidential Information, as established by contemporaneous written records.

10.3 **Disclosure and Use Restriction.** Except as expressly provided herein, the Parties agree that for the term of the Agreement and the five-year period following any termination of the Agreement, each Party and its Affiliates will keep completely confidential and will not publish or otherwise disclose any Confidential Information of the other Party, its Affiliates or sublicensees, except in accordance with Section 10.4. Neither Party will use Confidential Information of the other Party except as necessary to perform its obligations or to exercise its rights under this Agreement. LWI will not share any of CLIENT’s Confidential Information with any party outside the United States without CLIENT’s express prior written consent.

10.4 **Permitted Disclosures.** Each receiving Party agrees to (i) institute and maintain security procedures to identify and account for all copies of Confidential Information of the disclosing Party and (ii) limit disclosure of the disclosing Party’s Confidential Information to its Affiliates and each of its and their respective officers, directors, employees, agents, consultants and independent contractors having a need to know such Confidential Information for purposes of

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this Agreement; provided that such Affiliates and each of its and their respective officers, directors, employees, agents, consultants and independent contractors are informed of the terms of this Agreement and are subject to obligations of confidentiality, non-disclosure and non-use similar to those set forth herein.

**10.5 Government-Required Disclosure.** If a duly constituted government authority, court or regulatory agency orders that a Party hereto disclose information subject to an obligation of confidentiality under this Agreement, such Party shall comply with the order, but shall notify the other Party as soon as possible, so as to provide the said Party an opportunity to apply to a court of record for relief from the order.

**10.6 Publicity.** Neither Party will refer to, display or use the other's name, trademarks or trade names confusingly similar thereto, alone or in conjunction with any other words or names, in any manner or connection whatsoever, including any publication, article, or any form of advertising or publicity, except with the prior written consent of the other Party.

## **11. INTELLECTUAL PROPERTY**

### **11.1 Ownership.**

11.1.1 Each Party shall own all its respective proprietary Intellectual Property made, conceived or reduced to practice by or for such Party other than in connection with this Agreement and no right shall be granted to other Party in such Intellectual Property unless specifically set forth otherwise herein. Except as expressly otherwise provided herein, ownership of any Intellectual Property that is developed, conceived, invented, first reduced to practice or made in connection with the performance under this Agreement shall be determined in accordance with United States law and ownership shall follow inventorship.

11.1.2 The Process, Specifications, CLIENT New IP and any improvements or modifications thereto developed during the term of this Agreement are hereby the sole and exclusive property of CLIENT (the "**CLIENT Process**"), provided that LWI is the owner of LWI Intellectual Property, LWI New IP, Master Production Record and the LWI Operating Documents and such LWI Operating Documents may not be shared with a Third Party. For clarity, LWI Intellectual Property and LWI New IP that is part of the Master Production Record or Process, and the Master Production Record, except the LWI Operating Documents, is subject to the license set forth in this Agreement. LWI hereby assigns to CLIENT all its right title and interest in and to the Process, Specifications, and any improvements or modifications thereto developed during the term of this Agreement subject to its rights described herein. LWI hereby grants to CLIENT an irrevocable unrestricted royalty-free right to use for [ \* ] the Master Production Record (but not including LWI Operating Documents referred to in such Master Production Record and LWI Intellectual Property (including without limitation LWI New IP) included in such Master Production Record, which LWI Intellectual Property will be identified to CLIENT upon CLIENT's request and which is subject to Section 11.2.2), which right is not executory (there being no obligations on the part of CLIENT to be performed) and shall never be subject to contingency, rejection, termination, modification or set off. LWI also hereby grants to CLIENT prompt and full access to, at reasonable times and on reasonable notice to LWI, the original copy of the Master Production Record, and agrees to provide copies to CLIENT as requested.

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11.1.3 As between the Parties, CLIENT is hereby the sole and exclusive owner of all inventions, developments, improvements, know how and discoveries that are (i) made, conceived or reduced to practice in the course of or resulting from this Agreement by either Party or its subcontractors or agents alone or the Parties jointly and (ii) (a) are solely related to the Product or to the Process or (b) are based on, an improvement to or direct derivative of, or incorporates CLIENT Intellectual Property or CLIENT Confidential Information or (c) not LWI New IP (“**CLIENT New IP**”). LWI hereby assigns to CLIENT at its own cost all of LWI’s right, title, and interest in and to such CLIENT New IP and shall ensure that its employees, agents and subcontractors do the same.

11.1.4 As between the Parties, LWI is hereby the sole and exclusive owner of all inventions, developments, improvements and discoveries that are (i) made, conceived or reduced to practice in the course of or resulting from this Agreement by LWI and (ii) are not solely related to the Product or Process and are not an improvement to or direct derivative of, or incorporate CLIENT Intellectual Property or CLIENT Confidential Information, and (a) are useful for the manufacture of other products and processes other than the Product and Process or relates generally to LWI’s business of developing or producing biological materials or (b) are based on, an improvement or direct derivative of, or incorporates LWI Intellectual Property or LWI Confidential Information (“**LWI New IP**”). CLIENT hereby assigns to LWI all of CLIENT’s right, title, and interest in and to such LWI New IP.

11.1.5 LWI shall [ \* ].

## 11.2 License Grants.

11.2.1 During the term of this Agreement, CLIENT hereby grants to LWI the right to use for its performance under this Agreement all CLIENT Intellectual Property provided to it that is necessary for LWI to perform its obligations under this Agreement for the sole and limited purpose of LWI’s performance of its obligations under this Agreement, including, without limitation, the development of the Process, Master Production Record and Specifications, and the manufacture of Product for CLIENT.

11.2.2 LWI hereby grants to CLIENT an irrevocable, fully paid, non-exclusive worldwide license, with the right to grant and authorize sublicenses through multiple layers of sublicensees, under any and all LWI Intellectual Property (including without limitation LWI New IP) that LWI incorporates pursuant to this Agreement into the Process, Master Production Record and Specifications, to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, export, have exported, develop, have developed, commercialize and have commercialized any GVAX product including without limitation the Product; provided, however, if CLIENT sublicenses, either directly or through multiple layers of sublicensees, such license to a Third Party manufacturer, which manufacturer (i) [ \* ] or (ii) [ \* ], then, in either of such instances, the following additional terms shall apply: (a) prior to any such sublicense or transfer of such LWI Intellectual Property to a Third Party [ \* ], the Parties shall enter into a three-way confidentiality

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agreement between CLIENT, LWI, and the Third Party, which shall limit such Third Party's use of such LWI Intellectual Property (and LWI New IP in accordance with the provisions set forth below) to manufacturing Product for CLIENT on terms of confidentiality and non-use at least as stringent as those set forth herein, (b) any related technology transfer of documentation or CLIENT Process from LWI's facility to another Third Party shall be at [ \* ] expense, and (c) CLIENT and LWI shall negotiate in good faith and, if agreed, CLIENT shall pay a reasonable technology transfer fee and/or royalty (if any) to LWI, which royalty [ \* ], and which is consistent with industry standards. In no event shall the total amount of transfer fees and/or royalties exceed [ \* ] for all such payments to LWI. Should the parties fail to reach an agreement on such transfer fees and/or royalties, CLIENT shall notify LWI in writing of its intent to use alternative, independently derived processes instead of the LWI Intellectual Property and no such LWI Intellectual Property shall be transferred. Notwithstanding the foregoing, in no event shall the license granted herein include LWI Operating Documents unless specifically granted in writing by LWI in its sole discretion. If any such sublicense or transfer of LWI New IP occurs [ \* ] years or more after the creation of such LWI New IP, the royalty obligation set forth herein shall not apply to such LWI New IP.

**11.3 Further Assurances.** Each Party agrees to take all necessary and proper acts, and will cause its employees, Affiliates, contractors, and consultants to take such necessary and proper acts, to effectuate the ownership provisions set forth in this Article 11.

#### **11.4 Prosecution of Patents.**

11.4.1 LWI will have the sole right and discretion to file, prosecute and maintain patent applications and patents claiming LWI New IP at LWI's expense. CLIENT will cooperate with LWI to file, prosecute and maintain patent applications and patents claiming LWI New IP, and will have the right to review and provide comments to LWI relating to such patent applications and patents.

11.4.2 CLIENT will have the sole right and discretion to file, prosecute and maintain patent applications and patents claiming CLIENT New IP at CLIENT's expense. LWI will cooperate with CLIENT to file, prosecute and maintain patent applications and patents claiming CLIENT New IP, and will have the right to review and provide comments to CLIENT relating to such patent applications and patents.

### **12. REPRESENTATIONS AND WARRANTIES**

12.1 **By CLIENT.** CLIENT hereby represents and warrants to LWI that (i) it has the requisite power and authority to enter into this Agreement and perform its obligations hereunder, (ii) it has the requisite intellectual property and legal rights related to the CLIENT Development Materials and the Product to authorize the performance of LWI's obligations under this Agreement related thereto, and (iii) the performance of the Statement of Work and the production by LWI of the Product as contemplated in this Agreement will not give rise to a potential cause of action by a Third Party against LWI for infringement or another violation of intellectual property rights based upon use of the CLIENT Development Materials. Such representation and warranty will not apply to any production equipment supplied by LWI, or LWI Intellectual Property.

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12.2 **By LWI.** LWI hereby represents and warrants to CLIENT that (i) it has the requisite power and authority to enter into this Agreement and perform its obligations hereunder, (ii) it has the requisite intellectual property rights, including without limitation in its equipment and Facility, to be able to perform its obligations under this Agreement, (iii) LWI's use of its equipment and Facility as contemplated in this Agreement will not give rise to a potential cause of action by a Third Party against CLIENT for infringement or another violation of intellectual property rights, (iv) LWI will not incorporate into the Product or utilize in connection with this Agreement any Third Party Intellectual Property without the prior consent of CLIENT unless CLIENT provides to LWI any Third Party Intellectual Property for incorporation into Product, and (v) the Product does not include, and was not manufactured by LWI utilizing, any Third Party Intellectual Property, unless such Third Party Intellectual Property was provided or approved in writing by CLIENT for use in Product, including as part of the CLIENT Development Materials. LWI represents and certifies it will not use in any capacity the services of any person, or organization that employs any person that is or has been debarred under Section 306 of the Generic Drug Enforcement Act, is an excluded party from doing business with the U.S. Federal Government (Excluded Parties List System published by GSA), Office of Inspector General's List of Excluded Individuals/Entities (LEIE), is included on any other government exclusion list of persons or entities with whom U.S. companies and individuals are prohibited from doing business with (e.g. OFAC List of Blocked Persons), is similarly debarred or excluded under the Applicable Law in any other jurisdiction. Upon written request of CLIENT, LWI shall, within [ \* ] business days, provide written confirmation that it has complied with the foregoing obligation. LWI agrees to promptly disclose in writing to CLIENT if any employee or agent is debarred or excluded, or if any action or investigation is pending or, to the best of its knowledge, threatened, relating to the debarment or exclusion of it or any person performing services related to this Agreement.

### **13. DISCLAIMER; LIMITATION OF LIABILITY**

13.1 **DISCLAIMER.** EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, WITH RESPECT TO PRODUCT OR MATERIALS. LWI SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE WITH RESPECT TO PRODUCT AND MATERIALS.

13.2 **Disclaimer of Consequential Damages.** [ \* ], IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER OR ANY OF ITS AFFILIATES FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES OR FOR LOST PROFITS, BUSINESS OR GOODWILL SUFFERED OR INCURRED BY SUCH OTHER PARTY OR ITS AFFILIATES IN CONNECTION WITH THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13.3 **Limitation of Liability.** [ \* ], BOTH PARTIES HEREBY AGREE THAT TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY'S LIABILITY TO THE OTHER PARTY FOR ANY AND ALL CLAIMS, LOSSES, EXPENSES, OR DAMAGES

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ARISING OUT OF OR IN ANY WAY RELATED TO A STATEMENT OF WORK FROM ANY CAUSE OR CAUSES, INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE, ERRORS, OMISSIONS OR STRICT LIABILITY, SHALL NOT EXCEED THE [ \* ] AND EACH PARTY'S LIABILITY TO THE OTHER PARTY FOR ANY AND ALL CLAIMS, LOSSES, EXPENSES, OR DAMAGES THAT [ \* ], SHALL NOT EXCEED [ \* ].

#### 13.4 Certain Limited Exceptions.

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY, NOTHING HEREIN SHALL LIMIT THE LIABILITY OF A PARTY IN RESPECT OF LIABILITIES, LOSSES, DAMAGES OR COSTS ARISING FROM (I) FRAUD, GROSS NEGLIGENCE, WILLFUL MISCONDUCT, OR INTENTIONAL MISREPRESENTATION OR (II) [ \* ] OR (III) A BREACH OF ANY CONFIDENTIALITY OR INTELLECTUAL PROPERTY PROVISION OR OBLIGATION.

(b) FOR THE AVOIDANCE OF DOUBT, [ \* ]

13.5 TO THE EXTENT THAT ANY CLAUSE IN THIS ARTICLE 13 CONFLICTS WITH ANY OTHER CLAUSE IN THIS AGREEMENT, THE CLAUSE IN ARTICLE 13 SHALL TAKE PRECEDENCE OVER SUCH CONFLICTING CLAUSE. IF APPLICABLE LAW PREVENTS ENFORCEMENT OF ANY CLAUSE IN ARTICLE 13, THEN SUCH CLAUSE SHALL BE DEEMED MODIFIED TO PROVIDE THE MAXIMUM PROTECTION FOR A PARTY AS IS ALLOWABLE UNDER APPLICABLE LAW.

#### 14. TERM AND TERMINATION

14.1 **Term.** The term of this Agreement will commence on the Effective Date and will continue until the fifth anniversary of the Effective Date unless terminated prior to that time or extended by the Parties.

14.2 **Termination for Material Breach.** Either Party may terminate this Agreement or Statement of Work, by written notice to the other Party, for any material breach of, as the case may be, this Agreement or a Statement of Work by the other Party, if such breach is not cured within thirty (30) days after the breaching Party receives written notice of such breach from the non-breaching Party; provided, however, that if such breach is capable of being cured, but not capable of being cured within such thirty-day period, and the breaching Party has commenced and diligently continued actions to cure such breach within such thirty-day period, except in the case of a payment default, the cure period shall be extended to [ \* ] days, so long as the breaching Party is making diligent efforts to do so. Such termination shall be effective upon expiration of such cure period.

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### 14.3 Termination by Notice.

#### 14.3.1 Without Cause.

(a) By CLIENT. Subject to the fees set forth in Section 14.6.3, CLIENT may terminate this Agreement or any Statement of Work by providing at least [ \* ] days' prior written notice of termination to LWI.

(b) By LWI. LWI may terminate this Agreement by providing [ \* ] months' prior written notice of termination to CLIENT provided that no such termination shall be effective until [ \* ] months after the Effective Date of this Agreement and provided further that any Statement of Work, the duration of which extends beyond the termination of this Agreement, will upon the request of CLIENT continue to be performed for the term of such Statement of Work, and will continue to be governed by the terms of this Agreement. For the avoidance of doubt, in the event of termination by LWI pursuant to this Section 14.3.1, any royalty agreed to in connection with Section 11.2.2 [ \* ] and LWI shall transfer the Process to a Third Party [ \* ].

14.3.2 **Other Termination.** Subject to the fees set forth in Section 14.6.3, CLIENT may terminate this Agreement or a Statement of Work (i) upon [ \* ] days' prior written notice to LWI in the event that [ \* ], (ii) upon [ \* ] days' prior written notice to LWI pursuant to Section 2.2, or (iii) upon prior written notice to LWI after the expiration of the period set forth in Section 17.2.

14.4 **Termination by Insolvency.** Either Party may terminate this Agreement or a Statement of Work upon notice to the other Party, upon (a) the dissolution, termination of existence, or liquidation of the other Party; (b) the appointment of a custodian or receiver for the other Party who has not been terminated or dismissed within ninety (90) days of such appointment; (c) the institution by the other Party of any proceeding under national, federal or state bankruptcy, reorganization, receivership or other similar laws affecting the rights of creditors generally or the making by such Party of a composition or any assignment for the benefit of creditors under any national, federal or state bankruptcy, reorganization, receivership or other similar law affecting the rights of creditors generally, which proceeding is not dismissed within ninety (90) days of filing. All rights and licenses granted pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the United States Code, licenses of rights of "intellectual property" as defined therein.

14.5 **Termination Generally.** LWI agrees that CLIENT has the right to require LWI to cease work under any Statement of Work during a termination notice period. In such event LWI and CLIENT shall meet and discuss the [ \* ] that are reasonably required with respect to each Statement of Work.

#### 14.6 Effects of Termination.

14.6.1 **Accrued Rights.** Termination of this Agreement for any reason will be without prejudice to any rights that have accrued to the benefit of a Party prior to such termination. Such termination will not relieve a Party of obligations that are expressly indicated to survive the termination of this Agreement.

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**14.6.2 Disposition of Remaining CLIENT Property and Confidential Information.** Upon termination or expiration of this Agreement, LWI will store any Remaining CLIENT Property as set forth in Section 7.2 and, at CLIENT's option, return or destroy any CLIENT Confidential Information in the possession or control of LWI. Likewise, CLIENT will, at LWI's option, return or destroy any LWI Confidential Information in the possession or control of CLIENT. Notwithstanding the foregoing provisions: (i) LWI may retain and preserve, at its sole cost and expense, samples and standards of each Product following termination or expiration of this Agreement solely for use in determining LWI's rights and obligations hereunder; and (ii) each Party may retain a single copy of the other Party's Confidential Information for documentation purposes only and which shall remain subject to the obligations of nonuse and confidentiality set forth in this Agreement.

#### **14.6.3 Payment.**

(a) In the event of any termination of a Statement of Work or the Agreement, except termination by LWI under Section 14.3.1(b) or by CLIENT under Section 14.2, for the lesser of the estimated term remaining under the applicable Statement of Work or [ \* ] months from the date of receipt of notice of termination (in the event of termination by CLIENT in connection with Section 2.2, the [ \* ] months shall be reduced to [ \* ] (the "Termination Fee Period"), CLIENT shall pay to LWI all documented costs incurred by LWI consisting of the following, but not exceeding any aggregate estimate in the applicable Statement of Work: (i) out-of-pocket losses to LWI for purchase of unmarketable or and unreturnable materials which have become unusable by reason of termination, (ii) all uncancellable labor commitments specifically agreed in the applicable Statement of Work, (iii) suite fees assuming the suite is not used by another LWI client at comparable rates and for a comparable term, (iv) all work or Product in process and all fees for professional services set forth in the applicable Statement of Work rendered through the effective date of such termination of the applicable Statement of Work and (v) reasonable wind-down costs, including, but not limited to, LWI labor costs directly associated with the applicable Statement of Work. LWI shall invoice CLIENT for the fees set forth in Sections 14.6.3(a)(ii) and (iii) and 14.6.3(a)(v) on a monthly basis until the earlier of the expiration of, as the case may be, the Termination Fee Period or LWI's use of the suite for another client at comparable rates and for a comparable term. LWI shall use commercially reasonable efforts to mitigate the damages set forth herein.

(b) For the avoidance of doubt, in the event of termination by LWI pursuant to this Section 14.3.1(b) or by CLIENT pursuant to Section 14.2, [ \* ] shall not apply.

**14.6.4 Survival.** Sections 2.3.2, 2.3.3, the last sentence of 4.3, 4.5, 4.6, 4.7, 5, 6, 7, the last sentence of 8.1, 8.3, 8.4, 10, 11, 12, 13, 14.6, 15, and 16, and, as relevant, Sections 1 and 17 of this Agreement, together with any appendices referenced therein, will survive any expiration or termination of this Agreement.

## **15. INDEMNIFICATION**

**15.1 Indemnification of CLIENT.** LWI will indemnify CLIENT, its Affiliates, and their respective directors, officers, employees and agents, and defend and hold each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) in connection with any and all liability suits,

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investigations, claims or demands (collectively, “**Losses**”) to the extent such Losses arise out of or result from any claim, lawsuit or other action or threat by a Third Party arising out of: (a) any material breach by LWI of this Agreement, or (b) the negligence or willful misconduct on the part of one or more of the LWI Parties in performing any activity contemplated by this Agreement, except for those Losses for which CLIENT has an obligation to indemnify the LWI Parties pursuant to Section 15.2, as to which Losses each Party will indemnify the other to the extent of their respective liability for the Losses.

**15.2 Indemnification of LWI.** CLIENT will indemnify LWI and its Affiliates, and their respective directors, officers, employees and agents (the “**LWI Parties**”), and defend and hold each of them harmless, from and against any and all Losses to the extent such Losses arise out of or result from any claim, lawsuit or other action or threat by a Third Party arising out of: (a) any material breach by CLIENT of this Agreement, (b) the use or sale of Products (including any infringement of Third Party intellectual property rights), except to the extent such Losses arise out of or result from a breach by LWI of Section 5.1 or 12.2, (c) the negligence or willful misconduct on the part of CLIENT or its Affiliates in performing any activity contemplated by this Agreement, or (d) the use or practice by LWI of any process, invention or other intellectual property supplied by CLIENT to LWI under this Agreement, except for those Losses for which LWI has an obligation to indemnify CLIENT pursuant to Section 15.1, as to which Losses each Party will indemnify the other to the extent of their respective liability for the Losses.

### **15.3 Indemnification Procedure.**

15.3.1 An “**Indemnitor**” means the indemnifying Party. An “**Indemnatee**” means the indemnified Party, its Affiliates, and their respective directors, officers, employees and agents.

15.3.2 An Indemnatee which intends to claim indemnification under Section 15.1 or Section 15.2 hereof shall promptly notify the Indemnitor in writing of any claim, lawsuit or other action in respect of which the Indemnatee, its Affiliates, or any of their respective directors, officers, employees and agents intend to claim such indemnification. The Indemnatee shall permit, and shall cause its Affiliates and their respective directors, officers, employees and agents to permit, the Indemnitor, at its discretion, to settle any such claim, lawsuit or other action and agrees to the complete control of such defense or settlement by the Indemnitor; provided, however, that in order for the Indemnitor to exercise such rights, such settlement shall not adversely affect the Indemnatee’s rights under this Agreement or impose any obligations on the Indemnatee in addition to those set forth herein. No such claim, lawsuit or other action shall be settled without the prior written consent of the Indemnitor and the Indemnitor shall not be responsible for any legal fees or other costs incurred other than as provided herein. The Indemnatee shall cooperate fully with the Indemnitor and its legal representatives in the investigation and defense of any claim, lawsuit or other action covered by this indemnification, all at the reasonable expense of the Indemnitor. The Indemnatee shall have the right, but not the obligation, to be represented by counsel of its own selection and expense.

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#### 15.4 Insurance.

15.4.1 CLIENT will maintain, at all times during the term of this Agreement and for five years thereafter, a products liability insurance policy (the “**Insurance Policy**”), with a per occurrence limit of at least five million dollars (\$5,000,000) and an aggregate limit of at least five million dollars (\$5,000,000), and will provide a certificate of insurance to LWI that the Insurance Policy has been endorsed to designate LWI as an additional insured. CLIENT will maintain the Insurance Policy with an insurance company having a minimum AM Best rating of A. CLIENT will provide LWI with at least [ \* ] days’ written notice prior to termination of such Insurance Policy.

15.4.2 LWI will maintain, at all times during the term of this Agreement and for five years thereafter, a liability insurance policy (the “**LWI Insurance Policy**”), with a per occurrence limit of at least five million dollars (\$5,000,000) and an aggregate limit of at least ten million dollars (\$10,000,000), and will provide a Certificate of Insurance to CLIENT that the LWI Insurance Policy has been endorsed to designate CLIENT as an additional insured. LWI will maintain the Insurance Policy with an insurance company having a minimum AM Best rating of A. LWI will provide CLIENT with at least [ \* ] days’ written notice prior to termination of such LWI Insurance Policy.

#### 16. NON-SOLICITATION

During the term of a Statement of Work and for [ \* ] months thereafter, each of the Parties agrees not to seek to induce or solicit any employee of the other Party or its Affiliate who performed substantial services related the Statement of Work to discontinue his or her employment with the other Party or its Affiliate in order to become an employee or an independent contractor of the soliciting Party or its Affiliate; provided, however, that neither Party shall be in violation of this Section 16 as a result of making a general solicitation for employees or independent contractors. For the avoidance of doubt, the publication of an advertisement shall not constitute solicitation or inducement.

#### 17. MISCELLANEOUS

17.1 **Independent Contractors.** Each of the Parties is an independent contractor and nothing herein contained shall be deemed to constitute the relationship of partners, joint venturers, nor of principal and agent between the Parties. Neither Party shall at any time enter into, incur, or hold itself out to Third Parties as having authority to enter into or incur, on behalf of the other Party, any commitment, expense, or liability whatsoever.

17.2 **Force Majeure.** Neither Party shall be in breach of this Agreement if there is any failure of performance under this Agreement (except for payment of any amounts due under this Agreement) occasioned by any reason beyond the control and without the fault or negligence of the Party affected thereby, including, without limitation, an act of God, fire, flood, act of government or state, war, civil commotion, insurrection, acts of terrorism, embargo, sabotage, prevention from or hindrance in obtaining energy or other utilities, a shortage of raw materials or other necessary components, labor disputes of whatever nature, or any other reason beyond the

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control and without the fault or negligence of the Party affected thereby (a “**Force Majeure Event**”). Notwithstanding the foregoing, in the event of a complete or partial regulatory shutdown of a facility or service or other act by an governmental or regulatory authority that (a) specifically impacts a Party’s operations (i.e., without shutting down facilities owned by Third Parties) and (b) is due to a Party’s negligence, willful misconduct or non-compliance with Applicable Laws, such shutdown shall not constitute a “Force Majeure Event”. Such excuse shall continue as long as the Force Majeure Event continues. Upon cessation of such Force Majeure Event, the affected Party shall promptly resume performance under this Agreement as soon as it is commercially reasonable for the Party to do so. Each Party agrees to give the other Party prompt written notice of the occurrence of any Force Majeure Event, the nature thereof, and the extent to which the affected Party will be unable to fully perform its obligations under this Agreement. Each Party further agrees to use commercially reasonable efforts to correct the Force Majeure Event as quickly as practicable (provided that in no event shall a Party be required to settle any labor dispute) and to give the other Party prompt written notice when it is again fully able to perform such obligations. In the event that a Force Majeure Event prevents LWI from performing under this Agreement for more than [ \* ] days, then CLIENT may terminate this Agreement without any further obligation to LWI.

17.3 **Notices.** Any notice required or permitted to be given under this Agreement by any Party shall be in writing and shall be (a) delivered personally, (b) sent by registered mail, return receipt requested, postage prepaid, (c) sent by a nationally-recognized courier service guaranteeing next-day or second day delivery, charges prepaid, or (d) delivered by facsimile (with documented evidence of transmission), to the addresses or facsimile numbers of the other Party set forth below, or at such other addresses as may from time to time be furnished by similar notice by any Party. The effective date of any notice under this Agreement shall be the date of receipt by the receiving Party.

If to LWI:

Lonza Walkersville, Inc.  
Attn: Vice President, Cell Therapy Bioservice  
8830 Biggs Ford Road  
Walkersville, Maryland 21793  
Fax: [ \* ]

With a copy to:

General Counsel  
Lonza America, Inc.  
90 Boroline Road  
Allendale, NJ 07401  
Fax: [ \* ]

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If to CLIENT:

Aduro BioTech, Inc.  
Justin Skoble  
626 Bancroft Way, 3C  
Berkeley, CA 94710  
Fax: [ \* ]

With a copy to: Aduro Legal at the same address.

Either Party may change its address for notice by giving notice thereof in the manner set forth in this Section 17.3.

**17.4 Entire Agreement; Amendments.** This Agreement, including the Appendices attached hereto and referenced herein, constitutes the full understanding of the Parties and a complete and exclusive statement of the terms of their agreement with respect to the specific subject matter hereof and supersedes all prior agreements and understandings, oral and written, among the Parties with respect to the subject matter hereof. No terms, conditions, understandings or agreements purporting to amend, modify or vary the terms of this Agreement (including any Appendix hereto) shall be binding unless hereafter made in a written instrument referencing this Agreement and signed by each of the Parties.

**17.5 Governing Law.** This Agreement will be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to its conflicts of laws provisions. The Parties consent to the exclusive jurisdiction of the state and federal courts in and for New York for any dispute or claim arising from or relating to this Agreement.

**17.6 Counterparts.** This Agreement and any amendment hereto may be executed in any number of counterparts, each of which shall for all purposes be deemed an original and all of which shall constitute the same instrument. This Agreement shall be effective upon full execution by facsimile or original, and a facsimile signature shall be deemed to be and shall be as effective as an original signature.

**17.7 Severability.** If any part of this Agreement shall be found to be invalid or unenforceable under applicable law in any jurisdiction, such part shall be ineffective only to the extent of such invalidity or unenforceability in such jurisdiction, without in any way affecting the remaining parts of this Agreement in that jurisdiction or the validity or enforceability of the Agreement as a whole in any other jurisdiction. In addition, the part that is ineffective shall be reformed in a mutually agreeable manner so as to as nearly approximate the intent of the Parties as possible.

**17.8 Titles and Subtitles.** All headings, titles and subtitles used in this Agreement (including any Appendix hereto) are for convenience only and are not to be considered in construing or interpreting any term or provision of this Agreement (or any Appendix hereto).

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17.9 **Exhibits.** All “RECITALS”, “DEFINITIONS”, exhibits and appendices referred to herein form an integral part of this Agreement and are incorporated into this Agreement by such reference.

17.10 **Pronouns.** Where the context requires, (i) all pronouns used herein will be deemed to refer to the masculine, feminine or neuter gender as the context requires, and (ii) the singular context will include the plural and vice versa.

17.11 **Assignment.** This Agreement shall be binding upon the successors and assigns of the Parties and the name of a Party appearing herein shall be deemed to include the names of its successors and assigns. Neither Party may assign its interest under this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld; provided, however, either party may be entitled without the prior written consent of the other Party to assign this Agreement to an Affiliate or to any company to which it has transferred all or substantially all of its assets or capital stock relating to the activities contemplated under this Agreement, whether through purchase, merger, consolidation or otherwise; provided that in the event that CLIENT merges, is acquired, consolidates or sells all or substantially all of its business to which this Agreement relates, such successor in interest is not an entity whose business primarily derives from providing contract manufacturing services. Any permitted assignment of this Agreement by either Party will be conditioned upon that Party’s permitted assignee agreeing in writing to comply with all the terms and conditions contained in this Agreement. Any purported assignment without a required consent shall be void. No assignment shall relieve any Party of responsibility for the performance of any obligation that accrued prior to the effective date of such assignment.

17.12 **Waiver.** The failure of any Party at any time or times to require performance of any provision of this Agreement (including any Appendix hereto) will in no manner affect its rights at a later time to enforce the same. No waiver by any Party of any term, provision or condition contained in this Agreement (including any Appendix hereto), whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or condition of this Agreement (including any Appendix hereto).

17.13 **No Presumption Against Drafter.** For purposes of this Agreement, CLIENT hereby waives any rule of construction that requires that ambiguities in this Agreement (including any Appendix hereto) be construed against the drafter.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**[\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

**ADURO BIOTECH, INC.**

By: /s/ Stephen Isaacs

Name: Stephen Isaacs

Title: CEO

**LONZA WALKERSVILLE, INC.**

By: /s/ Stephan Kutzer

Name: Stephan Kutzer

Title: COO & President

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**APPENDIX A**

**STATEMENT OF WORK**

**TO BE ATTACHED**

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**APPENDIX B**

**QUALITY AGREEMENT**

**TO BE ATTACHED**

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**PROCESS DEVELOPMENT AND MANUFACTURING  
SERVICES AGREEMENT**

THIS AGREEMENT is entered into by and between IDT and Aduro BioTech, as of the date indicated below.

Attached to this Agreement, incorporated by reference herein and made an integral part hereof are the following:

PART I:	INTRODUCTORY STATEMENT, DEFINITIONS AND VARIABLE TERMS AND CONDITIONS
PART II:	STANDARD TERMS AND CONDITIONS
PART III:	EXHIBITS

For and in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties hereto agree to perform and to be bound by their respective obligations and shall have the respective rights set forth in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of December 12, 2013 (“Effective Date”).

**IDT Biologika GmbH**

**ADURO BIOTECH, INC.**

By: /s/ Ralf Pfirmann

By: /s/ Gregory Schafer

Dr. Ralf Pfirmann, CEO

Gregory W. Schafer, COO

By: /s/ Andreas Neubert

Dr. Andreas Neubert,  
Vice President Vaccines

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## PART I: INTRODUCTORY STATEMENT, DEFINITIONS AND VARIABLE TERMS AND CONDITIONS

This Agreement sets forth the understanding of the Parties with respect to ADURO BIOTECH's CRS-207 project relating to the performance of the Services by IDT pursuant to the Work Plan and the payment for Services by ADURO BIOTECH, as well as other matters related thereto, all as more specifically set forth in the terms and provisions of this Agreement.

### ARTICLE 1: DEFINITIONS

- 1.1 **Definitions.** The following terms, whether used in the singular or plural, shall have the meanings assigned to them below for the purposes of this Agreement.
- 1.1.1 "ADURO BIOTECH" means Aduro BioTech, Inc., and its permitted successors and assigns.
  - 1.1.2 "ADURO BIOTECH Arising IP" shall have the meaning set forth in Section 9.5.
  - 1.1.3 "ADURO BIOTECH Materials" shall mean the materials (including Cell Lines) and information supplied by or on behalf of ADURO BIOTECH to IDT for use in connection with the development of the Process and the development and Manufacture of Product. For clarity, ADURO BIOTECH Materials shall include the CRS-207 master cell bank (the "Cell Lines").
  - 1.1.4 "Affiliate" means any corporation, partnership, or other entity Controlling, Controlled by, or under common Control with (directly or indirectly) either Party.
  - 1.1.5 "Agreement" means this Process Development And Manufacturing Services Agreement including the signature page, Part I – Introductory Statement, Definitions and Variable Terms and Conditions, Part II – Standard Terms and Conditions; and Part III – Exhibits, and all amendments to this Agreement that have been properly executed by the Parties in accordance with the provisions of Section 6.1.4.
  - 1.1.6 "Alliance Manager(s)" has the meaning set forth in Section 14.1.
  - 1.1.7 "Amendment Procedures" has the meaning set forth in Section 6.1.
  - 1.1.8 "Applicable Law" means all U.S., EU, and German applicable laws, rules, regulations, guidelines and standards in effect during performance of this Agreement, including GMP, relating to the Services, the Product, and the facilities where any Services occur.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 3 of 36

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- 1.1.9 “Arising IP” shall have the meaning set forth in Section 9.5.
- 1.1.10 “Batch” means a specific quantity of a Product comprising of number of units mutually agreed upon between IDT and ADURO BIOTECH, and that (a) is intended to have uniform character and quality, within specified limits, and (b) is produced during one cycle of Manufacture.
- 1.1.11 “Business Day” means a day other than a Saturday or Sunday on which banking institutions in Dessau-Rosslau, Germany and New York, New York, USA are open for business.
- 1.1.12 “Claim” means any claim, personal injury claim, demand, liability (including any and all liabilities, actions, proceedings, claims and demands), product liability claim, suit, expense, action or proceeding.
- 1.1.13 “Commercial Supply Period” shall have the meaning set forth in Section 1.3.2.
- 1.1.14 “Confidential Information” shall have the meaning set forth in Section 8.1.
- 1.1.15 “Consent” means the consent or approval, in writing, of an authorized officer of a Party to do the act or thing for which such consent or approval is solicited, or the act of granting such written consent or approval, as the context may require.
- 1.1.16 “Control” refers to the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of either Party, whether through the ownership of voting securities, by contract or otherwise, including, the ownership of fifty percent (50%) or more of the voting stock of such Party.
- 1.1.17 “Damages” mean damages, losses, costs, and expenses, including reasonable legal fees, arising from Claims.
- 1.1.18 “Defective Product” has the meaning set forth in Section 7.1.
- 1.1.19 “Deliverables” mean the reports, data and other deliverables, including Products, to be delivered by IDT to ADURO BIOTECH as well as items to be delivered by ADURO BIOTECH TO IDT, pursuant to the respective Work Packages.
- 1.1.20 “Delivery” has the meaning set forth in Section 3.1.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 4 of 36

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- 1.1.21 “Development Product” has the meaning set forth in Section 2.9.
- 1.1.22 “Effective Date” means the date set forth on the signature page of this Agreement.
- 1.1.23 “Equipment” has the meaning set forth in Section 2.7.1.
- 1.1.24 “Exhibits” mean those documents and materials attached to this Agreement as Exhibits in Part III hereof, incorporated in this Agreement by reference and made an integral part hereof.
- 1.1.25 “cGMP” means (a) the current Good Manufacturing Practice regulations as promulgated by the EU Guidelines for Good Manufacturing Practice for medicinal products (Eudralex Vol. 4 and Annexes thereto), (b) any other relevant EU or national legislation and guidance documents, and (c) current Good Manufacturing Practice regulations promulgated by the FDA published at 21 CFR Part 210 et seq., as any such regulation may be amended from time to time.
- 1.1.26 “IDT” means IDT Biologika GmbH, and its permitted successors and assigns.
- 1.1.27 “IDT Production Facilities” means the Manufacturing facilities of IDT located in Dessau-Roßlau, Germany, where the Services will be performed, except as otherwise set forth in this Agreement.
- 1.1.28 “Initial Payment” has the meaning set forth in Section 5.6.2.
- 1.1.29 “Intellectual Property” includes rights in patents, patent applications, formulae, processes, data, know-how, trademarks, trademark applications, trade names, inventions, copyrights, and industrial designs, or any rights in material derived from any of the foregoing.
- 1.1.30 “Licensee” shall mean any Third Party to which ADURO BIOTECH granted rights and licenses in and to a Product for commercial use, including but not limited to, licensees, partners or joint developers.
- 1.1.31 “Manufacture” and “Manufacturing” means all steps and activities necessary to produce the Product, including by way of enumeration, the manufacturing, processing, quality control, quality assurance, testing, and release of the Product in compliance with the terms and conditions of this Agreement. For purposes of this Agreement and subject to the provisions of Section 2.9, the manufacturing, processing, quality control, quality assurance, testing, and release of the Product may be included, as required and agreed in writing by the Parties, as part of the Services in a Work Plan.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 5 of 36

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- 1.1.32 “Master Production Record” means the documentation that contains the detailed description of the Process and instructions for Product production, as approved by ADURO BIOTECH in writing.
- 1.1.33 “Milestone” has the meaning set forth in Section 1.3.1.
- 1.1.34 “Notice” means a writing containing the information required or permitted by this Agreement to be communicated by either Party to the other Party at the address set forth in Section 16.1, or such other address provided by a Party, delivered by overnight courier, two-day international courier, or in person and received by, a Party. Notwithstanding the foregoing provisions, any Notice relating to scheduling of the Manufacture of Product, or other operational issues, or as otherwise expressly permitted by the provisions of this Agreement may be given by electronic mail. For clarity, Notices do not constitute agreements or amendments to this Agreement, all of which must be in writing and executed by both Parties.
- 1.1.35 “Party” means IDT or ADURO BIOTECH as the context dictates and “Parties” means both IDT and ADURO BIOTECH.
- 1.1.36 “Process” means the Manufacturing process for the Product as provided by ADURO BIOTECH and further developed hereunder.
- 1.1.37 “Product” means CRS-207 in any of its forms that include mesothelin as the sole heterologous antigen, including but not limited to the final form for use in clinical trials and the form Manufactured by IDT pursuant to this Agreement (including the Quality Agreement and all of its other Exhibits, and as described in each of the applicable Specifications).
- 1.1.38 “Quality Agreement” means the Quality Agreement between the Parties attached as Exhibit B.
- 1.1.39 “Rejection Notice” has the meaning set forth in Section 7.1.
- 1.1.40 “Regulatory Authority” means any national (such as the FDA), supra-national (such as the European Medicines Agency), or other national, supra-national, regional, state, or local regulatory agency, department, bureau, commission, council, or other governmental entity with authority and/or jurisdiction over any aspect of the Product.
- 1.1.41 “Service Fees” means the fees for Services performed by IDT pursuant to each Work Package set forth as part of the Work Plan attached hereto as Exhibit A.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 6 of 36

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- 1.1.42 “Services” means the work required by ADURO BIOTECH under the relevant Work Packages which is ordered by ADURO BIOTECH and included as a part of the Work Plan.
- 1.1.43 “Specifications” means those specifications for the Product as set forth in in the respective Work Packages relating to the Product, which shall amend automatically Attachment B of the Quality Agreement (which is attached as Exhibit B to this Agreement), which itself may be amended with the Parties’ prior Consent.
- 1.1.44 “Term” has the meaning set forth in Section 13.1 of this Agreement.
- 1.1.45 “Third Party” means a person or entity other than IDT or ADURO BIOTECH or their respective Affiliates.
- 1.1.46 “Work Plan” means the plan attached hereto as Exhibit A and a part hereof. Said Work Plan sets forth the specific Work Packages which describe, among other things, the Services to be performed by IDT under this Agreement. Each Work Package may designate certain Products as “Development Products” that are subject to the provisions of Section 2.9.
- 1.1.47 “Work Package” means the document, signed by the Parties, that sets forth the Deliverables of the Parties, including the Services to be performed by IDT. With respect to deliverables of IDT, a Work Package may describe Product quantities and Manufacturing Instructions, Delivery/release date, reports, data and any other documentation or work result as set forth by the Parties in said Work Package. With respect to deliverables of ADURO BIOTECH, a Work Package may describe materials, documentation and approvals to be provided and the respective timelines related thereto, payment terms and other relevant terms and conditions. Each such Work Package shall contain the following terms: (i) Title and Date; (ii) Performance Timelines; (iii) Detailed Description of Deliverables by ADURO BIOTECH; (iv) Detailed Description of Services and Deliverables by IDT; (v) Amendments to this Agreement as required under such Work Package, if any; (vi) Amendments to the Quality Agreement as required under such Work Package, if any; (vii) Price, Payment; and (viii) other terms and conditions.

1.2 **Interpretation.** The interpretation and construction of this Agreement shall be subject to the following provisions:

- 1.2.1 the words “including” and “include” and words of similar effect shall not be deemed to limit the general effect of the words which precede them such that “including” means “including without limitation”;

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 7 of 36

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- 1.2.2 where the context requires, (i) all pronouns used herein will be deemed to refer to the masculine, feminine or neuter gender as the context requires, and (ii) the singular context will include the plural and vice versa;
- 1.2.3 reference to any agreement, contract, document or deed shall be construed as a reference to it as amended in a writing signed by the Parties thereto;
- 1.2.4 words importing persons shall include firms, companies and bodies, authorities, corporate and vice versa; words importing any one gender shall include either other gender;
- 1.2.5 construction of this Agreement shall ignore the headings which are for reference only;
- 1.2.6 references to a numbered Article, Section, Exhibit or paragraph are references to the Article, Section, Exhibit or paragraph of or to this Agreement so numbered;
- 1.2.7 any reference to any legislative provision shall be deemed to include any subsequent re-enactment or amending provision; and
- 1.2.8 in the event of a conflict between the provisions of this Agreement and the Quality Agreement regarding any issue not related to a quality control or quality assurance matter, the provisions of this Agreement shall take precedence. The provisions of the Quality Agreement will take precedence regarding any issue solely related to a quality control or quality assurance matter. For the sake of clarity, if there is uncertainty as to whether the provisions of this Agreement or the provisions of the Quality Agreement prevail, any such uncertainty shall be resolved by giving precedence to the provisions in this Agreement.
- 1.2.9 Subject to the provisions of Section 1.2.8, in the event of a conflict between the provisions of this Agreement and the provision of any Exhibit, the provisions of this Agreement shall take precedence.

### 1.3 **Development Milestones and Commercial Manufacture.**

- 1.3.1 **Development Milestones.** As part of the completion of the Work Plan, IDT agrees to use its commercially reasonable efforts to fulfill its obligations to provide the Deliverables which are set forth in the Work Plan as agreed in writing by the Parties and to complete the following milestones (each, a “Milestone”) on the timelines and the other terms and conditions set forth herein which, for clarity, includes the terms and conditions in the Work Plan.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 8 of 36

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1.3.1.1 Milestone 1. Upon completion of [ \* ], the Parties intend to have [ \* ]. [ \* ] shall [ \* ].

1.3.1.2 Milestone 2. Upon completion of [ \* ].

1.3.1.3 Milestone 3. Upon completion of [ \* ].

1.3.2 **Commercial Manufacture.** After Milestone 3, ADURO BIOTECH shall purchase and IDT shall Manufacture and Deliver to ADURO BIOTECH the Product for commercial supply to meet [ \* ] of the worldwide requirements of ADURO BIOTECH and its Affiliates and its Licensees, for such Product until the end of [ \* ] months after [ \* ]. Notwithstanding the foregoing provision, in the event that [ \* ], shall be [ \* ] after the date of [ \* ], then the [ \* ] period shall commence to run independently, i.e. from the date [ \* ]. The period of time calculated under the preceding sentences is referred to herein as the “Commercial Supply Period”. The Parties agree that all such commercial Product shall (i) be at [ \* ] per dose (final product, labeled and in bulk packaging) agreed in good faith by the Parties but not exceeding [ \* ] per dose, and (ii) be delivered in whole lot quantities not more than [ \* ] days after the same is ordered by ADURO BIOTECH.

1.3.3 **Orders Prior to Approval.** ADURO BIOTECH may order any commercial Product prior to the first date of regulatory approval, provided that in such case as in all instances of Product so ordered by ADURO BIOTECH and delivered by IDT to ADURO BIOTECH under IDT’s QP release procedures, ADURO BIOTECH shall pay for such Product even though it may not be usable or saleable by ADURO BIOTECH due to IDT Production Facilities not having been approved by Regulatory Authorities for the Manufacture of such Product or due to other regulatory reasons. IDT agrees to supply all such quantities so ordered. For the sake of clarity, IDT shall have no liability for Product ordered by ADURO BIOTECH prior to approval which Product cannot be used or sold by ADURO BIOTECH due to any of the foregoing reasons.

1.3.4 **Commercial Supply Agreement.** By no later than the completion of [ \* ], the Parties shall commence good faith negotiations of a Commercial Supply Agreement covering the purchase and supply of the Product to the end market to be executed by the Parties within [ \* ] months after the start of said negotiations. Such Commercial Supply Agreement shall include, among other matters, the terms and conditions set forth in Section 1.3.2.

1.3.5 **License Agreement.** In the event that ADURO BIOTECH during the Term enters into a license agreement Licensee pursuant to which ADURO BIOTECH grants a license to said Licensee to undertake the

Manufacture of Product during the Term ("License Agreement"), then ADURO BIOTECH shall cause the following provision to be included in the License Agreement:

*Licensee acknowledges that ADURO BIOTECH has contracted with IDT Biologika GmbH ("IDT") for the development of CRS-207 (the "Development Agreement"). Licensee agrees that if it (whether on its own or through an Affiliate or subcontractor) decides within the Term (as defined in the Development Agreement) to have any CRS-207 manufactured in commercial quantities for commercial sale in the US or the EU, said Licensee shall adhere to the terms set forth in Section 1.3 of the Development Agreement. Licensee agrees to insert in any sublicense agreement, in which its relevant rights described herein are sublicensed to a third party, a provision binding the sublicense, and its sub-licensees, to the obligations above set forth.*

IDT hereby agrees that ADURO BIOTECH may share this Agreement with any potential Licensee so such Licensee may fully understand its obligations related hereto.

## ARTICLE 2: PERFORMANCE OF SERVICES

- 2.1 **General.** During the Term, IDT shall undertake the performance of the Services including the Manufacture of Product in accordance with the Work Plan and the terms and conditions of this Agreement and Applicable Law. ADURO BIOTECH shall pay the Service Fees for such Services, or the Product price in case of commercial Manufacture, and perform its obligations in accordance with the Work Plan and the terms and conditions of this Agreement and Applicable Law. The Parties hereby terminate the purchase order and related terms and conditions dated October 9, 2013 between the Parties (the "PO") as of the Effective Date hereof. The PO is of no force or effect and all terms and conditions related to the Services set forth in the PO are hereby governed by this Agreement.
- 2.2 **Quality Agreement.** Subject to the provisions of Sections 1.2.7 and 2.9, the Quality Agreement attached hereto as Exhibit B shall govern all quality related matters pertaining to each Party's obligations under this Agreement.
- 2.3 **Work Plan.** The Parties have given their Consent to the Work Plan attached as Exhibit A. Said Work Plan may only be amended in a writing signed by both Parties pursuant to the provisions of Section 6.1.4. It shall contain, or shall be

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 10 of 36

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amended respectively by the Parties to contain, a detailed description of all development work including, but not limited to, Phase 3, consistency and validation batches to be used by ADURO BIOTECH in applications for registration and marketing approval. The Services to be provided under a given Work Package shall commence on receipt by IDT from ADURO BIOTECH of the Initial Payment for such Work Package, which Initial Payment obligation is due as set forth in the respective Work Package. Notwithstanding the foregoing, the start of performance of [ \* ] shall be commenced by IDT no later than upon successful completion of [ \* ], upon which commencement IDT shall invoice the Initial Payment for [ \* ] and ADURO BIOTECH shall pay such Initial Payment within [ \* ] days of receipt of said invoice.

- 2.4 **Facilities.** At all times during the Term, IDT Production Facilities used in connection with Manufacturing under this Agreement shall comply with all Applicable Laws.
- 2.5 **Manufacture Compliance.** Subject to the provisions of Section 2.9 relating to Development Product, all of the Manufacturing performed by IDT shall be in accordance with: (a) cGMP; (b) the applicable Specifications; (c) this Agreement, including the Quality Agreement and all other Exhibits; and (d) Applicable Law.
- 2.6 **Subcontracting.** IDT will Manufacture the Product at the IDT Production Facilities, and may subcontract single quality control tests to qualified test laboratories with ADURO BIOTECH's prior Consent. In the event that IDT subcontracts any of its obligations hereunder, IDT will (i) identify each subcontractor in writing to ADURO BIOTECH; (ii) require the subcontractor to agree in writing to comply with the applicable provisions of this Agreement which shall include written confidentiality obligations not less onerous than those set forth in Article 8; (iii) be responsible in the event of any non-compliance by the subcontractor with the terms of this Agreement and (iv) ensure the rights of ADURO BIOTECH to audit such subcontractors in accordance with the Quality Agreement.
- 2.7 **Equipment.** Certain new capital equipment is required by IDT in order to perform the Manufacture.
- 2.7.1 The details and costs of said new capital equipment, including the purchase price of the equipment and ancillary costs relating to installation, qualification and start-up of said equipment, is listed in Exhibit C (hereinafter referred to as "Equipment").
- 2.7.2 ADURO BIOTECH shall be the owner of said Equipment and reimburse IDT for the costs of said Equipment as further specified in Exhibit C within [ \* ] days of receipt of an invoice from IDT for said costs.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 11 of 36

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- 2.7.3 During such time period that said Equipment is the property of ADURO BIOTECH, IDT shall maintain and repair said Equipment in accordance with IDT's standard equipment maintenance and repair procedures and ADURO BIOTECH shall pay the reasonable costs of such maintenance and repair within [ \* ] days of receipt from IDT of an invoice for the same, any such invoice being issued by IDT to ADURO BIOTECH not more often than quarter-annually.
- 2.7.4 At the expiration or termination of this Agreement, the items of said Equipment that are installed as part of an IDT production line shall be retained by IDT. With respect to the items of Equipment that are not so installed at the expiration or termination of this Agreement in an IDT production line, IDT will, at IDT's option set forth in a Notice to ADURO BIOTECH, either (a) ship to ADURO BIOTECH, at ADURO BIOTECH's expense, said items of Equipment; (b) dispose, at ADURO BIOTECH's expense, of said items of Equipment, or (c) continue to retain the items of said Equipment as ADURO BIOTECH property to be used for commercial Manufacturing of the Product in commercial quantities if so agreed by the Parties, or (d) pay to ADURO BIOTECH the depreciated book value of said items of Equipment and thereafter retain and own said items of Equipment, which payment shall be made within [ \* ] days after the date of the option Notice referenced above.
- 2.8 **ADURO BIOTECH Materials.** IDT agrees that the ADURO BIOTECH Materials shall only be used as specified in writing by ADURO BIOTECH in this Agreement or the applicable Work Plan, and not for any other purpose. ADURO BIOTECH Materials shall be maintained, handled and stored in accordance with the written directions of ADURO BIOTECH. Title to the ADURO BIOTECH Materials shall at all times remain in ADURO BIOTECH. IDT agrees that it shall not make any claim or place any lien or encumbrance on any ADURO BIOTECH Materials. Upon direction of ADURO BIOTECH, IDT shall provide ADURO BIOTECH with an accounting of the ADURO BIOTECH Materials and a list of persons with access to the ADURO BIOTECH Materials, and will return to ADURO BIOTECH all ADURO BIOTECH Materials supplied by ADURO BIOTECH. Title in all Cell Lines prepared from the ADURO BIOTECH Materials (whether development of the line is in-process or complete) shall vest in ADURO BIOTECH on creation and shall be deemed ADURO BIOTECH Materials and Cell Lines. Risk of loss to Cell Lines, except for any risk of loss that is inherent in the Cell Lines and/or that is due to the negligence or wilful acts of ADURO BIOTECH or its agents, shall remain with IDT while ADURO BIOTECH Materials are in IDT's control pursuant to a written agreement pursuant to which IDT takes receipt of such Materials and which sets forth the replacement value of such Materials. ADURO BIOTECH shall have the absolute right upon reasonable Notice and reasonable request to recover the ADURO BIOTECH Materials and IDT shall cooperate in the same.

Aduro Biotech, IDT Biologika Process Development and Manufacturing Services Agreement, page 12 of 36

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- 2.9 **Development Product.** Certain of the Products are designated in the Work Plan as “Development Products”. Notwithstanding any other provision herein set forth, the following terms and conditions apply to Development Products:
- 2.9.1 The Parties acknowledge and agree that due to the nature of the Work Plan Deliverables relating to any Development Product, IDT cannot and does not guarantee or warrant, and shall provide no indemnity with respect to, any such Work Plan Deliverables or any such Development Product. Notwithstanding this, IDT warrants that any reports comprised in the Work Plan Deliverables will be accurate and complete (except in immaterial respects) and not misleading.
- 2.9.2 IDT’s obligation in respect of its performance of any work or Services in connection with any Development Product is limited to performance of such work or Services in a diligent manner, with reasonable skill and care applying its professional standards and using its commercially reasonable endeavours to meet the estimated timelines and goals set out in the applicable Work Packages.
- 2.9.3 cGMP shall not apply to the development, Manufacture, Specifications (meaning the “Product Specifications for Development Use” as listed in Attachment B to the Quality Agreement) or any other aspect of any Development Product or to any Work Plan Deliverables relating thereto, except to the extent specified by the Parties in the respective Work Packages.

### ARTICLE 3: DELIVERY, SHIPMENT AND STORAGE OF PRODUCT

- 3.1 **Delivery.** Delivery of each Deliverable shall occur upon release thereof as is set forth in the applicable Work Package (“Delivery”). Risk of loss for each Work Plan Deliverable shall transfer from IDT to ADURO BIOTECH [ \* ]. Title shall vest in ADURO BIOTECH [ \* ]. On the date of Delivery, IDT shall submit an invoice to ADURO BIOTECH for amounts then due pursuant to the Work Package and the provisions of this Agreement. ADURO BIOTECH shall pay the amount of each said invoice by bank wire transfer within [ \* ] days following the date of receipt thereof by ADURO BIOTECH. For the sake of clarity, “release” for purposes of “Delivery” shall be determined pursuant to the applicable provisions of the Quality Agreement.
- 3.2 **Shipment.** Upon written request from ADURO BIOTECH, IDT shall ship Product directly to ADURO BIOTECH or, on behalf of ADURO BIOTECH, ship Product to the customer/CRO/clinical site of ADURO BIOTECH and in connection therewith render such services and provide such assistance as are set forth by ADURO BIOTECH or, as applicable, in accordance with the instructions for shipping and packaging specified in the applicable Work Package. The procedures relating to each shipment shall be agreed by the Parties and described

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in the Quality Agreement. Each shipment of Product shall be [ \* ] (Incoterms 2010), unless otherwise agreed by the Parties. ADURO BIOTECH shall reimburse or pay directly all costs of whatever kind incurred in connection with each shipment, including insurance, freight, duties and handling. A bill of lading will be furnished to ADURO BIOTECH with respect to each shipment of Product. IDT shall cooperate in ADURO BIOTECH exporting Product from Germany including providing ADURO BIOTECH all required Manufacturing-related documentation. In no event shall IDT's liability arising in connection with any shipping services rendered by IDT for ADURO BIOTECH under this Agreement exceed [ \* ].

- 3.3 **Storage.** IDT shall, at ADURO BIOTECH's request, provide storage of Product at IDT for at least [ \* ] days after Delivery at no charge to ADURO BIOTECH. Storage of Product longer than said time period shall be subject to IDT's standard storage fee as set forth in Exhibit A hereto, which fees will be billed to ADURO BIOTECH quarterly. IDT shall store all of the raw materials and other ingredients/disposables, primary packaging and the Products as set forth in the respective Specifications and as directed by Applicable Laws. IDT shall be responsible for all loss of or damage to all Product, including drug substance, as well as all materials and other ingredients/disposables used in the Manufacturing of the Products while such items are in the possession or control of IDT, to the extent that such loss or damage is covered by IDT's insurance; provided, however, that if such loss or damage is a result of IDT's gross negligence or wilful misconduct, IDT shall be responsible for such loss or damage regardless of whether such loss or damage is covered by IDT's insurance. IDT will use commercially reasonable efforts or as governed by provisions in this Agreement to replace and/or reproduce as soon as commercially reasonable, any such Product which is lost or damaged.

## **PART II: STANDARD TERMS AND CONDITIONS**

### **ARTICLE 4: REGULATORY MATTERS**

- 4.1 Unless otherwise agreed in writing by the Parties, ADURO BIOTECH shall be entitled to and have the sole responsibility for filing all documents with applicable Regulatory Authorities and taking any other actions that may be required or necessary in order to obtain from said Regulatory Authorities approval for the use of the Product in clinical trials or in order to obtain marketing authorization for the Product. IDT shall provide ADURO BIOTECH with assistance and cooperation in connection with the foregoing to the extent described in the Work Plan.
- 4.2 Within [ \* ] Business Days of any contact with, or after receipt of any communication from, a Regulatory Authority that may be reasonably expected to affect the Manufacture of the Product, each Party shall without undue delay forward to the other Party a copy or description of the same and shall confer with

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the other Party with respect to the best means to comply with any new or modified requirements of such Regulatory Authority. IDT shall provide ADURO BIOTECH with a copy of all draft responses for comment as soon as possible and shall consider ADURO BIOTECH's comments in good faith. ADURO BIOTECH shall submit any comments on said draft responses within [ \* ] Business Days or within such longer period of time as agreed by the Parties. IDT shall also provide ADURO BIOTECH with a copy of all final responses for review and approval, which shall not be unreasonably withheld or delayed, at least [ \* ] Business Days prior to submission thereof.

## ARTICLE 5: FEES AND PAYMENT

- 5.1 ADURO BIOTECH agrees to pay IDT in accordance with the provisions set forth in this Article 5 and in the relevant Work Packages. Each invoice shall reference the applicable provisions of the relevant Work Package and this Agreement.
- 5.2 The Service Fees and other amounts to be paid by ADURO BIOTECH do not include VAT or other taxes to be paid by ADURO BIOTECH, if any, all of which taxes will be estimated in the respective Work Packages. IDT agrees that it is responsible for compliance with federal, state and local tax requirements relating to payments made by ADURO BIOTECH to IDT under this Agreement.
- 5.3 Payment shall be made by ADURO BIOTECH to IDT by bank wire transfer within [ \* ] days following the date of ADURO BIOTECH's receipt of invoice from IDT or as otherwise set forth in the relevant Work Package.
- 5.4 IDT may charge a fee equal to the current base rate established by the German Federal Bank plus [ \* ] annually calculated on a daily basis, on all amounts past due under any invoice issued by IDT to ADURO BIOTECH under this Agreement.
- 5.5 The Services Fees set forth in any Work Package shall not be changed or amended other than to reflect the written agreement of the Parties relating to any change or amendment of the Services covered by said Work Package. In particular, no Service Fees shall be decreased or increased after execution of a Work Plan unless agreed to in an amendment signed by the Parties.
- 5.6 ADURO BIOTECH shall pay IDT pursuant to the following payment schedule.
  - 5.6.1 For the [ \* ], ADURO BIOTECH shall pay to IDT [ \* ] of the aggregate Services Fees set forth therein, which is agreed to be [ \* ].
  - 5.6.2 For [ \* ] and for any subsequent Work Package, ADURO BIOTECH shall pay to IDT [ \* ] of the aggregate Service Fees set forth therein (the "Initial Payment") prior to the Services for the Work Package being initiated by IDT on the initiation date as set forth in the Work Package hereto, or alternatively in the Work Plan, Exhibit A. IDT shall invoice the

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remaining [ \* ] upon Delivery of the Deliverables under said Work Package pursuant to section 3.1 and as such set forth in the respective Work Package.

- 5.6.3 The payment provisions of Sections 5.1 to 5.4 shall apply to the payments of the above-referenced Service Fees to be made by ADURO BIOTECH to IDT.
- 5.6.4 In the event that this Agreement is terminated by ADURO BIOTECH for material default or insolvency of IDT pursuant to Section 13.2, IDT shall reimburse to ADURO BIOTECH an amount equal to the Service Fees paid by ADURO BIOTECH pursuant to orders as set forth in the Work Packages, minus the full value of the Deliverables under the Services completed by IDT on or prior to the date of said termination. If the result is a negative number, then IDT shall invoice ADURO BIOTECH for the difference.

## **ARTICLE 6: AMENDMENTS TO THIS AGREEMENT**

- 6.1 **Amendments.** Set forth in this Article 6 are the procedures to be followed by the Parties in connection with amendments to this Agreement and to its Exhibits, including the Work Plan and the Work Packages (“Amendment Procedures”), except as may be expressly provided otherwise in this Agreement.
  - 6.1.1 If a Party desires an amendment of this Agreement or of its Exhibits, such Party shall send to the other Party a Notice containing an amendment proposal describing in reasonable detail said amendment and the reasons for it and including supporting documentation demonstrating the need for the amendment (“Amendment Proposal”). Each Amendment Proposal shall comply with any specific provisions that may be set forth in the Section of this Agreement under which the Amendment Proposal arises.
  - 6.1.2 The Party receiving said Amendment Proposal shall respond to it with a Notice within [ \* ] calendar days from the date of receipt or within such longer period of time as the Parties mutually agree (“Proposal Response”). Said Proposal Response shall either accept the Amendment Proposal or set forth suggestions for changes desired by said receiving Party or reject the Amendment Proposal.
  - 6.1.3 Unless the Amendment Proposal has been rejected pursuant to the provisions of Section 6.1.2, the Parties will negotiate the terms of any such Amendment Proposal in good faith.
  - 6.1.4 All amendments, including any amendment to the provisions of this Section 6.1, shall be in writing and signed by both Parties to be valid.

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- 6.1.5 Notwithstanding the provisions set forth in Section 6.1 above, amendments to the Quality Agreement relating to quality assurance or quality control shall be made in accordance with the applicable change control provisions set forth in the Quality Agreement.

## ARTICLE 7: NON-CONFORMING PRODUCTS

- 7.1 **Defective Product.** Subject to the provisions of Section 2.9, any Product produced by IDT under this Agreement that does not comply with the Specifications and the warranties set forth in Section 10.1.5 at the time of Delivery of such Product (“Defective Product”) may be rejected by ADURO BIOTECH pursuant to a Notice sent by ADURO BIOTECH to IDT (“Rejection Notice”) within [ \* ] days after ADURO BIOTECH’s receipt of the alleged Defective Product and all Batch Documentation.
- 7.2 **Evaluation Report.** The Rejection Notice shall be accompanied by a sample of the alleged Defective Product, if feasible. Within [ \* ] days after receipt of the Rejection Notice, IDT shall undertake an evaluation of the sample and give to ADURO BIOTECH a written report of the results of such evaluation. In the event that the Parties disagree upon whether or not any Product is a Defective Product, such disagreement shall be resolved as set forth in Section 7.4 of this Agreement.
- 7.3 **Defects Discovered After Time of Delivery.** If any defects are not evident immediately to ADURO BIOTECH at the time of Delivery of the Product, the Rejection Notice by ADURO BIOTECH to IDT shall be made no later than [ \* ] Business Days after discovery by ADURO BIOTECH.
- 7.3.1 **Defects Caused by IDT.** If such defect is determined to have been caused by IDT, including, as a result of materials provided to IDT by its suppliers for whom IDT is responsible under the applicable provisions of the Quality Agreement, then IDT shall Manufacture and deliver, at IDT’s expense, to ADURO BIOTECH, as soon as commercially reasonable, replacement of Product in accordance with an amended production plan reasonably agreed to by the Parties. If the Defective Product had already been shipped to ADURO BIOTECH or to a Third Party designated by ADURO BIOTECH, the replacement Product will be shipped at IDT’s expense. If ADURO BIOTECH has paid for such Defective Product, IDT shall issue to ADURO BIOTECH a refund in the amount of the Service Fees so paid by ADURO BIOTECH. IDT shall be entitled to invoice ADURO BIOTECH for the Service Fees of the replacement Product, provided that the Service Fees of the replacement Product shall not exceed the Service Fees that had been invoiced by IDT for the Defective Product, and ADURO BIOTECH shall pay said invoice within [ \* ] days of receipt thereof.

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- 7.3.2 **Defects Caused by ADURO BIOTECH.** If such defect is determined to have been caused by ADURO BIOTECH, including any Product being defective due to ADURO BIOTECH's provision of incomplete or inaccurate Specifications or due to improper handling of Product by ADURO BIOTECH, by any Affiliate of ADURO BIOTECH or by any Third Party (on behalf of ADURO BIOTECH or any of its Affiliates) or due to any defect in ADURO BIOTECH's proprietary production processes being used by IDT in the performance of the Manufacturing (if any), IDT shall Manufacture and deliver to ADURO BIOTECH, as soon as commercially reasonable, replacement Product in accordance with an amended production plan reasonably agreed to by the Parties (and, to the extent possible, prior to the time ADURO BIOTECH is obligated to deliver the Product to its customer). ADURO BIOTECH shall be required to pay the Service Fees of the Product (determined to be Defective Product caused by ADURO BIOTECH) and the Service Fees of the replacement Product.
- 7.4 **Expert.** If the Parties cannot agree as to whether Product is Defective Product, within [ \* ] days after delivery of the aforesaid IDT evaluation report to ADURO BIOTECH, the Parties shall submit the relevant materials to a mutually agreed upon independent testing laboratory or other appropriate expert acceptable to the Parties ("Expert") for evaluation. The Parties shall cooperate fully and promptly with the Expert's reasonable requests for assistance or information in connection with its evaluation hereunder. Within [ \* ] days thereafter, the Expert shall determine whether the Products are Defective Products and, if possible, the cause of the defect as soon as reasonably possible. The findings of the Expert shall be final, binding and determinative on the Parties, absent manifest error. The expenses of the Expert(s) shall be borne by IDT if the Expert(s) determines that the Product is Defective Product, but the expert does not attribute the sole cause of the defect to ADURO BIOTECH under Section 7.3.2. If the expert concludes that ADURO BIOTECH is the sole cause of the defect, then the costs will be paid by ADURO BIOTECH.
- 7.5 **[ \* ].** The remedies for Defective Product caused by IDT pursuant to this Article 7 shall [ \* ].
- 7.6 **Recall.** Each Party shall give Notice to the other Party immediately upon learning of any event that would be expected to give rise to a recall of Product or other corrective measure related to the Product. ADURO BIOTECH shall be responsible for all such recalls and actions, provided that IDT shall fully cooperate in the same. All costs of a Product recall or other corrective measure related to the Product shall be the sole responsibility of ADURO BIOTECH except to the extent such recall is due to Defective Product caused by IDT under the provisions of Section 7.3 above, in which event IDT shall also be liable for the direct costs of said recall. Direct costs under this Section 7.6 shall be limited to costs of transport, safe destruction of Defective Product, travel and communication services for the handling of the recall and corrective measures.

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## ARTICLE 8: CONFIDENTIALITY AND NON-USE

- 8.1 **Defined.** As used in this Agreement, the term “Confidential Information” shall mean all information disclosed in writing or by oral communications by either Party to the other Party including any information relating to the Product, the Manufacturing Specifications, formulations and compositions; scientific know-how; chemical compound, biological material and composition data; Manufacturing processes; analytical methodology; Product applications including safety and efficacy data; current and future Product and marketing plans and projections; and other information of a technical or economic nature related to the Product, the Manufacture of the Product and the matters set forth in any Work Plan. The existence and content of this Agreement shall also be considered Confidential Information of both Parties. The Process, the Master Production Record, ADURO BIOTECH Intellectual Property, and ADURO BIOTECH Arising IP are Confidential Information of ADURO BIOTECH.
- 8.2 **Limited Disclosure.** All Confidential Information disclosed hereunder shall remain the property of the disclosing Party and shall be maintained in confidence and not disclosed by the receiving Party to any person except to officers, employees, and consultants to whom it is necessary to disclose the information for the purposes of this Agreement. Each Party shall take all steps it would normally take to protect its own Confidential Information to ensure that the received Confidential Information shall be maintained in confidence and not disclosed, but not less than reasonable care.
- 8.3 **Use.** Unless otherwise agreed in writing, all Confidential Information disclosed hereunder shall be used by that Party only to fulfill its obligations under this Agreement.
- 8.4 **Exceptions.** The obligations of the Parties under this Article 8 shall not apply to:
- 8.4.1 Information which, at the time of disclosure, is in the public domain or thereafter comes into the public domain other than as a result of breach of this Agreement; or
  - 8.4.2 Information which the receiving Party can establish was in its possession at the time of disclosure by the disclosing Party; or
  - 8.4.3 Information which was received by the receiving Party from an Affiliate or from a Third Party not under an obligation of confidentiality towards the disclosing Party; or

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- 8.4.4 Information which the receiving Party can establish was independently developed without reference to Confidential Information received hereunder.
- 8.5 **Mandatory Disclosure.** Notwithstanding the limitations above, each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is required by mandatory legal provisions, provided, however, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to this Section 8.5, it will give reasonable advance Notice to the other Party of such disclosure obligation and will cooperate with the other Party's attempt to obtain a protective order or confidential treatment.
- 8.6 **Return.** Upon termination of this Agreement, each Party agrees to return to the other Party or destroy all written or other physical embodiments of the other Party's Confidential Information, except for one (1) copy, which may be retained in a confidential manner exclusively for legal archival purposes. The obligations under this Article 8 shall be binding on any Affiliate, successor or assignee of IDT or ADURO BIOTECH as if it was a Party to the Agreement.
- 8.7 **Duration.** The obligations of confidentiality and non-use of the Confidential Information under this Agreement shall continue throughout the Term of this Agreement and shall survive the termination or expiration of this Agreement for [ \* ] years.

#### ARTICLE 9: INTELLECTUAL PROPERTY RIGHTS

- 9.1 **Ownership.** All Intellectual Property owned or controlled by IDT shall remain the property of IDT. All Intellectual Property owned or controlled by ADURO BIOTECH shall remain the property of ADURO BIOTECH. The Process and the Master Production Record are hereby the sole and exclusive property of ADURO BIOTECH.
- 9.2 **License to IDT.** ADURO BIOTECH grants to IDT a non-exclusive, royalty-free, license to use for the performance of the Services under this Agreement all of ADURO BIOTECH's Intellectual Property that ADURO BIOTECH provides to IDT to perform the Services under this Agreement. The duration of said license shall be for the Term of this Agreement. In no event shall IDT be permitted to use ADURO BIOTECH's Intellectual Property for any other purpose or for any other customer of IDT without the prior Consent of ADURO BIOTECH.
- 9.3 **IDT Intellectual Property and Third Party Intellectual Property.** IDT shall not incorporate any of its IDT Intellectual Property or Third Party Intellectual Property into the Process or Master Production Record without the prior Consent of ADURO BIOTECH.
- 9.4 **IDT's Proprietary Intellectual Property.** IDT hereby agrees to use such of IDT's Intellectual Property as is required in order to perform the Services under

this Agreement. IDT hereby grants to ADURO BIOTECH an irrevocable, fully paid, non-exclusive worldwide license, with the right to grant and authorize sublicenses through multiple layers of sub-licensees, under any and all IDT Intellectual Property including any Arising IP that IDT incorporates pursuant to this Agreement into the Process, Master Production Record, and Specifications, to make, have made, use, have used, sell, offer for sale, have sold, import, have imported, export, have exported, develop, have developed, commercialize, and have commercialized any product.

- 9.5 **Inventions.** Any Intellectual Property that shall be created or conceived by IDT as a result of, or be derived from, the performance of the Services under this Agreement (“Arising IP”) and that is not ADURO BIOTECH Arising IP and relates to any IDT Manufacturing processes or to any other IDT Intellectual Property shall be owned by and be the sole and exclusive property of IDT. Any Arising IP related to the Product or related to, based on, or incorporating any other ADURO BIOTECH Intellectual Property shall be owned by and hereby is the sole and exclusive property of ADURO BIOTECH (“ADURO BIOTECH Arising IP”).
- 9.6 **Other Acts.** Each Party shall undertake all necessary or appropriate acts, including signing assignment or other documents to give effect to the provisions of this Article 9. IDT covenants to take all reasonable actions necessary to obtain all right, title and interest in and to any and all inventions related to this Agreement that are conceived or reduced to practice by any of its employees or contractors including negotiation of necessary agreement and payment of all amounts advisable or required under German or EU law.

## ARTICLE 10: WARRANTIES

### 10.1 **IDT warrants that:**

- 10.1.1 IDT has the power, authority and legal right to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered on behalf of IDT, and constitutes a legal, valid, binding obligation, enforceable against IDT in accordance with its terms.
- 10.1.2 All necessary licenses, permits, consents, approvals and authorizations of all Regulatory Authorities required to be obtained by IDT in connection with this Agreement have been obtained or will be obtained as required prior to undertaking the Manufacture. IDT shall adhere to all Applicable Laws.
- 10.1.3 The Intellectual Property utilized by IDT, other than the Intellectual Property provided by ADURO BIOTECH, in connection with this Agreement: (i) may be lawfully used in connection therewith, and (ii) such use does not infringe any Third Party rights. IDT has the requisite

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intellectual property rights, including in its equipment and facility, to be able to perform its obligations under this Agreement, (iii) IDT's use of its equipment and facility as contemplated in this Agreement will not give rise to a potential Claim by a Third Party against ADURO BIOTECH for infringement or another violation of intellectual property rights, (iv) IDT will not incorporate into the Product or utilize in connection with this Agreement any Third Party Intellectual Property without the prior Consent of ADURO BIOTECH unless ADURO BIOTECH provides to IDT any Third Party Intellectual Property for incorporation into Product, and (v) the Product does not include, and was not Manufactured by IDT utilizing, any Third Party Intellectual Property, unless such Third Party Intellectual Property was provided or approved in writing by ADURO BIOTECH for use in the Product.

- 10.1.4 IDT has the necessary facilities, equipment, know-how and personnel to carry out the Services in accordance with this Agreement.
- 10.1.5 Subject to the provisions of Section 2.9, any Product Manufactured by IDT pursuant to this Agreement other than Development Product, at the time of Delivery: (a) conforms to the Specifications; (b) was Manufactured in accordance with the Master Production Record; (c) was Manufactured in accordance with cGMP using a process, components, and a facility that comply with all Applicable Laws; (d) is delivered free and clear of any liens or encumbrances of any kind; and (e) has not been adulterated.
- 10.1.6 IDT will use commercially reasonable efforts to perform the Services as set forth in the Work Plan and in the operational documents related thereto.
- 10.1.7 IDT will use commercially reasonable efforts to agree with ADURO BIOTECH on the details of the Work Plan, the Work Packages and the operational documents related thereto.
- 10.1.8 IDT represents and certifies it will not use in any capacity the services of any person, or organization that employs any person that is or has been debarred under Section 306 of the Generic Drug Enforcement Act, is an excluded party from doing business with the U.S. Federal Government (Excluded Parties List System published by GSA), Office of Inspector General's List of Excluded Individuals/Entities (LEIE), is included on any other government exclusion list of persons or entities with whom U.S. companies and individuals are prohibited from doing business (e.g. OFAC List of Blocked Persons), or is similarly debarred or excluded under the Applicable Law in any other jurisdiction. Upon written request of ADURO BIOTECH, IDT shall, within [ \* ] Business Days, provide written confirmation that it has complied with the foregoing obligation.

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IDT agrees to promptly disclose in writing to ADURO BIOTECH if any employee or agent is debarred or excluded, or if any action or investigation is pending or, to the best of its knowledge, threatened, relating to the debarment or exclusion of it or any person performing Services related to this Agreement.

10.2 **ADURO BIOTECH warrants that:**

- 10.2.1 ADURO BIOTECH has the power, authority and legal right to enter into the Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered on behalf of ADURO BIOTECH, and constitutes a legal, valid, binding obligation, enforceable against ADURO BIOTECH in accordance with its terms.
- 10.2.2 All necessary licenses, permits, consents, approvals and authorizations of all Regulatory Authorities required to be obtained by ADURO BIOTECH in connection with this Agreement have been obtained or will be obtained as required prior to undertaking Manufacturing. ADURO BIOTECH shall adhere to all Applicable Laws.
- 10.2.3 The Intellectual Property provided by ADURO BIOTECH, in connection with the Manufacturing may be lawfully used in connection with such Manufacture.
- 10.2.4 ADURO BIOTECH will use commercially reasonable efforts to perform its obligations in order for IDT to perform the Services as set forth in the Work Plan and in the operational documents related thereto.
- 10.2.5 ADURO BIOTECH will use commercially reasonable efforts to agree with IDT on the details of the Work Plan, the Work Packages and the operational documents related thereto

10.3 **LIMITATION OF LIABILITY.** With respect to Claims made by or against IDT, ADURO BIOTECH, or any Affiliate of either, the following provisions shall apply:

- 10.3.1 **IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF PROFIT) ARISING OUT OF THIS AGREEMENT, WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER LEGAL THEORY, AND WHETHER OR NOT IT HAS BEEN ADVISED OR IS OTHERWISE AWARE OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE, HOWEVER CAUSED.**
- 10.3.2 **FOR ANY CLAIM BASED ON ANY LEGAL THEORY OTHER THAN ALLEGED GROSS NEGLIGENCE, IDT’S MAXIMUM**

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**DIRECT AND INDIRECT LIABILITY FOR ANY SINGLE CLAIM WHICH IS BEYOND AMOUNTS PAID BY ONE OR MORE OF IDT'S INSURERS AND WHICH IS BROUGHT UNDER THIS AGREEMENT BY ADURO BIOTECH, BY ANY AFFILIATE OF ADURO BIOTECH AND/OR BY ANY THIRD PARTY SHALL NOT EXCEED, DIRECTLY OR INDIRECTLY, AN AMOUNT WHICH EQUALS [ \* ], PROVIDED HOWEVER THAT, SUBJECT TO THE PROVISIONS OF SECTION 10.3.4, IDT'S LIABILITY UNDER THIS SECTION 10.3.2 SHALL NOT EXCEED A MAXIMUM AMOUNT OF [ \* ].**

- 10.3.3 FOR ANY CLAIM BASED ON ALLEGED GROSS NEGLIGENCE, IDT'S MAXIMUM DIRECT AND INDIRECT LIABILITY FOR ANY SINGLE CLAIM WHICH IS BEYOND AMOUNTS PAID BY ONE OR MORE OF IDT'S INSURERS AND WHICH IS BROUGHT UNDER THIS AGREEMENT BY ADURO BIOTECH, BY ANY AFFILIATE OF ADURO BIOTECH AND/OR BY ANY THIRD PARTY SHALL NOT EXCEED, DIRECTLY OR INDIRECTLY, AN AMOUNT WHICH EQUALS [ \* ], PROVIDED HOWEVER THAT, SUBJECT TO THE PROVISIONS OF SECTION 10.3.4, IDT'S LIABILITY UNDER THIS SECTION 10.3.3 SHALL NOT EXCEED A MAXIMUM AMOUNT OF [ \* ]**
- 10.3.4 IDT'S MAXIMUM AGGREGATE LIABILITY FOR ALL SUCH CLAIMS WHICH ARE BEYOND AMOUNTS PAID BY ONE OR MORE OF IDT'S INSURERS AND WHICH ARE BROUGHT UNDER THIS AGREEMENT BY ADURO BIOTECH, BY ANY AFFILIATE OF ADURO BIOTECH AND/OR BY ANY THIRD PARTY SHALL NOT EXCEED, DIRECTLY OR INDIRECTLY, AN AMOUNT WHICH EQUALS [ \* ].**
- 10.3.5 THE FOREGOING LIABILITY LIMITATION PROVISIONS SHALL NOT APPLY TO CLAIMS BASED ON ALLEGED WILLFUL MISCONDUCT BY IDT.**
- 10.3.6 For the sake of clarity, the Parties expressly agree that, subject to Section 10.3.3, any liability limitation in this Agreement will not limit potential recovery from any insurer of IDT for losses covered by policies issued by such insurer which are incurred in connection with Claims. The scope and extent of liability for IDT's insurers shall be governed exclusively by the terms and limitations of the policies issued by such insurers.**
- 10.3.7 THE PARTIES' RESPECTIVE LIABILITY SHALL BE FURTHER LIMITED AS PROVIDED IN SECTIONS 12.3 AND 12.4.**

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- 10.3.8 ADURO BIOTECH expressly agrees that ADURO BIOTECH will be liable for, and will indemnify IDT against, all Claims of ADURO BIOTECH, of any Affiliate of ADURO BIOTECH, and of any Third Party which Claims are not satisfied by IDT's insurance coverage and/or by payments made by IDT within the maximum aggregate liability limitations provided for in Sections 10.3.2., 10.3.3 and 10.3.4. The forgoing shall not be construed as co-insurance and neither ADURO BIOTECH nor its Affiliates or insurers shall be construed as co-insurers by virtue of this provision.
- 10.3.9 THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES NOT EXPRESSLY SET FORTH HEREIN, AND EACH PARTY HEREBY EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE.

#### ARTICLE 11: INDEMNITY

- 11.1 **ADURO BIOTECH's Indemnity.** ADURO BIOTECH shall indemnify, defend and hold harmless IDT (except to the extent IDT is obligated to indemnify ADURO BIOTECH as set forth below) from and against all Claims, Damages and liabilities asserted by a Third Party to the extent arising out of:
- 11.1.1 the distribution, marketing, sale, and/or use of any Work Plan Deliverable or any Product, including the use of any such Deliverable or Product in any clinical trials;
  - 11.1.2 a material breach of any of this Agreement by ADURO BIOTECH; or,
  - 11.1.3 ADURO BIOTECH's willful misconduct or negligence; or
  - 11.1.4 defective or erroneous or incomplete ADURO BIOTECH Materials, Process or Specifications provided by ADURO BIOTECH to IDT for the Manufacture of Product.
- 11.2 **IDT's Indemnity.** IDT shall indemnify, defend and hold harmless ADURO BIOTECH (except to the extent ADURO BIOTECH is obligated to indemnify IDT as set forth above) against all Claims, Damages, and liabilities asserted by a Third Party, to the extent arising out of:
- 11.2.1 subject to the provisions of Section 2.9, any failure of Product supplied by IDT hereunder to conform to Specifications and the requirements of the Agreement at Delivery;

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11.2.2 a material breach of any of this Agreement by IDT; or,

11.2.3 IDT's willful misconduct or negligence.

- 11.3 **Procedures.** The Party seeking indemnification ("Indemnified Party") pursuant to this Article 11 shall promptly provide Notice to the indemnifying Party ("Indemnifying Party") of such Claim in reasonable detail, provided that the failure to provide such Notice shall not affect the obligations of the Indemnifying Party unless and only to the extent said Indemnifying Party is actually materially prejudiced thereby. The Indemnified Party shall furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any claim. Commencing within [ \* ] days after receipt of the aforesaid Notice, the Indemnifying Party shall undertake, conduct and control, through counsel of its own choosing (but reasonably acceptable to the Indemnified Party) and at its own expense, the settlement or defense of the claim, provided that the Indemnified Party may participate in such settlement or defense through counsel chosen by the Indemnified Party and reasonably acceptable to the Indemnifying Party. The Indemnifying Party shall not, without the Consent of the Indemnified Party, settle or compromise any claim, unless such settlement or compromise includes an unconditional release of the Indemnified Party. The Indemnifying Party and the Indemnified Party shall cooperate fully in all aspects of any investigation, defense, pre-trial activities, trial, compromise, settlement or discharge of any claim in respect of which indemnity is sought pursuant to this Article 11, including, but not limited to, providing the other Party with reasonable access to employees and officers (including as witnesses) and other information.

## ARTICLE 12: INSURANCE

- 12.1 **ADURO BIOTECH General.** ADURO BIOTECH will maintain, at all times during the term of this Agreement and for [ \* ] years thereafter, a products liability insurance policy (the "Insurance Policy"), with a per occurrence limit of at least Five Million Dollars (\$5,000,000) and an aggregate limit of at least Five Million Dollars (\$5,000,000), and will provide a certificate of insurance to IDT that the Insurance Policy has been endorsed to designate IDT as an additional insured. ADURO BIOTECH will provide IDT with at least [ \* ] days' Notice prior to termination of or reduction in coverage under such Insurance Policy.
- 12.2 **IDT General.** IDT will maintain, at all times during the term of this Agreement and for [ \* ] years thereafter, a liability insurance policy (the "IDT Insurance Policy"), with a per occurrence limit of at least Five Million Euro (5.000.000 €) and an aggregate limit of at least Five Million Euro (5.000.000 €). IDT will provide ADURO BIOTECH with at least [ \* ] days' Notice prior to termination of or reduction in coverage under such IDT Insurance Policy.
- 12.3 **IDT's Obligation.** IDT shall use commercially reasonable efforts to maintain in force the insurance coverage referenced in Section 12.2 above, provided,

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however, that IDT shall have no liability in the event that its insurance provider reduces, cancels or denies any such insurance coverage for reasons outside the reasonable control of IDT. In the event that IDT is not able to procure or maintain the amount of insurance coverage as set forth in Section 12.2, IDT shall inform ADURO BIOTECH without undue delay.

- 12.4 **ADURO BIOTECH's Obligation.** ADURO BIOTECH shall use commercially reasonable efforts to maintain in force the insurance coverage referenced in Section 12.1 above, provided, however, that ADURO BIOTECH shall have no liability in the event that its insurance provider reduces, cancels or denies any such insurance coverage for reasons outside the reasonable control of ADURO BIOTECH. In the event that ADURO BIOTECH is not able to procure or maintain the amount of insurance coverage as set forth in Section 12.1, ADURO BIOTECH shall inform IDT without undue delay.

### ARTICLE 13: TERM AND TERMINATION

- 13.1 **Term.** This Agreement shall commence on the Effective Date and shall remain in full force and effect until and during the Commercial Supply Period as defined in Section 1.3.2, unless earlier terminated as permitted herein. In the event that no [ \* ] within five (5) years of the Effective Date, then this Agreement shall terminate on the tenth (10<sup>th</sup>) anniversary of said Effective Date, unless earlier terminated as permitted herein. The time period between said Effective Date and the termination date of this Agreement as set forth in this Section 13.1 is herein called the "Term".
- 13.2 **Early Termination by ADURO BIOTECH.** ADURO BIOTECH may terminate this Agreement or a Work Plan in whole or in part at any time with a prior Notice of termination to IDT in the event that:
- 13.2.1 **Termination for Default.** ADURO BIOTECH sends to IDT a default Notice alleging IDT's failure to perform a material obligation under this Agreement or a Work Plan, and IDT fails to cure said default within forty-five (45) days of receiving such Notice, ADURO BIOTECH may terminate this Agreement.
- 13.2.2 **Insolvency.** In the event IDT enters into bankruptcy proceedings (whether voluntary or involuntary) or proceedings leading to bankruptcy, IDT agrees to send to ADURO BIOTECH a Notice setting forth the details of such event. This Notice shall be furnished within ten (10) days of the initiation of the proceedings relating to the bankruptcy. This obligation remains in effect until final payment under this Agreement. Bankruptcy or insolvency is deemed to be a material breach of this Agreement and may, at the sole discretion of ADURO BIOTECH constitute the basis for a termination for default without further Notice.

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- 13.2.3 **Termination for Termination of Development.** ADURO BIOTECH and IDT shall each have the right to terminate this Agreement upon thirty (30) days' Notice to the other Party in the event that ADURO BIOTECH decides to end its program for use of Product, solely for the reasons of clinical inefficacy or safety, or an action of a Regulatory Authority not granting approval despite commercially reasonable efforts to gain approval. In the event of any such termination under the provisions of this Section 13.2.3, ADURO BIOTECH shall certify that during the Term neither ADURO BIOTECH nor its Affiliates, Licensees, permitted assigns and successors, will restart the program for use of the Product, and if said program is restarted, that its purchase obligations and IDT's related performance obligations shall revive assuming that IDT agrees in writing to fulfill its obligations remaining hereunder as of the date of termination as such obligations may be modified based on the then-current regulatory strategy, and ADURO BIOTECH, its Affiliates, Licensees, permitted assigns and successors shall immediately Notify IDT in this case. In the event of such termination of this Agreement under the provisions of this Section 13.2.3, IDT shall invoice and ADURO BIOTECH shall pay within [ \* ] days of the date of invoice [ \* ] plus [ \* ], plus all raw materials and external work procured by IDT in order to perform [ \* ], both to the extent not covered by any advanced payment for the Work Plan upon its initiation.
- 13.2.4 **Other Termination.** Either Party may terminate this Agreement upon Notice to the other Party, if the other Party is not able to procure or maintain its respective amount of insurance coverage as set forth in Sections 12.1 or 12.2, as the case may be.
- 13.3 **Early Termination by IDT.** IDT may terminate this Agreement in whole or in part at any time with a prior Notice of termination, in the event that:
- 13.3.1 **Termination for Default.** IDT sends to ADURO BIOTECH a default Notice alleging ADURO BIOTECH's failure to perform a material obligation under this Agreement or a Work Plan, and ADURO BIOTECH fails to cure said default within forty-five (45) days of receiving such Notice, IDT may terminate this Agreement.
- 13.3.2 **Insolvency.** In the event ADURO BIOTECH enters into bankruptcy proceedings (whether voluntary or involuntary) or proceedings leading to bankruptcy, ADURO BIOTECH agrees to send to IDT a Notice setting forth the details of such event. This Notice shall be furnished within ten (10) days of the initiation of the proceedings relating to the bankruptcy. This obligation remains in effect until final payment under this Agreement. Bankruptcy or insolvency is deemed to be a material breach of this Agreement and may, at the sole discretion of IDT constitute the basis for a termination for default without further Notice.

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13.4 **Effects of Termination.**

- 13.4.1 **Accrued Rights.** Termination of this Agreement for any reason will be without prejudice to any rights that have accrued to the benefit of a Party prior to such termination. Such termination will not relieve a Party of obligations that are expressly indicated to survive the termination of this Agreement.
- 13.4.2 **Disposition of Remaining ADURO BIOTECH Materials, Property, and Confidential Information.** Upon termination or expiration of this Agreement, IDT will store any remaining ADURO BIOTECH property and, at ADURO BIOTECH's option, return or destroy any ADURO BIOTECH property and Confidential Information in the possession or control of IDT. Likewise, ADURO BIOTECH will, at IDT's option, return or destroy any IDT Confidential Information in the possession or control of ADURO BIOTECH. Notwithstanding the foregoing provisions: (i) IDT may retain and preserve, at its sole cost and expense, samples and standards of each Product following termination or expiration of this Agreement solely for use in determining IDT's rights and obligations hereunder; and (ii) each Party may retain a single copy of the other Party's Confidential Information for documentation purposes only and which shall remain subject to the obligations of nonuse and confidentiality set forth in this Agreement.
- 13.4.3 Unless the termination of this Agreement (a) is for the uncured material breach of the Agreement by ADURO BIOTECH, or (b) is by ADURO BIOTECH pursuant to the provisions of Section 13.2.3, IDT agrees that it will cooperate with ADURO in performing a technology transfer which includes the transfer of the Process to ADURO BIOTECH or its designee.. Any such technology transfer shall be made pursuant to a written order from ADURO BIOTECH to IDT which has been accepted by IDT, such acceptance not to be unreasonably withheld, and which contains, among other relevant matters, the details of such transfer and the commercially reasonable price to be paid by ADURO BIOTECH.
- 13.4.4 **Disposition of Remaining IDT Materials, Property, and Confidential Information.** Upon termination or expiration of this Agreement, ADURO BIOTECH will store any remaining IDT property and, at IDT's option, return or destroy any IDT property and Confidential Information in the possession or control of ADURO BIOTECH. Likewise, ADURO BIOTECH will, at IDT's option, return or destroy any IDT Confidential Information in the possession or control of ADURO BIOTECH. Notwithstanding the foregoing provisions: (i) ADURO BIOTECH may retain and preserve, at its sole cost and expense, samples and standards of each Product following termination or expiration of this Agreement solely for use in determining ADURO BIOTECH's rights and obligations

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hereunder; and (ii) each Party may retain a single copy of the other Party's Confidential Information for documentation purposes only and which shall remain subject to the obligations of nonuse and confidentiality set forth in this Agreement.

- 13.5 **No Liability.** Neither Party shall incur any liability whatsoever for any damage, loss or expense of any kind suffered or incurred by the other (or for any compensation to the other) arising from or incident to such Party's termination of this Agreement which complies with the terms of this Agreement whether or not such Party is aware of any such damage, loss or expense.
- 13.6 **Survival of Certain Provisions.** Termination or expiration this Agreement for any reason shall not affect the rights, obligations and responsibilities of the Parties pursuant to Sections 2.7.4, 2.8, 2.9, 3.3, 5.6.4 and 13.4 and Articles 7, 8, 9, 10, 11, 12, 15 and 16 all of which survive any termination, along with any additional terms in this Agreement necessary to give effect to such provisions.

#### ARTICLE 14: ALLIANCE MANAGER(S)

- 14.1 **Alliance Managers.** Each Party shall appoint one or more managers ("Alliance Manager(s)") to serve as the point of contact for communications between the Parties on matters arising under this Agreement.
- 14.2 **Responsibility.** Each Party's Alliance Manager(s) shall be primarily responsible for reporting to the other Party's Alliance Manager(s) on the progress of the activities for which said Party is responsible as set forth in the Work Plan and each Alliance Manager shall in general provide the opportunity to exchange views and to discuss issues in relation to IDT's and ADURO BIOTECH's obligations under this Agreement.
- 14.3 **Meetings.** The Alliance Managers from IDT and ADURO BIOTECH shall meet in person or by video or telephone conference not less than once every calendar month during the Term of this Agreement. Written minutes shall be kept of each meeting between the Alliance Managers from IDT and ADURO BIOTECH.

#### ARTICLE 15: DISPUTE RESOLUTION

- 15.1 **Dispute Resolution Procedures.** If a Party has a dispute with the other Party, then the Party raising the dispute may send a Notice (the "Notice of Dispute") of the dispute to the other Party. The Notice of Dispute must thoroughly describe the basis for the dispute.
- 15.1.1 **Senior Executives.** With respect to a Notice of Dispute, the Parties, through appropriately senior executives who are authorized to resolve the dispute on behalf of their respective company, shall first meet and attempt to resolve the dispute in face-to-face or telephonic negotiations. This first attempt at resolution shall occur within [ \* ] days upon receipt of Notice

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of Dispute by a Party of such dispute. If no resolution is reached through the Senior Executives within [ \* ] days of the first attempt to resolve the dispute, each Party is entitled to have the dispute be resolved by binding arbitration before an arbitrator appointed in accordance with the Rules of Arbitration of the International Chamber of Commerce (the "ICC") with no less than [ \* ] years of experience in the biotechnology industry, including experience in manufacturing or other contract disputes with respect thereto. The Parties agree that the Arbitration shall take place only before the ICC (and no other tribunal) and shall be under the rules of procedure of the ICC in conjunction with the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention").

- 15.1.2 Venue. The venue for any arbitration under this Article shall be New York, and the language of the proceedings (including all documentation) shall be in English.
- 15.1.3 Damages. Damages shall be governed by the limitation of liability clause in Section 10.3, as well as any other relevant clauses in this Agreement.
- 15.1.4 Final Judgment. The Parties irrevocably agree that a final judgment in any arbitration proceeding relating to this Agreement shall be binding (except for manifest error) and shall be enforceable in any court having jurisdiction thereof, provided, however, that the arbitrators shall not have authority to alter any explicit provision of this Agreement.

#### ARTICLE 16: MISCELLANEOUS

- 16.1 Notices. Notices by either Party to the other Party shall be sent to the address below:

If to IDT:

IDT Biologika GmbH  
Attn: CEO  
Am Pharmapark  
D-06861 Dessau-Rosslau  
Germany  
Fax: [ \* ]

If to ADURO BIOTECH:

Aduro BioTech, Inc.  
Attn.: Director, Technical Operations and Biodefense  
626 Bancroft Way, 3C

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or to such other address as the addressee shall have last furnished in writing to the addressor.

16.2 **Severability.** In the event that any provision of this Agreement is judicially determined to be void or unenforceable, such provision shall be construed to be separable from the other provisions of this Agreement and the other provisions of this Agreement shall remain in full force and effect. Notwithstanding the foregoing, if a provision is judicially determined to be void or unenforceable and that provision is essential to the purpose of the Agreement such that separating that provision from the Agreement would frustrate the original purpose of the Agreement, then there shall be no separation and the entirety of the Agreement shall be deemed void and unenforceable.

16.3 **Special Transactions.**

16.3.1 For purposes of this Section 16.3, (a) the assignment by either Party of its rights and obligations under this Agreement to an Affiliate or as part of a merger, consolidation, or a sale of all or substantially all of such Party's assets, to a Third Party, (b) the sale by ADURO BIOTECH to a Third Party of all of its business and/or all of its assets to which this Agreement relates, (c) the sale by ADURO BIOTECH to a Third Party of all of its business and/or assets related to the Product, and (d) the acquisition of Control, directly or indirectly, of either Party by a Third Party or by an Affiliate of said Party, are all referred to herein as "Special Transactions".

16.3.2 Notwithstanding the foregoing provisions, the events described in Sections 16.3.1 (b), (c) and (d) above shall only constitute Special Transactions if the pro forma financial condition of the Third Party or Affiliate referenced therein immediately following consummation of the Special Transaction as reasonably determined by IDT's independent accountants in accordance with internationally generally accepted accounting principles, is comparable to or better than the financial condition of ADURO BIOTECH immediately prior to the consummation of such Special Transaction. ADURO BIOTECH shall cooperate with said accountants in making said determination of financial condition by providing to IDT, without undue delay, such financial statements and documents as are reasonably requested by IDT and reasonably sufficient for said purpose.

16.3.3 Neither Party shall have a right, directly or indirectly, to assign or to transfer or to otherwise make this Agreement part of any transaction, without the Consent of the other Party, which Consent shall not be unreasonably withheld or delayed, provided, however, that each Party

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may engage in any Special Transaction without the other Party's Consent, subject to the provisions of Sections 16.3.2, 16.3.4 and 16.3.5. Any permitted assignment of this Agreement by either Party will be conditioned upon such Party's permitted assignee agreeing in writing to comply with all the terms and conditions contained in this Agreement. In the event that such permitted assignee does not agree in writing to so comply, the assignment shall not be permitted.

16.3.4 As part of any such Special Transaction, the Party engaged in such Special Transaction shall cause this Agreement in its entirety, without alteration, modification or amendment of any kind whatsoever (other than minor changes that are necessary to account for the assignment in connection with the Special Transaction), to be assigned or transferred or otherwise made part of the Special Transaction. Not less than [ \* ] Business Days prior to the occurrence of any such Special Transaction, said Party engaged therein shall send to the other Party a Notice, signed by an officer of said Party, that: (a) informs the other Party of the date of the Special Transaction; (b) identifies the Third Party or the Affiliate involved in said Special Transaction, as applicable; and (c) certifies that this Agreement in its entirety, without alteration, modification or amendment of any kind whatsoever (other than minor changes that are necessary to account for the assignment of the Special Transaction), will be assigned or transferred pursuant to such Special Transaction and remains in full force and effect in accordance with its terms and that this Agreement has not be amended in any material manner. Notice confirming assignment will be sent without undue delay after the Special Transaction is closed.

16.3.5 The assigning or selling Party shall be liable for all damages incurred by the other Party for the assigning Party's failure to comply with the provisions of Section 16.3.3 and Section 16.3.4 above.

16.4 **Headings.** All headings, titles, and captions in this Agreement are for convenience purposes only and shall not be of any force or substance.

16.5 **Waiver.** Failure by either Party to enforce any rights under this Agreement shall not be construed as a waiver of such rights nor shall a waiver by either Party in one or more instances be construed as constituting a continuing waiver or as a waiver in other instances. No waiver by any Party of any term, provision or condition contained in this Agreement (including any exhibit hereto), whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, provision or condition or of any other term, provision or condition of this Agreement (including any exhibit hereto).

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- 16.6 **Public Disclosure.** No Party shall disclose to any Third Party or originate any publicity, news release or public announcement, written or oral, whether to the public or the press, or otherwise, referring to the terms of this Agreement, the performance under it or any of its specific terms and conditions, except by such announcements as are: (i) mutually agreed upon by the Parties in writing; or (ii) required by law or regulation. If a Party believes a public announcement to be required by law or regulation with respect to this Agreement, it will give the other Party such Notice as is reasonably practicable and an opportunity to comment upon the announcement.
- 16.7 **Independent Contractor.** Each Party is acting under this Agreement as an independent contractor and not as the partner, joint venturer, agent, or employee of the other Party. Each Party understands and agrees that it has no authority to assume any obligation on behalf of the other Parties and that it shall not hold out to Third Parties that it has any authority to act on any other Party's behalf except as expressly permitted herein.
- 16.8 **Performance by Affiliates.** Each Party may have one or more Affiliates perform or otherwise act on its behalf under this Agreement (including Exhibits). Each Party shall be responsible for the compliance by its Affiliates performing or otherwise acting under this Agreement on its behalf with the terms and conditions of this Agreement.
- 16.9 **Entire Agreement.** This Agreement (including, the Exhibits hereto) constitutes the entire Agreement between the Parties concerning the subject matter of said Agreement, and supersedes all written or oral Agreements or understandings with respect thereto.
- 16.10 **Force Majeure.**
- 16.10.1 **Force Majeure.** Any delay in the performance of any of the duties or obligations of either Party (except the payment of money hereunder) shall not be considered a breach of this Agreement; provided that such delay has been caused by or is the result of circumstances beyond the reasonable control of the relevant Party which may include acts of God, acts of the public enemy, war, civil commotion, terrorism, epidemic disease, quarantine restrictions, freight embargoes, unusually severe weather, insurrections, riots, embargoes, general labor disputes or strikes, fires, explosions, shortages of energy, accident, fire, flood, storm, earthquake, government action or inaction in its sovereign capacity (including acts of any country to which Product is supplied by ADURO BIOTECH or Germany, and/or an act by any political subdivision thereof), or other unforeseen causes, in each case provided that such delay is beyond the reasonable control and without the fault or negligence of the Party so affected (each a "Force Majeure Event"). Notwithstanding the foregoing, in the event of a complete or partial regulatory shutdown of

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a facility or service or other act by a Regulatory Authority that (a) specifically impacts a Party's operations (i.e., without shutting down facilities owned by Third Parties) and (b) is due to a Party's negligence, willful misconduct or non-compliance with Applicable Laws, such shutdown shall not constitute a "Force Majeure Event".

- 16.10.2 **Notice.** If either Party is affected by a Force Majeure Event, the affected Party shall Notify the other Party within three (3) days of the Force Majeure Event which caused, threatens to cause or will cause a delay in performance under this Agreement. The affected Party shall take reasonable actions to avoid, mitigate or remove the cause of the affected Party's non-performance.
- 16.10.3 **No Breach.** Neither Party shall be in breach of this Agreement, nor otherwise be liable to the other Party by reason of any delay in performance, or non-performance, of any of its obligations hereunder to the extent that such delay or non-performance is due to any Force Majeure Event of which it has notified the other Party and the time for performance of that obligation shall be extended accordingly.
- 16.10.4 **Cooperation.** The Parties shall cooperate in good faith to reschedule any Manufacture of Product that has been delayed or postponed by reason of a Force Majeure Event.
- 16.10.5 **Termination.** In the event that a Force Majeure Event continues for more than [ \* ] months, the Parties will use good faith efforts to work out a mutually agreeable solution. Should no mutually agreeable solution be found within a further period of six (6) months, either Party may terminate this Agreement upon notice to the other Party.
- 16.11 **Counterparts.** This Agreement shall be signed in two (2) counterparts each of which shall be deemed to be an original and both of which taken together shall constitute one and the same instrument. Facsimile or e-mail transmission of executed counterparts of this Agreement shall constitute evidence of the execution of this Agreement by the Parties.
- 16.12 **Governing Law.** This Agreement will be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to its conflicts of law provisions; provided, however, that the arbitration undertaking provided for in Section 15.1.1 of this Agreement shall be governed by and construed and interpreted in accordance with the New York Convention and the implementing U.S. legislation, 9 U.S.C. sections 101 et seq. The 1980 U.N. Convention on the International Sale of Goods shall not apply to this Agreement. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER, IT BEING

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AGREED THAT ALL DISPUTES WILL BE RESOLVED PURSUANT TO THE DISPUTE RESOLUTION PROCEDURES SET FORTH IN ARTICLE 15 OF THIS AGREEMENT.

16.13 **Exhibits**. All exhibits referred to herein form an integral part of this Agreement and are incorporated into this Agreement by such reference.

16.14 **No Presumption Against Drafter**. For purposes of this Agreement, the Parties hereby waive any rule of construction that requires that ambiguities in this Agreement (including any exhibit hereto) be construed against the drafter.

### **PART III: EXHIBITS**

**EXHIBIT A** WORK PLAN AND SERVICE FEES

**EXHIBIT B** QUALITY AGREEMENT

**EXHIBIT C** EQUIPMENT

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## BANCROFT WAY, LLC

## Fourth Addendum to Office Lease

THIS FOURTH ADDENDUM TO OFFICE LEASE (the "Fourth Addendum") is made and entered into as of February 20, 2015, by and between **BANCROFT WAY, LLC**, a California limited liability company ("Landlord") and **ADURO BIOTECH, INC.**, a Delaware corporation, the successor in interest to Oncologic, Inc. ("Tenant").

## Recitals

A. Landlord and Tenant or its predecessor have heretofore entered into that certain lease dated June 1, 2005 (the "Lease") for premises described as Suite C (the "Premises"), initially containing approximately 8,073 rentable square feet, in the building located at 626 Bancroft Way, Berkeley, California (the "Building"), which forms part of the mixed-use building development commonly known as the 600-630 Bancroft Way Development (the "Development") with a street address of 600-630 Bancroft Way, Berkeley, California. The square footage of the Development is 48,358.

B. The Lease has heretofore been amended or assigned by the following instruments: (i) letter agreement dated September 1, 2008 (the "First Letter Agreement"), under which the Term of the Lease was extended through August 31, 2010; (ii) letter agreement dated February 11, 2010 (the "Second Letter Agreement", under which the Term of the Lease was extended through August 31, 2012; (iii) that certain First Addendum to Office Lease dated as of May 12, 2011 (the "First Addendum"), under which the Term of the Lease was extended through August 31, 2014, and the Premises were expanded by the addition thereto of approximately 5,800 rentable square feet of space known as Suite D in the Building; (iv) that certain Second Addendum to Office lease dated as of May 1, 2013 (the "Second Addendum"), under which the rentable square footage of Suite C increased from its former level of 8,073 rentable square feet of space to **8,421** square feet of rentable space and the Term of the Lease was extended for an additional period of two (2) years; and (v) that certain Third Addendum to Office Lease dated as of April 28, 2014 (the "Third Addendum"), under which the parties agreed to expend the Premises by the addition thereto of Suite B in the Building containing approximately 3,990 rentable square feet of space and certain other related changes.

C. The parties mutually desire to amend the terms of the Lease to expand the Premises, to extend the Term, and to make certain other related changes, all on and subject to the terms and conditions hereof.

## Agreement

Now, therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1 EFFECT OF ADDENDUM.** Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth below will be deemed to be part of the Lease and shall supersede, to the extent they differ, any contrary provisions in the Lease. Terms defined in the Lease shall have the same meanings in this Fourth Addendum, unless a different definition is set forth in this Fourth Addendum. The term *Lease* as used herein shall be deemed to include the First Letter Agreement, the Second Letter Agreement, the First Addendum, the Second Addendum, and the Third Addendum, each of which may also be referred to separately herein. A true, complete, and correct copy of the Lease as heretofore amended is attached hereto as **Exhibit A** and incorporated herein by reference.

**2 EFFECTIVE DATE.** The amendments and changes specified in this Fourth Addendum shall become effective on **March 9, 2015** (the "Effective Date"). Notwithstanding the foregoing, this Fourth Addendum shall constitute the fully-binding agreement and contract of the parties from and after the date of the parties' execution and delivery of this Fourth Addendum to each other.

**3 LEASE TERM.** The Term of the Lease specified in § 1.2 of the Lease as heretofore amended under the Second Addendum shall extended for an additional period of twenty-eight (28) months commencing on September 1, 2016, and the Expiration Date is thus amended to December 31, 2018.

**3.1 Option to Renew.** Tenant is hereby granted one (1) option to extend (the “Extension Option”) the Term of the Lease for one (1) additional period of two (2) years (the “Extension Period”). For the avoidance of doubt, this Extension Option supersedes and cancels all previous options grants under the Lease as heretofore amended, including the options stated in the First Addendum and the Third Addendum, and Landlord’s nullification right stated in ¶ 4.1(b) of the First Addendum is hereby deleted and of no further force or effect. The Extension Period term shall begin the first day following the Expiration Date and shall take effect on the same terms and conditions in effect under the Lease on December 31, 2018, except that (i) Tenant shall have no further option to extend the Term of the Lease and (ii) monthly Base Rent shall be the rate which is Fair Market Value (as defined below). The “Fair Market Value” shall be the effective rent (face rate less free rent) being charged for comparable space in comparable buildings in the vicinity of the Building leased on comparable terms and shall be limited the rates charges in such comparable transactions for tenants renewing or extending their leases.

**(a) Exercise of Option.** The Extension Option may be exercised only by (i) delivering in person to Landlord’s Building Manager in the Building Office written notice of Tenant’s irrevocable election to exercise no earlier than ten (10) months and no later than six (6) months prior to the commencement of the Extension Period, and (ii) collecting and retaining in exchange for such notice of exercise an original written receipt therefor signed and dated by Landlord’s Building Manager. Tenant’s exercise of its Extension Option shall not be effective or valid if there is any deviation in the timing or manner of exercise prescribed herein.

**(b) Failure to Exercise.** If Tenant shall fail validly and timely to exercise the Option herein granted, said Option shall terminate and shall be null and void and of no further force and effect.

**(c) Fair Market Value.** Provided that Tenant has validly exercised its Option when and as required hereunder, not less than one hundred and eighty (180) days prior to the commencement of the Extension Period, Landlord shall provide written notice to Tenant of its determination of the Fair Market Value. Within ten (10) days after receiving such determination (“Tenant’s Review Period”), Tenant shall irrevocably elect, in writing, to do one of the following: (i) accept Landlord’s determination; or (ii) object to Landlord’s determination and with such objection set forth in writing Tenant’s determination of the Fair Market Value. If Tenant so objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Value using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant’s Review Period (the “Outside Agreement Date”), then each party’s determination shall be submitted to arbitration in accordance with the then-current rules and procedures of the American Arbitration Association, but subject to the instructions set forth in this ¶ 3.1 *et seq.* If Tenant objects to Landlord’s determination of Fair Market Value, Tenant shall pay Rent at the Fair Market Value determined by Landlord until the matter is resolved by binding arbitration as provided below subject to retroactive adjustment after the matter is so resolved. If Tenant fails so to accept or object to Landlord’s determination of Fair Market Value in writing within Tenant’s Review Period, Tenant shall conclusively be deemed to have approved of the Fair Market Value as determined by Landlord. The determination of the arbitrators shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this ¶ 3.1 *et seq.*

Fourth Addendum to Office Lease

Bancroft Way, LLC :: Aduro Biotech, Inc. fka NanoTx Corp.

**(d) Appointment of Arbitrators.** Not later than fifteen (15) days following the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator who shall by profession be a real estate broker who shall have been active over the ten-year period ending on the date of such appointment in the leasing of commercial properties within Alameda County. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this ¶ 3.1 *et seq.*

**(e) Appointment of Third Arbitrator.** The two (2) arbitrators so appointed shall within fifteen (15) days of the date of the appointment of the last-appointed arbitrator agree upon and appoint a third arbitrator, who shall be qualified under the same criteria as set forth hereinabove for qualification of the initial two arbitrators.

**(f) Arbitrators' Decision.** The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Value, and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant. The arbitrators shall not be permitted to set Fair Market Value to any level other than either Landlord's or Tenant's submitted Fair Market Value.

**(g) Failure to Appoint.** If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of the parties shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant. If the two (2) arbitrators fail to agree upon and appoint a third arbitrator, both arbitrators shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the Commercial Arbitration Rules of the American Arbitration Association then in effect, but subject to the instructions set forth in this ¶ 3.1 *et seq.*

**(h) Cost of Arbitration.** The cost of arbitration shall be paid by Landlord and Tenant equally.

**(i) Default.** Tenant's exercise of the Option shall, at Landlord's election, be null and void if Tenant is in Default on the date of Tenant's notice of exercise or at any time thereafter and prior to commencement of the Extension Period. Tenant's exercise of the Extension Option shall not operate to cure any Default by Tenant nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Default. If the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the Extension Option, then immediately upon such termination the Extension Option shall simultaneously terminate and become null and void.

**(j) Time.** Time is of the essence of the Extension Option granted hereunder.

**4 EXPANSION OF PREMISES.** On the Effective Date the Premises shall be expanded by the addition thereto of Suite A in the Building containing approximately 6,476 rentable square feet of space (the "Expansion Space" or "Suite A") for all purposes under the Lease, as reflected in the Table below and as depicted on the space plan attached hereto as **Exhibit B** and incorporated herein by reference (the "Space Plan"). All references in the Lease to the "Premises" shall refer to Premises as so augmented by the addition thereto of Suite A from and after **March 9, 2015** (the "Expansion Space Commencement Date"). From and after the Expansion Space Commencement Date, Suite A shall become an integral part of the Premises pursuant to the basic terms specified in the Table below regarding Term, Base Rent, Tenant's Share of increases in Operating Expenses and Taxes, and the Base Year for the purposes of calculating Additional Rentable payable with respect to Suite A.

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Bancroft Way, LLC :: Aduro Biotech, Inc. fka NanoTx Corp.

**4.1 Right of First Offer.** Tenant shall have a continuing right of first opportunity (the “RFO”) to lease any space in the Development that becomes available from time to time during the Term of the Lease as extended hereunder (the “RFO Space”), prior to the RFO Space’s being offered to a third party, on the terms then in effect under the Lease as modified herein, subject to the terms and conditions set forth in this ¶ 4.1 *et seq.*

**4.1.1 Landlord’s Notice.** Within thirty (30) days after any RFO Space becomes legally available to lease or, at Landlord’s option, such earlier time as Landlord shall be in a position to project when the RFO Space will be legally available to lease, Landlord shall notify Tenant in writing advising Tenant of such projected date.

**4.1.2 Tenant’s Exercise.** Promptly after receipt of Landlord’s notice of availability, Landlord and Tenant shall meet to discuss and attempt in good faith to agree on the term and base rent that would be applicable to the RFO Space; provided, however, in no event shall the base rent for the RFO Space exceed the rate which is Fair Market Value. Tenant shall then have fourteen (14) days after receipt of Landlord’s notice of availability issued pursuant to ¶ 4.1.1 above in which to notify Landlord in writing that Tenant irrevocably exercises Tenant’s right to lease the RFO Space on the terms described herein. If the parties fail to come to agreement as to the base rent and term that would be applicable to Tenant’s lease of the RFO Space, Tenant’s RFO shall lapse, and Landlord thereafter may rent the RFO Space to a third party on such terms and conditions as Landlord is able to negotiate with such third party, and Tenant shall have no further right with respect to such particular RFO Space. The process of notice of availability, negotiation of terms, and notice of exercise shall be repeated each time a new RFO Space becomes available to lease, and Tenant’s failure to exercise its RFO as to any particular RFO Space shall not prejudice its right to receive notice and negotiate as to the lease of any subsequent RFO Space that may become available during the Term of the Lease.

**4.1.3 Failure to Exercise.** If Tenant shall fail to exercise such RFO after notice by Landlord of the availability of any particular RFO Space, as provided herein, such right shall be deemed to have lapsed and expired, and shall be of no further force or effect. Landlord may thereafter freely lease all or a portion of such particular RFO Space to any other party, at any time, on any terms, in Landlord’s sole discretion.

**4.1.4 Commencement and Term.** If Tenant exercises its RFO as to any particular RFO Space that may become available from time to time, the term of the Lease for such particular RFO Space shall commence on the date agreed by the parties with respect to such RFO Space (the “RFO Commencement Date”) and shall continue thereafter for the term agreed by the parties, which Tenant acknowledges and agrees may extend beyond the Expiration Date of the Term of the Lease as extended hereunder.

**4.1.5 RFO Space Rent.** In addition to the Rent reserved in the Lease, Tenant shall pay Base Rent for any particular RFO Space at the such rate per rentable square foot per month as Landlord and Tenant may agree in their negotiation following Tenant’s receipt of Landlord’s notice of availability of each particular RFO Space as they become available from time to time, subject to adjustment on each Adjustment Date, as provided in the Lease. In addition, Tenant shall pay Tenant’s Prorata Share of Taxes and Operating Expenses for the RFO Space, and Tenant’s Prorata Share shall be increased accordingly to reflect the addition of the RFO Space to the Premises.

**4.1.6 Tenant’s Improvements.** Unless agreed otherwise in the parties’ negotiation following Tenant’s receipt of Landlord’s notice of availability of each particular RFO Space as they become available from time to time, Landlord shall have no obligation to improve the RFO Space for Tenant, to provide any tenant improvement allowance, or otherwise to construct or finance any improvements which Tenant may desire in the RFO Space.



**4.1.7 Confirmatory Documentation.** After Tenant validly exercises the right of first opportunity provided herein, the parties shall execute an amendment to the Lease, adding the RFO Space, or such other documentation as Landlord or Tenant shall reasonably require, promptly after Landlord shall prepare the same, in order to confirm the leasing of such RFO Space to Tenant; but an otherwise valid exercise of the RFO contained herein shall be fully effective, whether or not such confirmatory documentation is executed.

**4.1.8 Entire RFO Space.** The foregoing right of first opportunity shall apply only with respect to the entire RFO Space offered to Tenant from time to time and may not be exercised with respect to only a portion thereof, unless only a portion shall first become available (in which case, the foregoing right of first opportunity shall apply to such portions, as the same become available).

**4.1.9 Delay in Delivery.** If Tenant shall exercise the right of first opportunity granted herein, Landlord does not guarantee that the any particular RFO Space will be available on the agreed RFO Commencement Date, if the then existing occupants of the RFO Space shall hold over, or for any other reason beyond Landlord's reasonable control. In such event, the agreed Rent with respect to the RFO Space shall be abated until Landlord legally delivers the same to Tenant, as Tenant's sole recourse.

**4.1.10 Tenant's Default.** The RFO herein shall, at Landlord's election, be null and void, if Tenant is in Default on the date Tenant exercises the RFO as to any particular RFO Space or at any time thereafter and prior to the agreed RFO Commencement Date. Tenant's exercise of such RFO shall not operate to cure any Default nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Default. If the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the RFO, then immediately upon such termination the RFO shall simultaneously terminate and become null and void.

**4.1.11 Time.** Tenant agrees that time is of the essence of this RFO.

**4.2 Asbestos TEM Move Credit.** Tenant agrees to pay to Asbestos TEM, the current occupant of Suite A, an amount equal to Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Move Credit") as an inducement to Asbestos TEM to relocate its Premises from Suite A to approximately 5,500 rentable square feet of space known as Suites A & D of Building 1 in the Development. Tenant acknowledges that the payment of the Move Credit to Asbestos TEM is for the express benefit of Landlord as an intended third-party beneficiary, and Tenant's failure to pay the Move Credit to Asbestos TEM as and when required hereunder shall constitute a material Event of Default under the Lease. Tenant shall pay the Move Credit to Asbestos TEM on or before the Expansion Space Commencement Date, and Tenant shall provide further commercially reasonable assistance with the relocation of Asbestos TEM as provided in ¶ 4.2.1 below. Tenant agrees that Asbestos TEM shall have the right to allocate and spend the Move Credit in any manner decided by Asbestos TEM in its sole and absolute discretion, subject to Tenant's right to review Asbestos TEM's accounting of its relocation costs as set forth in ¶ 6.1 below.

**4.2.1 Asbestos TEM Move Assistance.** In addition to payment of the Move Credit as described in ¶ 4.1.1 above, Tenant agrees, for the benefit of Landlord as an intended third-party beneficiary, to utilize commercially reasonable efforts to assist Asbestos TEM with the management of its relocation to Building 1 to the extent such assistance is requested by Asbestos TEM. In addition, on or before the date which is ten (10) days after the Effective Date Tenant agrees to make available to Asbestos TEM two (2) existing six-foot fume hoods with acid base cabinets from Suite A and to permit Asbestos TEM at its sole cost and expense to relocate the same into Asbestos TEM's relocation premises in Building 1, if such fume hoods and cabinets have not already been removed and relocated by the Effective Date.

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[Suites A, B, C & D, (24,339 rsf)]

**5 BASE YEAR.** As specified in the Table below, the Base Year for the purposes calculating Tenant’s Additional Rent under § 2.3 of the Lease as heretofore amended shall be calendar year 2013 from and after the Expansion Space Commencement Date.

**6 MONTHLY BASE RENT.** The Base Rent for the Premises specified in § 2(a) of the Lease as heretofore amended shall be the amounts specified as Monthly Base Rent in the Table below for the various periods and spaces set forth in the Table from and after the Effective Date. For the avoidance of doubt and in order to clarify the parties’ agreement hereunder, the Monthly Base Rent numbers shown in the Table reflect the Base Rent in effect on the original Commencement Date of the Lease as increased by the Base Rent Adjustment as provided in § 2.2 of the Lease. The parties agree that application of the Base Rent Adjustment has resulted in a Base Rent rate of \$1.79 per rentable square foot of space as to Suites B, C, and D, which rate has been in effect since September 1, 2014. The Base Rent specified in the Table below for the entire Premises shall be subject to further adjustment on the next Adjustment Date and each subsequent Adjustment Date through the Expiration Date.

**6.1 Suite A Prepaid Base Rent.** Tenant agrees to pre-pay to Landlord Base Rent with respect to Suite A in the amount of **Seventy-Five Thousand Dollars (\$75,000.00)** (the “Prepaid Base Rent”) upon Tenant’s execution and delivery of this Fourth Addendum to Landlord as an inducement to Landlord to complete the related leasing transaction necessary in the Development to accommodate Tenant’s expansion into Suite A. The schedule for applying the credit for the Prepaid Base Rent to Tenant’s account is set forth in ¶ 6.2 below. The parties acknowledge and agree that Landlord will use the Prepaid Base Rent to assist Asbestos TEM with the costs of its relocation as described in ¶ 4.2 above. Asbestos TEM has agreed that Landlord may share with Tenant its accounting of the costs of its relocation and its use of the Move Credit and the Prepaid Base Rent, and Landlord agrees to make Asbestos TEM’s accounting of its relocation costs available for Tenant’s review at no cost to Tenant.

**6.2 Timing of Base Rent Credits.** Commencing on March 9, 2015, and on the first day of each calendar month thereafter, Landlord shall credit to Tenant’s account an amount equal to Twenty Thousand Dollars (\$20,000.00) per month as recognition of credit owing to Tenant by Landlord against the aggregate amount of (a) the Rent Credit (as defined in ¶ 8.1.2 below) plus (b) the Prepaid Base Rent (as defined in ¶ 6.1 above until the maximum aggregate amount of such credits (One Hundred Twenty-Nine Thousand Dollars (\$129,000.00)) has been used up and credited to Tenant’s account for Base Rent owing under the Lease.

**7 SUMMARY TABLE.** The Table set forth in § 1 of the Lease as heretofore amended is hereby superseded and replaced in its entirety by the following table, which shall constitute the Table under § 1 of the Lease for all purposes from and after the Effective Date of this Fourth Addendum:

<u>Period</u>	<u>Suite No.</u>	<u>Square Footage</u>	<u>Monthly Base Rent</u>	<u>Pro Rata Share</u>	<u>Base Year</u>
March 9, 2015 thru August 31, 2015	C	8,421	\$15,073.59	51.050%	2013
	D	5,800	\$10,382.00		
	B	3,990	\$ 7,142.10		
	A	6,476	\$14,247.20		
September 1, 2015 thru December 31, 2018	C	8,421	\$15,073.59	51.050%	2013
	D	5,800	\$10,382.00		
	B	3,990	\$ 7,142.10		
	A	6,476	\$14,247.20		

**8 CONDITION OF PREMISES.** Tenant shall accept the Expansion Space, any existing Improvements in the Expansion Space, and the Systems and Equipment serving the same in an “as is” condition on the Expansion Space Commencement Date, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Expansion Space in connection with Tenant’s occupancy of the Premises as expanded by the Expansion Space from and after the Expansion Space Commencement Date.

**8.1 Tenant’s Work.** The facilities, materials, and work to be furnished, installed, and performed in Suite A by Tenant are referred to as the “Tenant’s Work,” which shall include any and all installations, materials, and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate, and furnish the Expansion Space for Tenant’s occupancy and shall include the connection and/or rewiring of Tenant’s telephone and data lines. Tenant shall not permit any liens to accrue or be filed against the Building or Development in connection the Tenant’s performance of Tenant’s Work; provided, however, Tenant shall have the right to furnish a surety bond in the amount of a contested lien and to contest the validity of any such lien filed without the same being an Event of Default. Tenant’s Work shall be completed in compliance with all applicable Laws and codes and in accordance with the highest standards of best construction practices. The parties agree that Tenant’s Work, to be completed by Tenant under Landlord’s supervision, as provided in the Lease, at Tenant’s sole cost and expense as soon as reasonably feasible after the Effective Date, shall be planned, approved, and completed in accordance with ¶¶ 8.1.1 through 8.1.4 below.

**8.1.1 Plans & Approval.** Tenant shall submit plans for any and all Tenant’s Work to Landlord for approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall comply with all applicable Laws in connection with the performance of Tenant’s Work.

**8.1.2 Cost of Tenant’s Work and Rent Credit.** Notwithstanding anything to the contrary herein, Tenant shall bear the entire cost of Tenant’s Work described in ¶ 8.1 above at Tenant’s sole cost and expense; provided, that Landlord shall extend to Tenant a credit against the Base Rent first due under the Lease with respect to Suite A in an amount equal to a maximum of **Sixty-Four Thousand Dollars (\$64,000.00)** (the “Rent Credit”), subject to the terms and conditions stated in this ¶ 8.1.2. The Rent Credit shall be credited to Tenant only to the extent that Tenant expends an equal amount of money for the installation of tenant improvements in Suite A (“Tenant’s TI Spend”), and the amount of the Rent Credit shall be limited to a dollar-for-dollar match of the amount of Tenant’s TI Spend. The aggregate amount of Tenant’s TI Spend plus the Rent Credit shall be used only for the cost of construction of tenant improvements and fixtures (including the installation of Tenant’s furniture, trade fixtures, and equipment in Suite A, but not the cost of purchasing any such items) and may not be used or expended for any other purpose. The schedule of application of the Rent Credit to Tenant’s account is set forth in ¶ 6.2 above.

**8.1.3 Contractor & Vendor Selection.** Tenant shall have the right to select its own contractors and vendors for the performance of Tenant’s Work, subject to Landlord’s reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall give Landlord sufficient written notice before the commencement of any work so that Landlord can post notices of non-responsibility with respect to Tenant’s Work.

**8.1.4 Restoration.** Tenant shall have the right to configure its existing office and laboratory space to its own specifications, subject to Landlord’s reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed; provided, that Tenant shall be required to restore the Premises to their original condition on or before the Expiration Date as the same may be extended hereunder, unless Landlord’s waives the restoration requirement in writing in connection with granting its consent to any proposed changes.

**8.2 Notice of Defects.** It shall be conclusively presumed that the Expansion Space was in satisfactory condition (except for latent defects) as of the Expansion Space Commencement Date, unless within thirty (30) days after the Expansion Space Commencement Date Tenant shall give Landlord notice in writing specifying the respects in which the Expansion Space was not in satisfactory condition.

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**9 SECURITY DEPOSIT.** Tenant's Security Deposit specified in § 3 of the Lease as heretofore amended shall be increased in consequence of the parties' execution and delivery of this Fourth Addendum to each other from its current level to **Nintey-Five Thousand Sixty-One Dollars and Forty-Two Cents (\$95,061.42)**. Tenant shall pay the increase in the Security Deposit to Landlord upon Tenant's execution and delivery of this Fourth Addendum to Landlord. Tenant shall have the right to deliver up to a maximum of fifty percent (50%) of the Security Deposit to Landlord in the form of an irrevocable on-demand sight-draft letter of credit in a form reasonably satisfactory to Landlord and drawn on an institution reasonably satisfactory to Landlord.

**10 ACCESS INSPECTION DISCLOSURE.** Pursuant to California Civil Code § 1938, Landlord hereby notifies Tenant that, as of the date of this Fourth Addendum, the Premises have not undergone inspection by a "Certified Access Specialist" to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code § 55.53, and the Premises have not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code § 55.53.

**11 NO DISCLOSURE.** Tenant agrees that it shall not disclose any of the matters set forth in this Fourth Addendum or disseminate or distribute any information concerning the terms, details, or conditions hereof to any person, firm, or entity without obtaining the express written approval of Landlord.

**12 DEFINED TERMS.** Terms used herein that are defined in the Lease shall have the meanings therein defined, unless a different definition is set forth in this Fourth Addendum. In the event of any conflict between the provisions of the Lease, and this Fourth Addendum, the terms of this Fourth Addendum shall prevail.

**13 SURVIVAL.** Warranties, representations, agreements, and obligations contained in this Fourth Addendum shall survive the execution and delivery of this Fourth Addendum and shall survive any and all performances in accordance with this Fourth Addendum.

**14 COUNTERPARTS.** This Fourth Addendum may be executed in any number of counterparts, which each severally and all together shall constitute one and the same Fourth Addendum.

**15 ATTORNEYS' FEES.** If any party obtains a judgement against any other party or parties by reason of breach of this Fourth Addendum, reasonable attorneys' fees and costs as fixed by the court shall be included in such judgement against the losing party or parties.

**16 SUCCESSORS.** This Fourth Addendum and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

**17 AUTHORITY.** Each of the individuals executing this Fourth Addendum represents and warrants that he or she is authorized to execute this Fourth Addendum on behalf of the party for whom he or she is executing this Fourth Addendum and that by his or her signature such party is legally bound by the terms, covenants, and conditions of this Fourth Addendum.

**18 GOVERNING LAW.** This Fourth Addendum shall be construed and enforced in accordance with the laws of the State of California.

**19 CONSENT.** This Fourth Addendum is subject to, and conditioned upon, any required consent or approval being granted without any fee or charge that is unacceptable to Landlord by Landlord's mortgagees or ground lessors. If any such consents shall be denied or granted subject to the payment of unacceptable fees or charges hereunder, the Lease shall remain in full force and effect. If Landlord fails to notify Tenant to the contrary within sixty (60) days after this Fourth Addendum has been executed and delivered by both parties, Tenant may assume that such consent has been granted, or that the same is not required.

**20 CONTINUING VALIDITY OF LEASE.** Except as expressly modified herein, the Lease remains in full force and effect.

**21 EXHIBITS.** The following exhibits have been attached to this Fourth Addendum by the parties prior to their execution and delivery of the same to each other, which are incorporated herein by reference:

## Exhibit A—The Lease

## Exhibit B—Space Plan

**22 WHOLE AGREEMENT.** The mutual obligations of the parties as provided herein are the sole consideration for this Fourth Addendum, and no representations, promises, or inducements have been made by the parties other than as appear in this Fourth Addendum, which supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Fourth Addendum. This Fourth Addendum may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this Fourth Addendum as of the date first above written.

*Landlord:*

*Tenant:*

**BANCROFT WAY, LLC**, a California limited liability company

**ADURO BIOTECH, INC.**, a Delaware corporation

By: /s/ S. Goldin

By: /s/ Gregory W. Schafer

S. Goldin

Gregory W. Schafer

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*[name typed]*

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[name typed]

Its: Managing Member

Its: COO

## Fourth Addendum to Office Lease

Bancroft Way, LLC :: Aduro Biotech, Inc. fka NanoTx Corp.

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[Suites A, B, C &amp; D, (24,339 rsf)]

Third Addendum to Office and Lab Lease

THIS THIRD ADDENDUM TO OFFICE LEASE (the "Third Addendum") is made and entered into as of April 28, 2014, by and between **BANCROFT WAY, LLC**, a California limited liability company ("Landlord") and **ADURO BIOTECH, INC.**, a Delaware corporation ("Tenant").

Recitals

A. Landlord and Tenant or its predecessor have heretofore entered into that certain lease dated June 1, 2005 (the "Lease") for premises described as Suite C (the "Premises"), initially containing approximately 8,073 rentable square feet, in the building located at 626 Bancroft Way, Berkeley, California (the "Building"), which forms part of the mixed-use building development commonly known as the 600-630 Bancroft Way Development (the "Development") with a street address of 600-630 Bancroft Way, Berkeley, California. The square footage of the Development is 48,358.

B. The Lease has heretofore been amended or assigned by the following instruments: (i) letter agreement dated September 1, 2008 (the "First Letter Agreement"), under which the Term of the Lease was extended through August 31, 2010; (ii) letter agreement dated February 11, 2010 (the "Second Letter Agreement", under which the Term of the Lease was extended through August 31, 2012; (iii) that certain First Addendum to Office Lease dated as of May 12, 2011 (the "First Addendum"), under which the Term of the Lease was extended through August 31, 2014, and the Premises were expanded by the addition thereto of approximately 5,800 rentable square feet of space known as Suite D in the Building; and (iv) that certain Second Addendum to Office lease dated as of May 1, 2013 (the "Second Addendum"), under which the rentable square footage of Suite C increases from its former level of 8,073 rentable square feet of space to **8,421** square feet of rentable space and the Term of the Lease was extended for an additional period of two (2) years.

C. The parties mutually desire to amend the terms of the Lease to expand the Premises and make certain other related changes, all on and subject to the terms and conditions hereof.

Agreement

Now, therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1 EFFECT OF ADDENDUM.** Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth below will be deemed to be part of the Lease and shall supersede, to the extent they differ, any contrary provisions in the Lease. Terms defined in the Lease shall have the same meanings in this Third Addendum, unless a different definition is set forth in this Third Addendum. The term *Lease* as used herein shall be deemed to include the First Extension Agreement, the Second Extension Agreement, and the First Addendum, and the Second Addendum, each of which may also be referred to separately herein. A true, complete, and correct copy of the Lease as heretofore amended is attached hereto as **Exhibit A** and incorporated herein by reference.

**2 EFFECTIVE DATE.** The amendments and changes specified in this Third Addendum shall become effective on **June 1, 2014** (the "Effective Date"). Notwithstanding the foregoing, this Third Addendum shall constitute the fully-binding agreement and contract of the parties from and after the date of the parties' execution and delivery of this Third Addendum to each other.

**3 LEASE TERM.** The Term of the Lease specified in § 1.2 of the Lease as heretofore amended under the Second Addendum shall remain unchanged, and the Expiration Date is August 31, 2016.

*Third Addendum to Office and Laboratory Lease  
Bancroft Way, LLC:: Aduro Biotech, Inc.  
page 1 of 6*

*[Suites B, C & D, 18,211 rsf)*

**1.1 Option to Renew.** Tenant is hereby granted one (1) option to extend (the “Extension Option”) the Term of the Lease for one (1) additional period of two (2) years (the “Extension Period”). The Extension Period term shall begin the first day following the Expiration Date and shall take effect on the same terms and conditions in effect under the Lease immediately prior to the first Extension Period, except that (i) Tenant shall have no further right to extend and (ii) monthly Base Rent shall be the rate which is Fair Market Value (as defined below). The Fair Market Value shall be the effective rent (face rate less free rent) being charged for comparable space in comparable buildings in the vicinity of the Building leased on comparable terms and shall be limited the rates charges in such comparable transactions for tenants renewing or extending their leases.

**(a) Exercise of Option.** The Extension Option may be exercised only by (i) delivering in person to Landlord’s Building Manager in the Building Office written notice of Tenant’s irrevocable election to exercise no earlier than ten (10) months and no later than six (6) months prior to the commencement of the Extension Period, and (ii) collecting and retaining in exchange for such notice of exercise an original written receipt therefor signed and dated by Landlord’s Building Manager. Tenant’s exercise of its Extension Option shall not be effective or valid if there is any deviation in the timing or manner of exercise prescribed herein.

**(b) Failure to Exercise.** If Tenant shall fail validly and timely to exercise the Option herein granted, said Option shall terminate and shall be null and void and of no further force and effect.

**(c) Fair Market Value.** Provided that Tenant has validly exercised its Option when and as required hereunder, not less than one hundred and eighty (180) days prior to the commencement of the Extension Period, Landlord shall provide written notice to Tenant of its determination of the Fair Market Value. Within ten (10) days after receiving such determination (“Tenant’s Review Period”), Tenant shall irrevocably elect, in writing, to do one of the following. (i) accept Landlord’s determination; or (ii) object to Landlord’s determination and with such objection set forth in writing Tenant’s determination of the Fair Market Value. If Tenant so objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Value using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant’s Review Period (the “Outside Agreement Date”), then each party’s determination shall be submitted to arbitration in accordance with the then-current rules and procedures of the American Arbitration Association, but subject to the instructions set forth in this § 1.1 *et seq.* If Tenant objects to Landlord’s determination of Fair Market Value, Tenant shall pay Rent at the Fair Market Value determined by Landlord until the matter is resolved by binding arbitration as provided below subject to retroactive adjustment after the matter is so resolved. If Tenant fails so to accept or object to Landlord’s determination of Fair Market Value in writing within Tenant’s Review Period, Tenant shall conclusively be deemed to have approved of the Fair Market Value as determined by Landlord. The determination of the arbitrators shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this § 1.1 *et seq.*

**(d) Appointment of Arbitrators.** Not later than fifteen (15) days following the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator who shall by profession be a real estate broker who shall have been active over the ten-year period ending on the date of such appointment in the leasing of commercial properties within Alameda County. The determination of the arbitrators shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this § 1.1 *et seq.*

*Third Addendum to Office and Laboratory Lease  
Bancroft Way, LLC:: Aduro Biotech, Inc.  
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*[Suites B, C & D, 18,211 rsf)*

**(e) Appointment of Third Arbitrator.** The two (2) arbitrators so appointed shall within fifteen (15) days of the date of the appointment of the last-appointed arbitrator agree upon and appoint a third arbitrator, who shall be qualified under the same criteria as set forth hereinabove for qualification of the initial two arbitrators.

**(f) Arbitrators' Decision.** The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Value, and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant. The arbitrators shall not be permitted to set Fair Market Value to any level other than either Landlord's or Tenant's submitted Fair Market Value.

**(g) Failure to Appoint.** If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of the parties shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant. If the two (2) arbitrators fail to agree upon and appoint a third arbitrator, both arbitrators shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the Commercial Arbitration Rules of the American Arbitration Association then in effect, but subject to the instructions set forth in this § 1.1 *et seq.*

**(h) Cost of Arbitration.** The cost of arbitration shall be paid by Landlord and Tenant equally.

**(i) Default.** Tenant's exercise of the Option shall, at Landlord's election, be null and void if Tenant is in Default on the date of Tenant's notice of exercise or at any time thereafter and prior to commencement of the Extension Period. Tenant's exercise of the Extension Option shall not operate to cure any Default by Tenant nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Default. If the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the Extension Option, then immediately upon such termination the Extension Option shall simultaneously terminate and become null and void.

**(j) Time.** Time is of the essence of the Extension Option granted hereunder.

**4 EXPANSION OF PREMISES.** On the Effective Date the Premises shall be expanded by the addition thereto of Suite B in the Building containing approximately 3,990 rentable square feet of space for all purposes under the Lease, as reflected in the Table below and as depicted on the space plan attached hereto as **Exhibit B** and incorporated herein by reference (the "Space Plan").

**5 BASE YEAR.** As specified in the Table below, the Base Year for the purposes calculating Tenant's Additional Rent under § 2.3 of the Lease as heretofore amended shall be calendar year 2013 from and after the Effective Date.

**6 MONTHLY BASE RENT.** The Base Rent for the Premises specified in § 2(a) of the Lease as heretofore amended shall be the amounts specified as Monthly Base Rent in the Table below for the various periods and spaces set forth in the Table from and after the Effective Date. For the avoidance of doubt and in order to clarify the parties' agreement hereunder, the Monthly Base Rent numbers shown in the Table reflect the Base Rent in effect on the original Commencement Date of the Lease as increased by the Base Rent Adjustment as provided in § 2.2 of the Lease. The parties agree that application of the Base Rent Adjustment has resulted in a Base Rent rate of \$1.74 per rentable square foot of space in the Premises, which rate has been in effect since September 1, 2013, subject to further adjustment on the next Adjustment Date.

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Bancroft Way, LLC:: Aduro Biotech, Inc.  
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*[Suites B, C & D, 18,211 rsf)*



**7 SUMMARY TABLE.** The Table set forth in § 1 of the Lease as heretofore amended is hereby superseded and replaced in its entirety by the following table, which shall constitute the Table under § 1 of the Lease for all purposes from and after the Effective Date of this Third Addendum:

<u>Period</u>	<u>Suite No.</u>	<u>Square Footage</u>	<u>Monthly Base Rent</u>	<u>Pro Rata Share</u>	<u>Base Year</u>
June 1, 2014 thru August 31, 2015	C	8,421	\$14,652.54	37.659%	2013
	D	5,800	\$10,092.00		
	B	3,990	\$ 6,942.60		
September 1, 2015 thru August 31, 2016	C	8,421	\$14,652.54	37.659%	2013
	D	5,800	\$10,092.00		
	B	3,990	\$ 6,942.60		

**8 CONDITION OF PREMISES.** Except as otherwise expressly provided in this ¶ 8 with respect to Landlord’s preparation of the Premises for Tenant’s continued occupancy, Tenant shall accept the Premises, any existing Improvements in the Premises, and the Systems and Equipment serving the same in an “as is” condition on the Effective Date, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Premises in connection with Tenant’s continued occupancy of the Premises from and after the Effective Date.

**8.1 Landlord’s Work.** Landlord agrees that all Systems and Equipment serving the Premises shall be in good working condition on the Effective Date, and Landlord further agrees to complete the following items (and the following items only) as soon as reasonably feasible after the Effective Date, in coordination with Tenant’s Work described below, at Landlord’s sole cost and expense (collectively “Landlord’s Work”), as shown on the Space Plan:

(i) moving the existing fire panel in Suite B from its current location to a new location of Landlord’s choosing out of the way of Tenant;

**8.2 Tenant’s Work.** The facilities, materials, and work to be furnished, installed, and performed in Suite B by Tenant are referred to as the “Tenant’s Work,” which shall include any and all installations, materials, and work which may be undertaken by or for the account of Tenant other than Landlord’s Work described in ¶ 8.1 above, to prepare, equip, decorate, and furnish Suite B and/or the Premises for Tenant’s continued occupancy and shall include the connection and/or rewiring of Tenant’s telephone and data lines. Tenant shall not permit any liens to accrue or be filed against the Building or Development in connection the Tenant’s performance of Tenant’s Work. Tenant shall obtain all necessary permits for Tenant’s Work, which shall be completed in compliance with all applicable Laws and codes and in accordance with the highest standards of best construction practices. The parties agree that Tenant’s Work, to be completed by Tenant under Landlord’s supervision, as provided in the Lease, at Tenant’s sole cost and expense as soon as reasonably feasible after the Effective Dave, shall be completed in accordance with ¶¶ 8.2.1 through 8.2.4 below.

**8.2.1 Plans & Approval.** Tenant shall submit plans for any and all Tenant’s Work to Landlord for approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall comply with all applicable Laws in connection with the performance of Tenant’s Work and shall be responsible for obtaining any required permits.

**8.2.2 Cost of Tenant’s Work and Rent Credit.** Notwithstanding anything to the contrary herein, Tenant shall bear the entire cost of Tenant’s Work described in ¶ 8.2 above at Tenant’s sole cost and expense.

**8.2.3 Contractor & Vendor Selection.** Tenant shall have the right to select its own contractors and vendors for the performance of Tenant's Work, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall give Landlord sufficient written notice before the commencement of any work so that Landlord can post notices of non-responsibility with respect to Tenant's Work.

**8.2.4 Restoration.** Tenant shall have the right to configure its existing office and laboratory space to its own specifications, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed; provided, that Tenant shall be required to restore the Premises to their original condition on or before the Expiration Date as the same may be extended hereunder, unless Landlord's waives the restoration requirement in writing in connection with granting its consent to any proposed changes.

**8.3 Notice of Defects.** It shall be conclusively presumed that the Premises including Suite B were in satisfactory condition (except for latent defects) as of the Effective Date, unless within thirty (30) days after the Effective Date Tenant shall give Landlord notice in writing specifying the respects in which the Premises Suite B were not in satisfactory condition. Nothing in this ¶ 8.7 shall excuse Landlord from its obligation to complete Landlord's Work

**9 SECURITY DEPOSIT.** Tenant's Security Deposit specified in § 3 of the Lease as heretofore amended shall be increased in consequence of the parties' execution and delivery of this Third Addendum to each other from its current level to **Ninety-Five Thousand Sixty One Dollars and 42/100 (\$95,061.42)**. Tenant shall pay the increase in the Security Deposit to Landlord upon Tenant's execution and delivery of this Third Addendum to Landlord. Tenant shall have the right to deliver up to a maximum of fifty percent (50%) of the Security Deposit to Landlord in the form of an irrevocable on-demand sight-draft letter of credit in a form reasonably satisfactory to Landlord and drawn on an institution reasonably satisfactory to Landlord.

**10 ACCESS INSPECTION DISCLOSURE.** Pursuant to California Civil Code § 1938, Landlord hereby notifies Tenant that, as of the date of this Third Addendum, the Premises have not undergone inspection by a "Certified Access Specialist" to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code § 55.53, and the Premises have not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code § 55.53.

**11 NO DISCLOSURE.** Tenant agrees that it shall not disclose any of the matters set forth in this Third Addendum or disseminate or distribute any information concerning the terms, details, or conditions hereof to any person, firm, or entity without obtaining the express written approval of Landlord.

**12 DEFINED TERMS.** Terms used herein that are defined in the Lease shall have the meanings therein defined, unless a different definition is set forth in this Third Addendum. The term *Lease* as used herein shall be deemed to include the Work Letter Agreement and the First Letter Agreement, each of which may also be referred to separately herein. In the event of any conflict between the provisions of the Lease, and this Third Addendum, the terms of this Third Addendum shall prevail.

**13 SURVIVAL.** Warranties, representations, agreements, and obligations contained in this Third Addendum shall survive the execution and delivery of this Third Addendum and shall survive any and all performances in accordance with this Third Addendum.

**14 COUNTERPARTS.** This Third Addendum may be executed in any number of counterparts, which each severally and all together shall constitute one and the same Third Addendum.

**15 ATTORNEYS' FEES.** If any party obtains a judgement against any other party or parties by reason of breach of this Third Addendum, reasonable attorneys' fees and costs as fixed by the court shall be included in such judgement against the losing party or parties.

**16 SUCCESSORS.** This Third Addendum and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

**17 AUTHORITY.** Each of the individuals executing this Third Addendum represents and warrants that he or she is authorized to execute this Third Addendum on behalf of the party for whom he or she is executing this Third Addendum and that by his or her signature such party is legally bound by the terms, covenants, and conditions of this Third Addendum.

*Third Addendum to Office and Laboratory Lease  
Bancroft Way, LLC:: Aduro Biotech, Inc.  
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*[Suites B, C & D, 18,211 rsf]*

**18 GOVERNING LAW.** This Third Addendum shall be construed and enforced in accordance with the laws of the State of California.

**19 CONSENT.** This Third Addendum is subject to, and conditioned upon, any required consent or approval being granted without any fee or charge that is unacceptable to Landlord by Landlord’s mortgagees or ground lessors. If any such consents shall be denied or granted subject to the payment of unacceptable fees or charges hereunder, the Lease shall remain in full force and effect. If Landlord fails to notify Tenant to the contrary within sixty (60) days after this Third Addendum has been executed and delivered by both parties, Tenant may assume that such consent has been granted, or that the same is not required.

**20 CONTINUING VALIDITY OF LEASE.** Except as expressly modified herein, the Lease remains in full force and effect.

**21 EXHIBITS.** The following exhibits have been attached to this Third Addendum by the parties prior to their execution and deliver of the same to each other, which are incorporated herein by reference:

- Exhibit A — The Lease**
- Exhibit B — Space Plan**

**22 WHOLE AGREEMENT.** The mutual obligations of the parties as provided herein are the sole consideration for this Third Addendum, and no representations, promises, or inducements have been made by the parties other than as appear in this Third Addendum, which supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Third Addendum. This Third Addendum may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this Third Addendum as of the date first above written.

*Landlord:*

*Tenant:*

**BANCROFT WAY, LLC**, a California limited liability company

**ADURO BIOTECH, INC.**, a Delaware corporation

By: /s/ Steven Goldin

By: /s/ Gregory W. Schafer

Steven Goldin  
[name typed]

Gregory W. Schafer  
[name typed]

Its: Managing Member

Its: COO

*Third Addendum to Office and Laboratory Lease  
Bancroft Way, LLC:: Aduro Biotech, Inc.  
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*[Suites B, C & D, 18,211 rsf)*

Exhibit B



630 BANCROFT  
BUILDING 3  
SUITE B  
Berkeley, CA

630 BANCROFT BAY  
FLOOR PLAN  
B3\_BC

Second Addendum to Office Lease

THIS SECOND ADDENDUM TO OFFICE LEASE (the "Second Addendum") is made and entered into as of May 1, 2013, by and between **BANCROFT WAY, LLC**, a California limited liability company ("Landlord") and **ADURO BIOTECH, INC.**, a Delaware corporation *fka* **NanoTx Corp.** ("Tenant").

Recitals

A. Landlord and Tenant or its predecessor have heretofore entered into that certain lease dated June 1, 2005 (the "Lease") for premises described as Suite C (the "Premises"), initially containing approximately 8,073 rentable square feet, in the building located at 626 Bancroft Way, Berkeley, California (the "Building"), which forms part of the mixed-use building development commonly known as the 600-630 Bancroft Way Development (the "Development") with a street address of 600-630 Bancroft Way, Berkeley, California. The square footage of the Development is 48,358.

B. The Lease has heretofore been amended or assigned by the following instruments: (i) letter agreement dated September 1, 2008 (the "First Letter Agreement"), under which the Term of the Lease was extended through August 31, 2010; (ii) letter agreement dated February 11, 2010 (the "Second Letter Agreement", under which the Term of the Lease was extended through August 31, 2012; and (iii) that certain First Addendum to Office Lease dated as of May 12, 2011 (the "First Addendum"), under which the Term of the Lease was extended through August 31, 2014, and the Premises were expanded by the addition thereto of approximately 5,800 rentable square feet of space known as Suite D in the Building.

C. Tenant was named NanoTx Corp. when it signed the Lease, although it did business as Aduro BioTech. Tenant has changed its corporate name to Aduro BioTech. Tenant has reincorporated in Delaware by merging into a Delaware corporation named Aduro BioTech, Inc.

D. The parties mutually desire to amend the terms of the Lease to extend the Term of the Lease and make certain other related changes, all on and subject to the terms and conditions hereof.

Agreement

Now, therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1 EFFECT OF ADDENDUM.** Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth below will be deemed to be part of the Lease and shall supersede, to the extent they differ, any contrary provisions in the Lease. Terms defined in the Lease shall have the same meanings in this Second Addendum, unless a different definition is set forth in this Second Addendum. The term *Lease* as used herein shall be deemed to include the First Extension Agreement, the Second Extension Agreement, and the First Addendum, each of which may also be referred to separately herein. A true, complete, and correct copy of the Lease as heretofore amended is attached hereto as **Exhibit A** and incorporated herein by reference.

**2 EFFECTIVE DATE.** The amendments and changes specified in this Second Addendum shall become effective from and after the date of the parties' execution and delivery of this Second Addendum to each other (the "Effective Date"), or, if later, on the specific date expressly associated with each change or modification of the Lease specified in this Second Addendum.

**3 EXTENSION OF LEASE TERM.** The Term of the Lease specified in § 1.2 of the Lease as heretofore amended is hereby extended for an additional period of two (2) years commencing on September 1, 2014 (the "Extension Term Commencement Date" or "ETCD"), and the Expiration Date of the Lease is hereby amended accordingly to August 31, 2016.

*Second Addendum to Office Lease*  
*Bancroft Way, LLC:: Aduro Biotech, Inc. fka NanoTx Corp.*  
*page 1 of 5*

*[Suites C & D, 14,221 rsf]*

**4 EXPANSION OF PREMISES.** On the ETCD the rentable square footage of Suite C shall increase from its current level of 8,073 rentable square feet of space to **8,421** square feet of rentable space.

**5 SUMMARY TABLE.** The Table set forth in § 1 of the Lease as heretofore amended is hereby superseded and replaced in its entirety by the following table, which shall constitute the Table under § 1 of the Lease for all purposes from and after the Effective Date of this Second Addendum:

<u>Period</u>	<u>Suite No.</u>	<u>Square Footage</u>	<u>Monthly Base Rent</u>	<u>Pro Rata Share</u>	<u>Base Year</u>
September 1, 2014 thru August 31, 2015	C	8,421	\$13,894.65	29.408%	2013
	D	5,800	\$ 9,570.00		
September 1, 2015 thru August 31, 2016	C	8,421	\$13,894.65	29.408%	2013
	D	5,800	\$ 9,570.00		

**6 EXTENSION TERM BASE RENT.** The Base Rent for the Premises specified in § 2(a) of the Lease as heretofore amended shall be the amounts specified as Monthly Base Rent in the Table above for the various periods and spaces set forth in the Table from and after the ETCD. For the avoidance of doubt and in order to clarify the parties' agreement hereunder, the Base Rent numbers shown in the Table are the Base Rent numbers applicable under the First Addendum as of September 1, 2011 (the "Base Rent Date"), which Base Rent numbers have increased (and shall continue to increase) on each anniversary of the Commencement Date as provided in § 2.2 of the Lease. The Base Rent under this Second Addendum shall be increased on the ETCD and each anniversary of the ETCD thereafter as provided in § 2.2 of the Lease, except that from and after the ETCD the Base Rent Date shall be substituted for all purposes hereunder for "Commencement Date" in § 2.2 of the Lease. Notwithstanding anything to the contrary herein or in the Table, the CPI Escalation Amount to be applied on the ETCD shall be the percentage increase in the CPI from September 1, 2013, through the ETCD.

**7 EXTENSION TERM BASE YEAR.** As specified in the Table above, the Base Year for the purposes calculating Tenant's Additional Rent under § 2.3 of the Lease as heretofore amended shall be calendar year 2013 from and after the Effective Date.

**8 CONDITION OF PREMISES.** Except as otherwise expressly provided in this ¶ 8 with respect to Landlord's preparation of the Premises for Tenant's continued occupancy, Tenant shall accept the Premises, any existing Improvements in the Premises, and the Systems and Equipment serving the same in an "as is" condition on the Effective Date, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Premises in connection with Tenant's continued occupancy of the Premises from and after the Effective Date.

**8.1 Landlord's Work.** Landlord agrees that all Systems and Equipment serving the Premises shall be in good working condition on the Effective Date, and Landlord further agrees to complete the following items (and the following items only) as soon as reasonably feasible after the Effective Date at Landlord's sole cost and expense (collectively "Landlord's Work"):

- (i) revision of the landscaping on the north and west faces of the Building and at the front gate, as shown on the Site Plan, which work Landlord agrees to use commercially reasonable efforts to complete on or before August 31, 2013; and
- (ii) improvement of the exhaust capacity for the eastern set of bathrooms.
- (iii) removal of the vacuum pump;

**8.2 Tenant's Work.** The facilities, materials, and work to be furnished, installed, and performed in the Premises by Tenant are referred to as the "Tenant's Work," which shall include any and all installations, materials, and work which may be undertaken by or for the account of Tenant other than Landlord's Work described in ¶ 8.1 above, to prepare, equip, decorate, and furnish the Premises and/or Premises for Tenant's continued occupancy and shall include the connection and/or rewiring of Tenant's telephone and data lines. Tenant shall not permit any liens to accrue or be filed against the Building or Development in connection the Tenant's performance of Tenant's Work. Tenant shall obtain all necessary permits for Tenant's Work, which shall be completed in compliance with all applicable Laws and codes and in accordance with the highest standards of best construction practices. The parties agree that Tenant's Work, to be completed by Tenant under Landlord's supervision, as provided in the Lease, at Tenant's sole cost and expense as soon as reasonably feasible after the Effective Date, shall include the following items and the following items only:

- (a) reconfiguration the existing Premises to create areas designated A, D, E, F, & G as shown on the site plan attached hereto as **Exhibit B** and incorporated herein by reference (the "Site Plan");
- (b) repair of the HVAC serving the main conference room — apply up to \$3K in TI's for upgraded compressor.
- (c) remodeling of kitchenette;
- (d) installation of light tubes for Area A shown on the Site Plan;
- (e) installation of carpet for Areas A, B, C, D, E, F, & G as shown on the Site Plan;
- (f) installation of a keycard access system;
- (g) update Bldg. 3 external paint accent colors to match Bldg. 2
- (j) addition of an office for Area G, as shown on the Site Plan.

**8.2.1 Plans & Approval.** Tenant shall submit plans for any and all Tenant's Work to Landlord for approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall comply with all applicable Laws in connection with the performance of Tenant's Work and shall be responsible for obtaining any required permits.

**8.2.2 Cost of Tenant's Work and Rent Credit.** Notwithstanding anything to the contrary herein, Tenant shall bear the entire cost of Tenant's Work described in ¶ 8.2 above at Tenant's sole cost and expense. In consideration of Tenant's agreement to bear the cost of Tenant's Work as provided in this ¶ 8.2, Landlord agrees to provide a credit to Tenant against the Base Rent first due after the ETCD in the amount of Thirty Thousand Dollars (\$30,000.00) (the "Base Rent Credit").

**8.2.3 Contractor & Vendor Selection.** Tenant shall have the right to select its own contractors and vendors for the performance of Tenant's Work, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall give Landlord sufficient written notice before the commencement of any work so that Landlord can post notices of non-responsibility with respect to Tenant's Work.

**8.2.4 Restoration.** Tenant shall have the right to configure its existing office and laboratory space to its own specifications, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed; provided, that Tenant shall be required to restore the Premises to their original condition on or before the Expiration Date as the same may be extended hereunder, unless Landlord's waives the restoration requirement in writing in connection with granting its consent to any proposed changes.

**8.3 Notice of Defects.** It shall be conclusively presumed that the Premises were in satisfactory condition (except for latent defects) as of the Effective Date, unless within thirty (30) days after the Effective Date Tenant shall give Landlord notice in writing specifying the respects in which the Premises was not in satisfactory condition. Nothing in this ¶ 8.7 shall excuse Landlord from its obligation to complete Landlord's Work.

**8.4 Adjustment of Square Footage.** Landlord and Tenant agree that it is not certain as of the date of this Second Addendum whether Landlord's Work and/or Tenant's Work described in this ¶ 8 *et seq.* will change the square footage of the Premises stated in the Table above. Landlord and Tenant agree to re-measure the Premises at the conclusion of all such work and, if the square footage shown in the Table has changed, to execute and deliver to each other a suitable amendment to the Lease expressing such change in the square footage and related adjustments.

**9 SECURITY DEPOSIT.** Tenant's Security Deposit specified in § 3 of the Lease as heretofore amended shall remain unchanged in consequence of the parties' execution and delivery of this Second Addendum to each other.

**10 NO DISCLOSURE.** Tenant agrees that it shall not disclose any of the matters set forth in this Second Addendum or disseminate or distribute any information concerning the terms, details, or conditions hereof to any person, firm, or entity without obtaining the express written approval of Landlord.

**11 DEFINED TERMS.** Terms used herein that are defined in the Lease shall have the meanings therein defined, unless a different definition is set forth in this Second Addendum. The term *Lease* as used herein shall be deemed to include the Work Letter Agreement and the First Letter Agreement, each of which may also be referred to separately herein. In the event of any conflict between the provisions of the Lease, and this Second Addendum, the terms of this Second Addendum shall prevail.

**12 SURVIVAL.** Warranties, representations, agreements, and obligations contained in this Second Addendum shall survive the execution and delivery of this Second Addendum and shall survive any and all performances in accordance with this Second Addendum.

**13 COUNTERPARTS.** This Second Addendum may be executed in any number of counterparts, which each severally and all together shall constitute one and the same Second Addendum.

**14 ATTORNEYS' FEES.** If any party obtains a judgement against any other party or parties by reason of breach of this Second Addendum, reasonable attorneys' fees and costs as fixed by the court shall be included in such judgement against the losing party or parties.

**15 SUCCESSORS.** This Second Addendum and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

**16 AUTHORITY.** Each of the individuals executing this Second Addendum represents and warrants that he or she is authorized to execute this Second Addendum on behalf of the party for whom he or she is executing this Second Addendum and that by his or her signature such party is legally bound by the terms, covenants, and conditions of this Second Addendum.

**17 GOVERNING LAW.** This Second Addendum shall be construed and enforced in accordance with the laws of the State of California.

**18 CONSENT.** This Second Addendum is subject to, and conditioned upon, any required consent or approval being granted without any fee or charge that is unacceptable to Landlord by Landlord's mortgagees or ground lessors. If any such consents shall be denied or granted subject to the payment of unacceptable fees or charges hereunder, the Lease shall remain in full force and effect. If Landlord fails to notify Tenant to the contrary within sixty (60) days after this Second Addendum has been executed and delivered by both parties, Tenant may assume that such consent has been granted, or that the same is not required.

**19 CONTINUING VALIDITY OF LEASE.** Except as expressly modified herein, the Lease remains in full force and effect.

*Second Addendum to Office Lease  
Bancroft Way, LLC:: Aduro Biotech, Inc. fka NanoTx Corp.  
page 4 of 5*

*[Suites C & D, 14,221 rsf]*



**20 EXHIBITS.** The following exhibits have been attached to this Second Addendum by the parties prior to their execution and deliver of the same to each other, which are incorporated herein by reference:

- Exhibit A — The Lease**
- Exhibit B — Site Plan**

**21 WHOLE AGREEMENT.** The mutual obligations of the parties as provided herein are the sole consideration for this Second Addendum, and no representations, promises, or inducements have been made by the parties other than as appear in this Second Addendum, which supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Second Addendum. This Second Addendum may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this Second Addendum as of the date first above written.

*Landlord:*

*Tenant:*

**BANCROFT WAY, LLC**, a California limited liability company

**ADURO BIOTECH, INC.**, a Delaware corporation *fka* **NanoTx Corp.**

By: /s/ Steven Goldin

By: /s/ Stephen T. Isaacs

Steven Goldin  
[name typed]

Stephen T. Isaacs  
[name typed]

Its: Managing Member

Its: Chairman & CEO

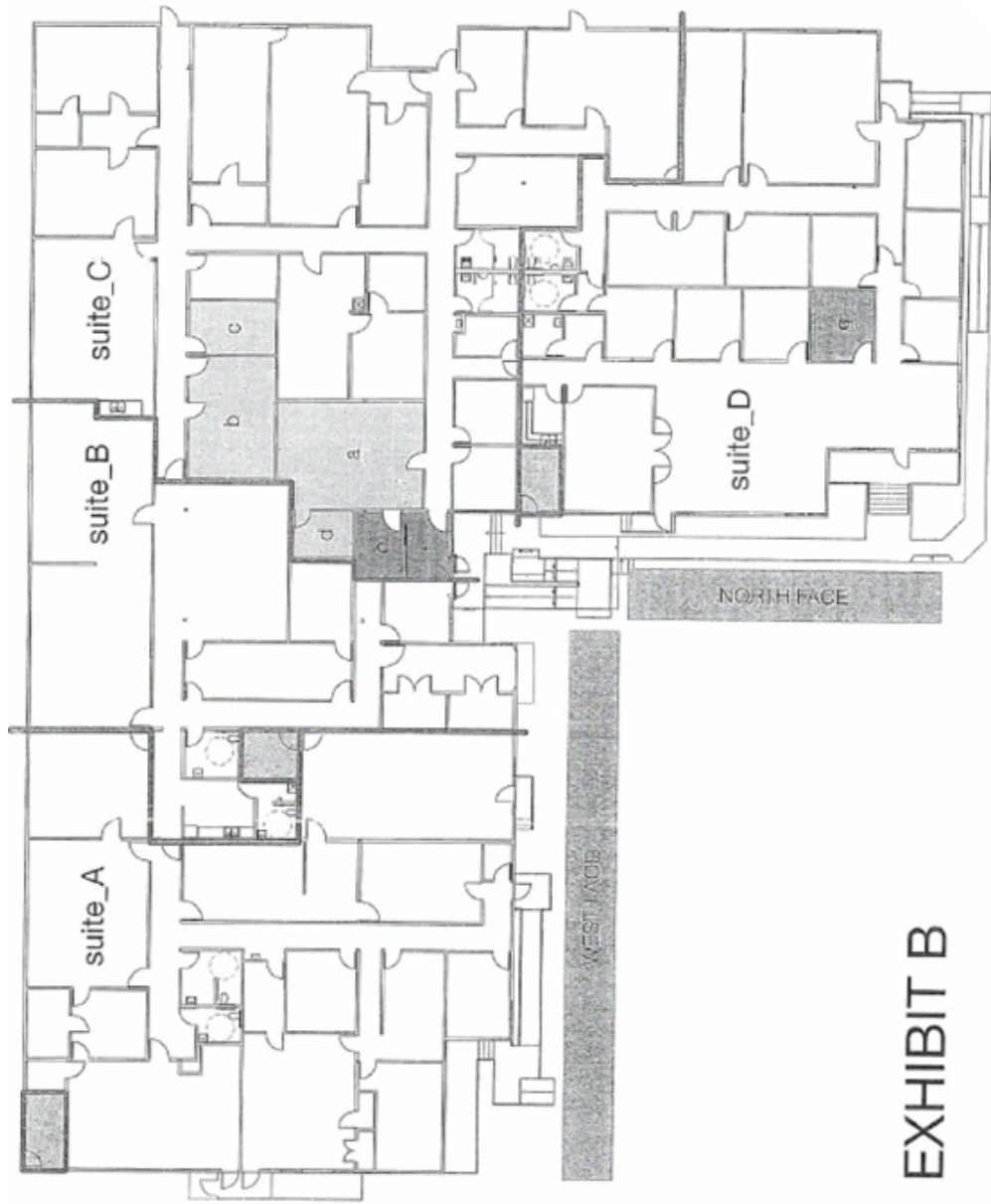


EXHIBIT B

First Addendum to Office Lease

THIS FIRST ADDENDUM TO OFFICE LEASE (the "First Addendum") is made and entered into as of May 12, 2011, by and between **BANCROFT WAY, LLC**, a California limited liability company ("Landlord") and **ADURO BIOTECH, INC.**, a California corporation *aka* **NanoTx Corp.** ("Tenant").

Recitals

A. Landlord and Tenant or its predecessor have heretofore entered into that certain lease dated June 1, 2005 (the "Lease") for premises described as Suite 3C (the "Premises"), initially containing approximately 8,073 rentable square feet, in the building located at 626 Bancroft Way, Berkeley, California (the "Building"), which forms part of the mixed-use building development commonly known as the 600-630 Bancroft Way Development (the "Development") with a street address of 600-630 Bancroft Way, Berkeley, California. The square footage of the Development is 48,358.

B. The Lease has heretofore been amended or assigned by instruments dated September 1, 2008, and February 11, 2010 (the "Extension Agreements") under which the Term of the Lease was extended through August 31, 2012.

C. Tenant was named NanoTx Corp. when it signed the Lease, although it did business as Aduro BioTech. Tenant has changed its corporate name to Aduro BioTech. Tenant intends to reincorporate in Delaware by merging into a Delaware corporation named Aduro BioTech, Inc.

D. The parties mutually desire to amend the terms of the Lease to extend the Term, expand the Premises, and make certain other related changes, all on and subject to the terms and conditions hereof.

Agreement

Now, therefore, in consideration of the mutual terms and conditions herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1 EFFECT OF ADDENDUM.** Landlord and Tenant agree that notwithstanding anything contained in the Lease to the contrary, the provisions set forth below will be deemed to be part of the Lease and shall supersede, to the extent they differ, any contrary provisions in the Lease. Terms defined in the Lease shall have the same meanings in this First Addendum, unless a different definition is set forth in this First Addendum. The term *Lease* as used herein shall be deemed to include the Extension Agreements, each of which may also be referred to separately herein. A true, complete, and correct copy of the Lease as heretofore amended is attached hereto as **Exhibit A** and incorporated herein by reference.

**2 EFFECTIVE DATE.** The amendments and changes specified in this First Addendum shall become effective on **June 1, 2011** (the "Effective Date"). Notwithstanding the foregoing, this First Addendum shall constitute the fully-binding agreement and contract of the parties from and after the date of the parties' execution and delivery of this First Addendum to each other.

**3 CORPORATE CHANGE OF NAME.** Upon the effectiveness of the merger described as intended under Recital C above, Aduro BioTech, Inc., a Delaware corporation, will automatically become the Tenant under the Lease. Tenant agrees to give to Landlord written notice of any such change in name within thirty (30) days after the completion of the proposed merger.

**4 EXTENSION OF LEASE TERM.** The Term of the Lease specified in § 1.2 of the Lease as heretofore amended is hereby extended for an additional period of two (2) years commencing on September 1, 2012, and the Expiration Date of the Lease is hereby amended accordingly to August 31, 2014.

*First Addendum to Office Lease*  
*Bancroft Way, LLC:: Aduro BioTech fka NanoTx Corp.*  
*page 1 of 7*

*[Suites 3C & D, 13,873 rsf]*

**4.1 Option to Renew.** Tenant is hereby granted three (3) successive options to extend (collectively the “Extension Options”) the Term of the Lease for three (3) additional consecutive periods of two (2) years each (collectively the “Extension Periods”). The first Extension Period term shall begin the first day following the Expiration Date and shall take effect on the same terms and conditions in effect under the Lease immediately prior to the first Extension Period, except that (i) Tenant shall have no right to extend other than any remaining Extension Options and (ii) monthly Base Rent shall be the rate which is Fair Market Value (as defined below). The Fair Market Value shall be the effective rent (face rate less free rent) being charged for comparable space in comparable buildings in the vicinity of the Building leased on comparable terms and shall be limited the rates charges in such comparable transactions for tenants renewing or extending their leases.

**(a) Exercise of Options.** The Extension Options may be exercised only by (i) delivering in person to Landlord’s Building Manager in the Building Office written notice of Tenant’s irrevocable election to exercise no earlier than ten (10) months and no later than six (6) months prior to the commencement of the first, second, or third Extension Period, as the case may be, and (ii) collecting and retaining in exchange for such notice of exercise an original written receipt therefor signed and dated by Landlord’s Building Manager. Tenant’s exercise of its Extension Options shall not be effective or valid if there is any deviation in the timing or manner of exercise prescribed herein.

**(b) Nullification of Exercise.** Notwithstanding anything to the contrary herein, Landlord shall have the right in its sole and absolute discretion to nullify Tenant’s exercise of any of its Extension Options granted hereunder upon written notice within thirty (30) days after the date of Tenant’s exercise of its Extension Option for such Extension Period if the Building or Development is selected by the LBNL as the site for development of a new campus. If Landlord exercises its option nullification right hereunder, Landlord shall pay to Tenant (i) a “Nullification Fee” in the amount of **Eighty Thousand Dollars (\$80,000)** and (ii) the reasonable costs incurred by Tenant in moving to a comparable facility of Tenant’s choice in the San Francisco Bay Area. The Nullification Fee, if any, shall be payable by Landlord in full on or before the Expiration Date of the then-current initial Term or Extension Period, as the case may be.

**(c) Failure to Exercise.** If Tenant shall fail validly and timely to exercise any of the Options herein granted, said Options shall terminate and shall be null and void and of no further force and effect.

**(d) Fair Market Value.** Provided that Tenant has validly exercised its Options when and as required hereunder, not less than one hundred and eighty (180) days prior to the commencement of the first, second, or third Extension Period, as the case may be, Landlord shall provide written notice to Tenant of its determination of the Fair Market Value. Within ten (10) days after receiving such determination (“Tenant’s Review Period”), Tenant shall irrevocably elect, in writing, to do one of the following: (i) accept Landlord’s determination; or (ii) object to Landlord’s determination and with such objection set forth in writing Tenant’s determination of the Fair Market Value. If Tenant so objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Value using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant’s Review Period (the “Outside Agreement Date”), then each party’s determination shall be submitted to arbitration in accordance with the then-current rules and procedures of the American Arbitration Association, but subject to the instructions set forth in this § 3.1 *et seq.* If Tenant objects to Landlord’s determination of Fair Market Value, Tenant shall pay Rent at the Fair Market Value determined by Landlord until the matter is resolved by binding arbitration as provided below subject to retroactive adjustment after the matter is so resolved. If Tenant fails so to accept or object to Landlord’s determination of Fair Market Value in writing within Tenant’s Review Period, Tenant shall conclusively be deemed to have approved of the Fair

Market Value as determined by Landlord. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this § 3.1 *et seq.*

**(e) Appointment of Arbitrators.** Not later than fifteen (15) days following the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator who shall by profession be a real estate broker who shall have been active over the ten-year period ending on the date of such appointment in the leasing of commercial properties within Berkeley, California. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this § 3.1 *et seq.*

**(f) Appointment of Third Arbitrator.** The two (2) arbitrators so appointed shall within fifteen (15) days of the date of the appointment of the last-appointed arbitrator agree upon and appoint a third arbitrator, who shall be qualified under the same criteria as set forth hereinabove for qualification of the initial two arbitrators.

**(g) Arbitrators' Decision.** The three (3) arbitrators shall, within thirty (30) days of the appointment of the third arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Value, and shall notify Landlord and Tenant thereof. The decision of the majority of the three (3) arbitrators shall be binding upon Landlord and Tenant. The arbitrators shall not be permitted to set Fair Market Value to any level other than either Landlord's or Tenant's submitted Fair Market Value.

**(h) Failure to Appoint.** If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of the parties shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant. If the two (2) arbitrators fail to agree upon and appoint a third arbitrator, both arbitrators shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the Commercial Arbitration Rules of the American Arbitration Association then in effect, but subject to the instructions set forth in this § 3.1 *et seq.*

**(i) Cost of Arbitration.** The cost of arbitration shall be paid by Landlord and Tenant equally.

**(j) Default.** Tenant's exercise of the Options shall, at Landlord's election, be null and void if Tenant is in Default on the date of Tenant's notice of exercise or at any time thereafter and prior to commencement of the relevant Extension Period, Tenant's exercise of the Extension Options shall not operate to cure any Default by Tenant nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Default. If the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the first Extension Option, then immediately upon such termination all the Extension Options shall simultaneously terminate and become null and void; and if the Lease or Tenant's right to possession of the Premises shall terminate before Tenant shall have exercised the second or third Extension Option, then immediately upon such termination the second and third Extension Options shall simultaneously terminate and become null and void.

**(k) Time.** Time is of the essence of the Extension Options granted hereunder.

**5 SUMMARY TABLE.** The Table set forth in § 1 of the Lease as heretofore amended is hereby superseded and replaced in its entirety by the following table, which shall constitute the Table under § 1 of the Lease for all purposes from and after the Effective Date of this First Addendum:

<u>Period</u>	<u>Suite No.</u>	<u>Square Footage</u>	<u>Monthly Base Rent</u>	<u>Pro Rata Share</u>	<u>Base Year</u>
June 1, 2011 thru August 31, 2012	3C	8,073	\$13,320.45	28.688%	2011
	D	5,800	\$ 9,570.00		
September 1, 2012 thru August 31, 2014	3C	8,073	\$13,320.45	28.688%	2011
	D	5,800	\$ 9,570.00		

**6 EXTENSION TERM BASE RENT.** The Base Rent for the Premises specified in § 2(a) of the Lease as heretofore amended shall be the amounts specified as Monthly Base Rent in the Table above for the various periods and spaces set forth in the Table from and after the Effective Date. The Base Rent shall be increased on each anniversary of the Effective Date, which term shall be substituted for all purposes hereunder for “Commencement Date” in § 2.2 of the Lease.

**7 EXTENSION TERM BASE YEAR.** As specified in the Table above, the Base Year for the purposes calculating Tenant’s Additional Rent under § 2.3 of the Lease as heretofore amended shall be calendar year 2011 from and after the Effective Date.

**8 EXPANSION OF PREMISES.** Upon the Effective Date the Premises shall be expanded by the addition thereto of approximately 5,800 rentable square feet of space known as Suite D in the Building (“Suite D” or the “Expansion Space”) for all purposes under the Lease. All references in the Lease to the “Premises” shall refer to Premises as so augmented by the addition of Suite D from and after the Effective Date. The floor plan and location of Suite D is shown on the space plan attached hereto as **Exhibit B** and incorporated herein by reference (the “Space Plan”). From and after Effective Date, Suite D shall become part of the Premises pursuant to the basic terms specified in the Table above regarding Term, Base Rent, Tenant’s Pro Rata Share of Increased CAM Charges, Increased Taxes, Increased Insurance Costs, and the Base Year for the purposes of calculating Additional Rentable payable with respect to Suite D.

**8.1 Contingency.** Notwithstanding anything to the contrary herein, Tenant understands and acknowledges that the term of the existing lease of the Expansion Space will not expire on its terms until June 30, 2011. Landlord believes that the existing tenant in the Expansion Space will vacate on or before May 31, 2011; however, Landlord will incur no liability to Tenant if the existing tenant fails so to vacate, and in any such case the addition of the Expansion Space shall be delay day for day until such time as the existing tenant vacates the Expansion Space.

**8.2 Early Access.** Landlord will (subject to the lease with the existing tenant) allow Tenant full access to the Expansion Space from and after the date of the parties’ execution and delivery of this First Addendum to each other and will continue to permit Tenant to use the conference room in accordance with the agreement between Tenant and the existing tenant in the Expansion Space.

**9 CONDITION OF PREMISES.** Except as otherwise expressly provided in this ¶ 8 with respect to Landlord’s preparation of the Expansion Space for Tenant’s occupancy, Tenant shall accept the Expansion Space, any existing Improvements in the Expansion Space, and the Systems and Equipment serving the same in an “as is” condition on the Effective Date, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Expansion Space in connection with Tenant’s continued occupancy of the Premises as expanded by the Expansion Space from and after the Effective Date. Landlord agrees to deliver the Expansion Space to Tenant broom clean with all Systems and Equipment in good working condition and to perform the following preparatory work to be completed on or before the Effective Date (collectively “Landlord’s Work”):

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*[Suites 3C & D, 13,873 rsf]*

- (i) application of fresh Building-standard paint;
- (ii) professional cleaning of all carpeted surfaces;
- (iii) cleaning of all lights and fixtures and installation of updated bulbs; and
- (iv) cleaning of all ceiling tiles and removal of all stains.

The cost of Landlord's Work shall not be deducted from the Improvement Allowance provided in ¶ 8.3 below.

**9.2 Tenant's Preparation.** The facilities, materials, and work to be furnished, installed, and performed in the Expansion Space by Tenant are referred to as the "Work," which shall include any and all other installations, materials, and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate, and furnish the Premises and / or Expansion Space for Tenant's occupancy and shall include the connection and / or rewiring of Tenant's telephone and data lines. Tenant shall not permit any liens to accrue or be filed against the Building or Development.

**9.3 Plans & Approval.** Tenant shall submit plans for any and all Tenant's Work to Landlord for approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall comply with all applicable Laws in connection with the performance of Tenant's Work and shall be responsible for obtaining any required permits.

**9.4 Improvement Allowance.** Landlord agrees to provide for Tenant's use a sum equal to **Sixty Thousand Dollars (\$60,000)** to be applied to the cost of Tenant's Work or to other costs to Tenant under the Lease. Tenant may cause bills from approved contractors and vendors to be submitted directly to Landlord for payment up to the maximum amount of the Improvement Allowance. If Tenant elects to apply the Improvement Allowance or any portion thereof against rentals owing under the Lease, a maximum of one (1) month's rental obligation may be applied immediately, and the remainder of the amount to be applied shall be amortized over the remainder of the initial renewal term after the Effective Date.

**9.5 Contractor & Vendor Selection.** Tenant shall have the right to select its own contractors and vendors for the performance of Tenant's Work, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall give Landlord sufficient written notice before the commencement of any work so that Landlord can post notices of non-responsibility with respect to Tenant's Work.

**9.6 Restoration.** Tenant shall have the right to configure its existing office and laboratory space to its own specifications, subject to Landlord's reasonable approval, which shall not be unreasonably withheld, conditioned, or delayed; provided, that Tenant shall be required to restore the Premises to their original condition on or before the Expiration Date as the same may be extended hereunder, unless Landlord's waives the restoration requirement in writing in connection with granting its consent to any proposed changes.

**9.7 Notice of Defects.** It shall be conclusively presumed upon Tenant's taking actual possession of the Expansion Space that the same were in satisfactory condition (except for latent defects) as of the date of such taking of possession, unless within thirty (30) days after the Effective Date Tenant shall give Landlord notice in writing specifying the respects in which the Expansion Space was not in satisfactory condition. Nothing in this ¶ 8.7 shall excuse Landlord from its obligation to complete Landlord's Work.

**10 Incubator Tenants.** Landlord and Tenant agree to work together in good faith to accommodate any "incubator" tenants that Landlord may suggest to Tenant; provided, the parties understand that no enforceable or legal obligation is created under this ¶ 9. If Tenant elects to accommodate any incubator tenant proposed by Landlord, the parties will enter into a separate agreement to memorialize their agreement with respect to any such arrangement, which will include a flat rate to include utilities, the location for the subtenant, a separate entrance, insurance, and alarm considerations.

**11 External Property Upgrades.** Tenant has requested the following external property upgrades in connection with the extension of the Term provided for hereunder (collectively the “External Improvements”):

- (i) removal of the ramp in from of the entrance after SEEO’s HVAC unit is removed;
- (ii) landscaping of the existing flower beds; and
- (iii) repainting of the orange railings, if the Landlord’s Board approves of such a change.

Landlord agrees to use commercially reasonable efforts to complete the External Upgrades within eighteen (18) months after the Effective Date; provided, Landlord shall incur no liability to Tenant hereunder if Landlord fails to complete any such External Upgrades for any reason.

**12 SECURITY DEPOSIT.** Tenant’s Security Deposit specified in § 3 of the Lease as heretofore amended shall be increased in consequence of the parties’ execution and delivery of this First Addendum to each other from its current level to **Forty-Seven Thousand Seven Hundred Eighty Dollars and Ninety Cents (\$45,780.90)**. Tenant shall pay the increase in the Security Deposit to Landlord upon Tenant’s execution and delivery of this **First Addendum** to Landlord.

**13 NO DISCLOSURE.** Tenant agrees that it shall not disclose any of the matters set forth in this First Addendum or disseminate or distribute any information concerning the terms, details, or conditions hereof to any person, firm, or entity without obtaining the express written approval of Landlord.

**14 DEFINED TERMS.** Terms used herein that are defined in the Lease shall have the meanings therein defined, unless a different definition is set forth in this First Addendum. The term *Lease* as used herein shall be deemed to include the Work Letter Agreement and the Extension Agreements, each of which may also be referred to separately herein. In the event of any conflict between the provisions of the Lease, and this First Addendum, the terms of this First Addendum shall prevail.

**15 SURVIVAL.** Warranties, representations, agreements, and obligations contained in this First Addendum shall survive the execution and delivery of this First Addendum and shall survive any and all performances in accordance with this First Addendum.

**16 COUNTERPARTS.** This First Addendum may be executed in any number of counterparts, which each severally and all together shall constitute one and the same First Addendum.

**17 ATTORNEYS’ FEES.** If any party obtains a judgement against any other party or parties by reason of breach of this First Addendum, reasonable attorneys’ fees and costs as fixed by the court shall be included in such judgement against the losing party or parties.

**18 SUCCESSORS.** This First Addendum and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, and assigns of the parties.

**19 AUTHORITY.** Each of the individuals executing this First Addendum represents and warrants that he or she is authorized to execute this First Addendum on behalf of the party for whom he or she is executing this First Addendum and that by his or her signature such party is legally bound by the terms, covenants, and conditions of this First Addendum.

**20 GOVERNING LAW.** This First Addendum shall be construed and enforced in accordance with the laws of the State of California.

**21 CONSENT.** This First Addendum is subject to, and conditioned upon, any required consent or approval being granted without any fee or charge that is unacceptable to Landlord by Landlord’s mortgagees or ground lessors. If any such consents shall be denied or granted subject to the payment of unacceptable fees or charges hereunder, the Lease shall remain in full force and effect. If Landlord fails to notify Tenant to the contrary within sixty (60) days after this First Addendum has been executed and delivered by both parties, Tenant may assume that such consent has been granted, or that the same is not required.

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*[Suites 3C & D, 13,873 rsf]*



22 CONTINUING VALIDITY OF LEASE. Except as expressly modified herein, the Lease remains in full force and effect.

23 EXHIBITS. The following exhibits have been attached to this First Addendum by the parties prior to their execution and deliver of the same to each other, which are incorporated herein by reference:

- Exhibit A — The Lease
- Exhibit B — Site Plan

24. WHOLE AGREEMENT. The mutual obligations of the parties as provided herein are the sole consideration for this First Addendum, and no representations, promises or inducements have been made by the parties other than as appear in this First Addendum, which supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this First Addendum. This First Addendum may not be amended except in writing signed by all the parties.

In witness whereof, the parties have executed this First Addendum as of the date first above written.

Landlord:

Tenant:

BANCROFT WAY, LLC, a California limited liability company

ADURO BIOTECH, INC., a Delaware corporation *fka* NanoTx Corp.

By: /s/ Steven Goldin

By: /s/ Stephen. T Isaacs

Steven Goldin  
[name typed]

Stephen T. Isaacs  
[name typed]

Its: Managing Member

Its: Chairman & CEO

/s/ Dirk Brockstedt  
Dirk Brockstedt

## Commercial Office Lease

THIS COMMERCIAL OFFICE LEASE (the "Lease") is entered into as of June 1, 2005 by and between BANCROFT WAY, LLC, a California limited liability company ("Landlord") and ONCOLOGIC, INC., a California corporation ("Tenant").

1 BASICLEASETERMS. Landlord leases to Tenant, and Tenant rents and hires from Landlord, the Premises described in § 1.1 below, for the rents hereinafter reserved, for the term stated in § 1.1.3 below, and upon and subject to the terms, conditions (including limitations, restrictions, and reservations), and covenants hereinafter provided. Each party hereby expressly covenants and agrees to observe and perform all of the conditions and covenants herein contained on its part to be observed and performed. The parties agree that the following table (the "Table") sets forth in summary form the basic terms of this Lease, as all of such terms as defined below:

<u>Period</u>	<u>Suite No.</u>	<u>Square Footage</u>	<u>Monthly Base Rent</u>	<u>Pro Rata Share</u>	<u>Base Year</u>
September 1, 2005 to August 31, 2006	3C	8,073	\$10,091.25	16.694%	2005
September 1, 2006 to August 31, 2007	3C	8,073	\$10,091.25	16.694%	2005
September 1, 2007 to August 31, 2008	3C	8,073	\$10,091.25	16.694%	2005

In the event of any conflict between the terms contained in the Table and the terms contained in subsequent sections of the Lease, the terms of the Table shall control, subject to any adjustments specifically provided for in any other provisions of the Lease.

**1.1 Premises.** The Premises leased to Tenant (the "Premises") are a portion of the first (1st) floor of the Building described in § 1.1.1 below and are commonly known as **Suite 3C**, containing approximately 8,073 rentable square feet of space, as shown on the floor plan annexed hereto as **Exhibit B**. The Premises also include all fixtures and equipment which are attached thereto, except items not deemed to be included therein and which are removable by Tenant as provided in § 19 below. Landlord and Tenant agree that the square footage of the Premises, for all purposes under this Lease, is as specified in the Table. Tenant acknowledges that it has had an opportunity to verify the numbers stated in the Table relating to the measurements of the Premises prior to the Commencement Date of this Lease.

**1.1.1 Building.** The Premises are located in the building known by the street address 626 Bancroft Way (the "Building") in the City of Berkeley, County of Alameda, State of California. The Building is more particularly described and depicted in **Exhibit A** which is attached hereto. Landlord and Tenant agree that the square footage of the Building, for all purposes under this Lease, is 24,295. Tenant acknowledges that it has had an opportunity to verify the measurement of the Building prior to the Commencement Date of this Lease.

**1.1.2 Development.** The Building is located in and forms part of the real property commonly known as the 600-630 Bancroft Way Development, with a street address of 626 Bancroft Way, Berkeley, California (the "Development"), which comprises three different buildings and constitutes a single parcel on the assessment roll of the Alameda County Tax Assessor. For the purposes of this Lease, the *Development* shall mean the Building and any common or public areas or facilities, easements, corridors, lobbies, sidewalks, loading areas, driveways, landscaped areas, skywalk, parking garages and lots, and any and all other structures or facilities operated or maintained in connection with or for the benefit of the Building, and all parcels or tracts of land on which all or any portion of the

Building or any of the other foregoing items are located, and any fixtures, machinery, equipment, apparatus, Systems and Equipment (as defined in § 5.5 below), furniture, and other personal property located thereon or therein and used in connection therewith, whether title is held by Landlord or its affiliates. Landlord and Tenant agree that the square footage of the Development, for all purposes under this Lease, is 48,358. Tenant acknowledges that it has had an opportunity to verify the measurement of the Development prior to the Commencement Date of this Lease.

**1.1.3 Parking.** Tenant is entitled to sixteen (16) unreserved parking spaces in the parking lot of 600- 630 Bancroft Way. If it is necessary at any time to reserve parking spaces or hire a guard to monitor parking, Landlord may, at its option, do so and pass through to Tenant both reasonable administrative and direct labor expenses for the guard or monitor based on Tenant's Pro Rata Share as defined in § 2.3 below. Notwithstanding the foregoing, Tenant may use additional spaces as available so long as they are not required for new tenants in the Property

**1.2 Term.** The term (the "Term") for which the Premises are hereby leased shall commence on the "Commencement Date," which shall be September 1, 2005, or, if earlier, the day on which the Premises are ready for occupancy (as defined in § 5.2 below) and shall end on August 31, 2008 (the "Expiration Date") or any earlier date upon which the Term may expire or be cancelled or terminated pursuant to any of the conditions or covenants of this Lease or pursuant to law. Promptly following the Commencement Date the parties hereto shall, if required by Landlord, enter into a supplementary agreement fixing the dates of the Commencement Date and the Expiration Date in the form which is attached hereto as **Exhibit C** and incorporated herein by reference.

**1.2.1 Delay in Possession.** If Landlord is unable for any reason to deliver possession of the Premises to Tenant at the target commencement dated stated in the Table above, or if Landlord's Work pursuant to § 5 below and / or any Work Letter Agreement is not substantially completed on or before such target commencement date, Landlord shall not be liable for any damage caused thereby, nor shall this Lease be void or voidable, but Tenant shall not be liable for any Rent until possession is delivered and the Commencement Date occurs as provided in § 1.2 above. In the event of any such delay in the occurrence of the Commencement Date, the Expiration Date shall be similarly extended by one (1) day for each such day of delay in the Commencement Date, so that the duration of the Term shall remain the same as that stated in the Table despite the delay in the Commencement Date. Tenant may at its option terminate this Lease if the Commencement Date does not occur within sixty (60) days of the target commencement date stated in the Table above.

**1.2.2 Options to Renew.** Tenant is hereby granted one (1) option to extend (the "Extension Option") the Term of the Lease for one (1) additional period of two (2) Lease Years (collectively the "Extension Period"). The Extension Period term shall begin the first day following the Expiration Date and shall take effect on the same terms and conditions in effect under the Lease immediately prior to the Extension Period, except that monthly Base Rent shall be the rate which is Fair Market Value (as defined below), except that (i) Tenant shall have no further right to extend and (ii) monthly Base Rent shall be the rate which is Fair Market Value (as defined below). The Fair Market Value shall be the effective rent (face rate less free rent) being charged for comparable space in comparable buildings in the vicinity of the Building leased on comparable terms.

**(a) Exercise of Option.** The Extension Options may be exercised only by giving Landlord written notice of Tenant's irrevocable election to exercise no earlier than ten (10) months and no later than six (6) months prior to the commencement of the Extension Period.

**(b) Failure to Exercise.** If Tenant shall fail validly and timely to exercise either of the options herein granted, said option shall terminate and shall be null and void and of no further force and effect.

**(c) Determination of Fair Market Value.** Not less than one hundred and fifty (150) days prior to the commencement of the Extension Term, Landlord shall provide written notice to Tenant of its determination of the Fair Market Value. Within ten (10) days after receiving such determination ("Tenant's Review Period"), Tenant shall irrevocably elect, in writing, to do one of the following: (i) accept Landlord's determination; or (ii) object to Landlord's determination and with such objection set forth in writing Tenant's determination of the Fair Market Value. If Tenant so objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Value using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period (the "Outside Agreement Date"), then each party's determination shall be submitted to arbitration in accordance with § 25 below, but subject to the instructions set forth in this § 25 *et seq.* If Tenant objects to Landlord's determination of Fair Market Value, Tenant shall pay Rent at the Fair Market Value determined by Landlord until the matter is resolved by binding arbitration as provided below subject to retroactive adjustment after the matter is so resolved. If Tenant fails so to accept or object to Landlord's determination of Fair Market Value in writing within Tenant's Review Period, Tenant shall conclusively be deemed to have approved of the Fair Market Value as determined by Landlord. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Value for the Premises is the more accurate as determined by the arbitrators, taking into account the requirements of this § 25 *et seq.*

**(d) Default.** Tenant's exercise of the Options shall, at Landlord's election, be null and void if Tenant is in Default on the date of Tenant's notice of exercise or at any time thereafter and prior to commencement of the Extension Period. Tenant's exercise of the Extension Option shall not operate to cure any Default by Tenant nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such Default.

**(e) Time.** Time is of the essence of the Extension Option granted hereunder.

**2 Rent.** The "Rent" reserved under this Lease, for the Term thereof, shall consist of the following:

(a) "Base Rent" as shown in the Table per month, which shall be payable in advance on the first day of each and every calendar month during the Term of this Lease, except that Tenant shall pay the first month's Base Rent due under the Lease upon the execution and delivery of this Lease by Tenant; and

(b) "Additional Rent" consisting of any and all other sums of money as shall become payable by Tenant to Landlord hereunder; and Landlord shall have the same remedies for default in the payment of Additional Rent as for a default in payment of Base Rent.

**2.2 Base Rent Adjustment.** If the CPI on any anniversary of the Commencement Date shall be greater than the CPI for the Commencement Date, monthly Base Rent commencing on each anniversary of the Commencement Date shall be adjusted by adding an amount (the "CPI Escalation Amount") equal to the product obtained by multiplying the monthly Base Rent by the percentage increase in the CPI from the Commencement Date through the relevant anniversary of the Commencement Date, provided that in no event shall the new rent be less than that charged for the prior twelve-month period. "CPI" shall mean the Consumer Price Index for All Urban Consumers, All Items, San Francisco-Oakland-San José, California (Base year 1982-1984=100) published by the United States Department of Labor, Bureau of

Labor Statistics. If the CPI becomes unavailable to the public because publication is discontinued, or otherwise, Landlord shall substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by a governmental agency, major bank, other financial institution, university, or recognized financial publisher. If the CPI is available on a monthly (or alternating monthly) basis, the CPI for the months in which (or immediately preceding, as the case may be) the Commencement Date and Adjustment Date respectively occur shall be used.

**2.3 Additional Rent.** In addition to the Base Rent and all other payments due under this Lease, Tenant shall pay to Landlord, in the manner set forth herein, as Additional Rent, the following amounts (collectively the "Rental Adjustment"):

(a) Increased CAM Charges. An amount equal to Tenant's Pro Rata Share of the increase, if any, in total CAM Charges during each Adjustment Period over the amount of "Base CAM Charges," which shall mean the total of CAM Charges paid or incurred, by Landlord during the Base Year, which charges shall not exceed \$.10 per square foot per month over the term of the Lease. "CAM Charges" means all expenses, costs, and amounts (other than Real Estate Taxes) of every kind and nature which Landlord shall pay during any Adjustment Period of which any portion occurs during the Terra, because of or in connection with the ownership, management, repair, maintenance, restoration, and / or operation of the common areas of the Development, including

(i) groundskeeping, landscaping, parking lot maintenance, and janitorial services for the common areas of the Development, including amortization of capital expenses (including financing costs) incurred by Landlord after the Commencement Date in order to (A) comply with Laws, (B) reduce CAM Charges or Utilities, or (c) upgrade the utility, efficiency, or capacity of ally utility or telecommunication systems serving tenants of the Property; and

(ii) operation, repair, and maintenance of all Systems and Equipment and components thereof (including replacement of components); janitorial service; alarm and security service; window cleaning; trash removal; elevator maintenance; cleaning of walks, parking facilities, and building walls; removal of ice; replacement of wall and floor coverings, ceiling tiles, and fixtures in lobbies, corridors, restrooms and other common or public areas or facilities; maintenance and repair of the roof and exterior fabric of the Building, including replacement of glazing as needed; maintenance and replacement of shrubs, trees, grass, sod, and other landscaped items, irrigation systems, drainage facilities, fences, curbs, and walkways; and repaving and restriping parking facilities.

(b) **Increased Taxes.** An amount equal to Tenant's Pro Rata Share of the increase, if any, in total Real Estate Taxes paid or incurred by Landlord during each Adjustment Period which exceeds the amount of "Base Real Estate Taxes," which shall mean the total of Real Estate Taxes paid or incurred by Landlord during the Base Year. "Real Estate Taxes" means any and all *ad valorem* real property taxes and any form of assessment, levy, charge, or other imposition as shown on Landlord's tax statement from the County Assessor which Landlord shall pay during any Adjustment Period because of or in connection with the ownership, leasing, or operation of the Development, together with reasonable legal and other professional fees, costs, and disbursements incurred in connection with proceedings to contest, determine or reduce Real Estate Taxes.

(c) **Increased Insurance Costs.** An amount equal to Tenant's Pro Rata Share of the increase, if any, in total Insurance Costs paid or incurred by Landlord during each Adjustment Period which exceeds the amount of "Lease Insurance Costs," which shall mean the total of Insurance

Cost paid or incurred by Landlord during the Base Year. "Insurance Costs" means all insurance premiums for any insurance policies covering the Development deemed necessary or desirable by Landlord as determined by Landlord in accordance with the reasonable practice of prudent landlords in the vicinity of the Development (including public liability, property damage, earthquake if commercially reasonable, and fire and extended coverage insurance for the full replacement cost of the Building and any other structure of the Development as required by Landlord or its lenders for the Development).

As used herein, "Adjustment Period" means each calendar year of which any portion occurs during the Term, excluding the Base Year and beginning with the Adjustment Date (January 1<sup>st</sup>) that occurs in the first calendar year immediately following the Base Year; and "Tenant's Pro Rata Share" means the percentage labeled as such in the Table in § 1 above, calculated by dividing the agreed rentable area of the Premises (numerator) by the agreed rentable area of the Development (denominator) and expressing the resulting quotient as a percentage. Tenant's Pro Rata Share shall be increased during the Term in proportion to any increase in the area of the Premises in accordance with the formula stated herein.

**2.3.2 Exclusions from CAM Charges.** Notwithstanding anything to the contrary in this § 2.3 *et seq.*, Cam Charges shall not include (A) depreciation, interest, and amortization on any mortgage or deed of trust or other debt costs or ground lease payments, if any; (B) legal fees in connection with leasing, tenant disputes, or enforcement of leases; (C) real estate brokers' leasing commissions; (D) improvements or alterations to tenant spaces; (E) the cost of providing any utility or service directly to, and reimbursed or paid directly by, any tenant; (F) any costs expressly excluded from CAM Charges elsewhere in this Lease; (G) costs of arty items to the extent Landlord receives reimbursement from insurance proceeds or from a third party (such proceeds to be deducted from CAM Charges in the year in which received); (H) capital expenditures, except those expressly permitted above; provided, all such permitted capital expenditures (together with reasonable financing charges) shall be amortized for purposes of this Lease over the shorter of (x) their useful lives, (y) the period during which the reasonably estimated savings in Operating Expenses equals the expenditures, or (z) three (3) years.

**2.3.3 Manner of Payment.** To provide for current payments of the Rental Adjustment, Tenant shall pay as Additional Rent during each Adjustment Period an amount equal to Landlord's estimate of the Rental Adjustment which will be payable by Tenant for such Adjustment Period. Such payments shall be made in monthly installments, commencing on the first day of the month following the month in which Landlord notifies Tenant of the amount it is to pay hereunder and continuing until the first day of the month following the month in which Landlord gives Tenant a new notice of the estimated Rental Adjustment. It is the intention hereunder to estimate from time to time the amount of Tenant's Rental Adjustment for each Adjustment Period and then to effect a reconciliation in the following year based on the actual expenses incurred for the preceding Adjustment Period, as provided in § 2.3.4 below.

**2.3.4 Reconciliation.** On or before the first day of April of each year after the first Adjustment Period (or as soon thereafter as is practical), Landlord shall deliver to Tenant a statement (the "Statement") setting forth the Rental Adjustment for the preceding year. If the actual Rental Adjustment for the preceding Adjustment Period exceeds the total of the estimated monthly payments made by Tenant for such Adjustment Period, Tenant shall pay Landlord the amount of the deficiency within ten (10) days of the receipt of the Statement. If such total of estimated payments made exceeds the actual Rental Adjustment for such Adjustment Period, then Tenant shall receive a credit for the difference against payments of Rent next due. If the credit is due from Landlord on the Expiration Date, Landlord shall pay Tenant the amount of the credit, less any Rent then due. The obligations of Tenant and Landlord to make payments required under this § 2.3.4 shall survive the expiration or earlier termination of the Term of this Lease. Upon request, tenant may review insurance premiums, policies, and tax bills within thirty (30) days of the Statement.

**2.3.5 Proration of Rental Adjustment.** If the Term does not commence on January 1 or does not end on December 31, Tenant's obligations to pay estimated and actual amounts towards Real Estate Taxes, CAM Charges, and Insurance Costs for such first or final calendar year shall be prorated to reflect the portion of such year(s) included in the Term. Such proration shall be made by multiplying the total estimated or actual (as the case may be) Real Estate Taxes, CAM Charges, and / or Insurance Costs (as the case may be) for such calendar year(s), as well as the Base Real Estate Taxes, Base CAM Charges, and / or Base Insurance Costs (as the case may be), by a fraction, the numerator of which shall be the number of days of the Term during such calendar year, and the denominator of which shall be three hundred sixty-five (365).

**2.3.6 Gross-up.** If the Building is less than ninety-five percent (95%) occupied during the Base Year or any Adjustment Period, then CAM Charges, Insurance Costs, and Real Estate Taxes for such Base Year or Adjustment Period (as the case maybe) shall be "grossed up" to that amount of CAM Charges, Insurance Costs, and Real Estate Taxes that, using reasonable projections, would normally have been incurred during such Base Year or Adjustment Period (as the case may be) if the Building had been ninety-five percent (95%) occupied during such Base Year or Adjustment Period (as the case may be), as determined in accordance with sound accounting and management practices, consistently applied. Only those component elements or items of expense of CAM Charges, Insurance Costs, and Real Estate Taxes that are affected by variations in occupancy levels shall be grossed up.

**2.4 Payment of Rent.** Tenant shall pay the Base Rent and Additional Rent promptly when due, without demand therefor and without any abatement, deduction, or setoff whatsoever, except as may be expressly provided in this Lease. Tenant shall pay the Rent to Landlord, in lawful money of the United States of America, at Landlord's office at the Building or at such other place, or to such agent and at such place, as Landlord may designate by notice to Tenant. If the Commencement Date occurs on a day other than the first day of a calendar month, the Base Rent for such calendar month shall be prorated, and the balance of the first month's Base Rent theretofore paid shall be credited against the next monthly installment of Base Rent.

**2.5 Late Charges.** Tenant acknowledges that the late payment of any monthly Rent will cause Landlord to lose the use of that money and incur costs and expenses not contemplated under this Lease, including administrative and collection costs and processing and account expenses, the exact amount of which it is difficult to ascertain. Therefore, if any such installment is not received by Landlord within ten (10) days from the date it is due, Tenant shall pay Landlord a late charge equal to five percent (5%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from such nonpayment by Tenant. In addition, any check returned by the bank for any reason will be considered late and will be subject to all late charges plus a Twenty Dollar (\$20.00) fee. After two such occasions in any twelve (12) month period, Landlord will have the right to require payment by a cashier's check or money order. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease or at law.

**3 SECURITY DEPOSIT.** Tenant shall deposit with Landlord the amount of **Twenty Thousand One Hundred Eighty-Two Dollars and Fifty Cents (\$20,132.50)** (the "Security Deposit") upon Tenant's execution and submission of this Lease. The Security Deposit shall serve as security for the prompt, full, and faithful performance by Tenant of the terms and provisions of this Lease. Landlord shall not be required to keep the Security Deposit separate from Landlord's general funds or pay interest on the Security Deposit.

**3.1 Application of Deposit.** In the event that Tenant is in Default hereunder and fails to cure within any applicable time permitted under this Lease, or in the event that Tenant owes any amounts to Landlord upon the expiration of this Lease, Landlord may use or apply the whole or any part of the Security Deposit for the payment of Tenant's obligations hereunder. The use or application of the Security Deposit or any portion thereof shall not prevent Landlord from exercising any other right or remedy provided hereunder or under any Law and shall not be construed as liquidated damages.

**3.2 Restoration of Full Deposit.** In the event the Security Deposit is reduced by such use or application, Tenant shall deposit with Landlord, within ten (10) days after written notice, an amount sufficient to restore the full amount of the Security Deposit. If the Premises shall be expanded at any time, or if the Term shall be extended at any increased rate of Rent, the Security Deposit shall thereupon be proportionately increased.

**3.3 Disposition of Security Deposit.** After the Expiration Date or any earlier termination of the Lease, any remaining portion of the Security Deposit shall be returned to Tenant in accordance with the provisions of § 1950.7 of the California Civil Code.

**4 USE.** The Premises are to be used for general office space, oncological laboratory testing and analysis, including organic and inorganic chemistry, biochemistry, animal testing, and radioactive synthesis and testing and related uses, and for no other purpose without prior written consent of Landlord.

**4.1 Prohibited Uses.** Tenant shall not use any portion of the Premises for purposes other than those specified hereinabove, and no use shall be made or permitted to be made upon the Premises, nor acts done, which will increase the existing rate of insurance upon the property, or cause cancellation of insurance policies covering said property. Tenant shall not conduct or permit any sale by auction on the Premises. Tenant shall not use, release or store or permit the usage, release, or storage of restricted by Department of Health Services, California Water Quality Control Board, Environmental Protection Agency, or any other governmental agency or entity, and Tenant shall comply with all environmental laws, regulations, rules and requirements applicable to the Premises. Tenant shall indemnify, defend and hold Landlord harmless from and against any claims, judgments, demands, liabilities, costs and expenses (including reasonable attorney's fees) arising from Tenant's breach of the above covenants. Tenant shall not commit any waste upon the Premises or any nuisance or act which may disturb the quiet enjoyment of any tenant in the Building.

**5 CONDITION OF PREMISES.** Except as otherwise expressly provided in any "Work Letter Agreement" which may be executed by Landlord and Tenant concurrently with their execution of this Lease and attached hereto as **Exhibit D**, Tenant shall accept the Premises (and the Systems and Equipment serving the same) in an "as is" condition on the date the Term commences, and Landlord shall have no obligation to improve, alter, remodel, or otherwise modify the Premises prior to Tenant's occupancy. Notwithstanding the foregoing, HVAC units, fume hoods, building wiring and plumbing, and lighting shall all be in working condition.

**5.1 Landlord's Preparation.** Landlord shall use reasonable diligence in completing and preparing the Premises for Tenant's occupancy in the manner and subject to the terms, conditions, and covenants set forth on or before the Commencement Date specified in the Table. The facilities, materials, and work to be furnished, installed, and performed in the Premises by Landlord hereunder are referred to as the "Work." Any and all other such other installations, materials, and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate, and furnish the Premises for Tenant's occupancy are referred to as the "Tenant's Work."

**5.1.1 Landlord's Work.** The parties agree that Landlord's entire obligation as to the Work shall be at Landlord's sole cost and expense (i) to enclose the perimeter of the Premises so as to separately demise them from any other premises in the Building and (ii) to adjust the location of three (3) doors in the Premises as agreed by the parties.



**5.1.2 Tenant's Improvement Allowance.** In addition to Landlord's performance of the Work specified in § 5.1.1 above, Landlord agrees to make available to Tenant an improvement allowance in the amount of **Ten Thousand Dollars (\$10,000.00)** (the "Allowance") to be utilized by Tenant to pay the cost of any Tenant's Work that Tenant may elect to complete in the Premises in connection with its preparations for the occupancy of the Premises. Landlord agrees to reimburse Tenant for the cost of the Tenant's Work, up to the maximum amount of the Allowance, promptly after receipt from Tenant of invoices, paid receipts, and such other documentation as Landlord may reasonably require in connection with Tenant's completion of Tenant's Work. Tenant agrees that the Allowance shall be repaid to Landlord as Additional Rent in monthly installments of **Thirty Dollars and Eighty Eight cents (\$30.88)** per month for each increment of One Thousand Dollars (\$1,000) or part thereof that Tenant elects to draw of the available Supplementary Allowance as provided herein, which increase assumes an amortization period of three (3) years Tenant agrees promptly to execute and deliver to Landlord an amendment to the Lease to reflect the increase in the Rent thereunder which results from the utilization of the Allowance described herein as soon as the amount of such increase is liquidated and as soon as such amendment is presented to Tenant for execution. The increase shall be deemed an item of Additional Rent under § 2.3 above. Tenant agrees that the unamortized portion of the Supplementary Allowance shall be immediately due and payable to Landlord if Tenant defaults under the Lease or if the Lease terminates for any reason prior to the Expiration Date specified in the Table in the Lease.

**5.2 Readiness for Occupancy.** The Premises shall be deemed ready for occupancy on the earliest date on which all of the following conditions (the "Occupancy Conditions") have first been met:

**(a) Substantial Completion of Work.** The Work has been substantially completed; and it shall be so deemed notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment, or decoration remain to be performed, the noncompletion of which does not materially interfere with Tenant's beneficial use of the Premises for their intended purposes;

**(b) Access and Services.** Reasonable means of access and facilities necessary to Tenant's use and occupancy of the Premises, including corridors, elevators, stairways, heating, ventilating, air-conditioning, sanitary, water, and electrical facilities (but exclusive of parking facilities) have been installed and are in reasonably good operating order and available to Tenant; and

**(c) Certificate of Occupancy or Completion.** A certificate of occupancy, certificate of completion, final inspection card, or similar required governmental approval (temporary or final) has been issued by the City of Berkeley permitting use of the Premises for office and laboratory purposes.

**5.2.2 Tenant Delays.** If the occurrence of any of the Occupancy Conditions and Landlord's preparation of the Premises for occupancy shall be delayed owing to either (a) any act, omission, or failure of Tenant or any of its employees, agents, or contractors which shall continue after Landlord shall have given Tenant reasonable notice that such act, omission, or failure would result in delay, and such delay shall have been unavoidable by Landlord in the exercise of reasonable diligence and prudence; or (b) the nature of any items of additional work or change orders that Landlord undertakes to perform for the account of Tenant (including any delays incurred by Landlord, after making reasonable efforts, in procuring any materials, equipment, or fixtures of a kind or nature

not used by Landlord as part of its standard construction) (collectively “Tenant Delays”), then the Premises shall be deemed ready for occupancy on the date when they would have been ready but for such Tenant Delays.

**5.3 Early Entry.** During any period that Tenant shall be permitted to enter the Premises prior to the Commencement Date other than to occupy the same (e.g., to perform alterations or improvements), Tenant shall comply with all terms and provisions of this Lease, except those provisions requiring the payment of Rent. Landlord shall permit early entry, provided the Premises are legally available and Landlord has completed any Work required under this Lease.

**5.4 Notice of Defects.** It shall be conclusively presumed upon Tenant’s taking actual possession of the Premises that the same were in satisfactory condition (except for latent defects) as of the date of such taking of possession, unless within thirty (30) days after the Commencement Date Tenant shall give Landlord notice in writing specifying the respects in which the Premises were not in satisfactory condition.

**5.5 Systems and Equipment.** As used in this Lease, “Systems and Equipment” means collectively any existing plant, machinery, transformers, duct work, fume hoods, intrabuilding network cables and wires that transmit voice, data, and other telecommunications signals (“INC”), and other equipment, facilities, and systems designed to supply water, heat, ventilation, air conditioning and humidity or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life/safety systems or equipment, or any other mechanical, electrical, electronic, computer, or other systems or equipment for the Building.

**6 ASSIGNMENT AND SUBLETTING.** Tenant agrees that it shall not assign, sublet, mortgage, hypothecate, or encumber this Lease, nor permit or allow the Premises or any part thereof to be used or occupied by others, without the prior written consent of Landlord in each instance, which consent shall not unreasonably be withheld. The actions described in the foregoing sentence are referred to collectively herein as “Transfers.” Tenant shall give Landlord written notice of its intent to effectuate any Transfer not less than thirty (30) days prior to the date of any such proposed Transfer. If the Premises or any part thereof be sublet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the subtenant or occupant and apply the net amount collected to the Rent herein reserved; but no Transfer, occupancy, or collection shall be deemed a waiver of the provisions hereof, the acceptance of the subtenant or occupant as tenant or a release of Tenant from the further performance hereunder by Tenant. The consent by Landlord to a Transfer shall not relieve Tenant from obtaining the Landlord’s express written consent to any further Transfer. In no event shall any permitted sublessee assign or encumber its sublease or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others, without Landlord’s prior written consent in each instance. Tenant shall pay as Additional Rent Landlord’s reasonable costs incurred in the review of any request to sublease or assign the Premises or any portion thereof, including the costs of Landlord’s attorneys’ fees incurred in reviewing and documenting the proposed transaction.

**6.1 Landlord’s Recapture Right.** Tenant’s transfer notice shall be deemed an offer from Tenant to Landlord whereby Landlord (or Landlord’s designee) may, at its option, terminate this Lease as to all or the affected portion or the Premises (as the case may be) as of the effective date of the proposed Transfer. Landlord may exercise its recapture right by notice to Tenant at any time within thirty (30) days after Landlord’s receipt of Tenant’s Transfer Notice; and during such thirty-day period Tenant shall not assign this Lease nor sublet such space to any person. Notwithstanding the foregoing, Landlord shall not terminate this Lease if Landlord has approved a sublease.

**6.1.1 Date of Termination.** If Landlord exercises its option to terminate this Lease as provided in § 6.1 above, this Lease shall end and expire on the date that such Transfer was to be effective or commence, as the case may be, and the Base Rent and Additional Rent shall be paid and apportioned to such date.

**6.2 Transfer Premium.** If Landlord shall give its consent to any assignment of this Lease or to any sublease, Tenant shall in consideration therefor pay to Landlord, as Additional Rent, the following amounts (collectively the "Transfer Premium"):

(a) in the case of an assignment, an amount equal to fifty percent (50%) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment, but excluding the following: (1) the brokerage commission or finder's fee paid by Tenant in connection with the assignment; (2) reasonable legal fees and reimbursements; and (3) reasonable amounts paid by Tenant for tenant improvements constructed for the assignee; and

(b) in the case of a sublease, fifty percent (50%) of any rents, additional charge, or other consideration payable under the sublease to Tenant by the subtenant which is in excess of the Base Rent and Additional Rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder) pursuant to the terms hereof, but excluding the following: (1) the brokerage commission or finder's fee paid by Tenant in connection with the sublease; (2) reasonable legal fees and disbursements; and (3) reasonable amounts paid by Tenant for tenant improvements constructed for the subtenant.

The sums payable as the Transfer Premium under this § 6.2 shall be paid to Landlord as and when payable by the subtenant or assignee to Tenant.

**7 COMPLIANCE WITH LAWS.** Tenant shall use the Premises in compliance with all applicable federal, state, county, and local governmental anti municipal laws, statutes, ordinances, rules, regulations, codes, decrees, orders, and other such requirements, and decisions by courts in cases where such decisions are considered binding precedents in the State of California (the "State"), and decisions of federal courts applying the laws of the State (collectively "Laws"). Tenant shall, at its sole cost and expense, promptly comply with each and all of such Laws, and also with the requirements of any board of fire underwriters or other similar body now or hereafter constituted to deal with the condition, use, or occupancy of the Premises, except in the case of required structural changes not triggered by Tenant's change in use of the Premises or Tenant's alterations, additions, or improvements therein. Tenant shall comply with all applicable Laws regarding the physical condition of the Premises, but only to the extent that the applicable Laws pertain to the particular manner in which Tenant uses the Premises or the particular use to which Tenant puts the Premises, if different from that permitted under § 4 of this Lease. Tenant shall also comply with all applicable Laws which do not relate to the physical condition of the Premises and with which only the occupant can comply, such as laws governing maximum occupancy, workplace smoking, VDT regulations, and illegal business operations, such as gambling. The judgement of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of such Laws shall be conclusive of that fact as between Landlord and Tenant

**7.1 Code Costs.** Notwithstanding anything to the contrary in this § 7, if the requirement of any public authority obligates either Landlord or Tenant to expend money in order to bring the Premises and/or any area of the Building into compliance with Laws as a result of (1) Tenant's particular use or alteration of the Premises other than as shown on Exhibit A which assumes a use of office and standard laboratory use; (2) Tenant's change in the use of the Premises; (3) the manner of conduct of Tenant's business or operation of its installations, equipment, or other property therein; (4) any cause or condition created by or at the instance of Tenant, other than by Landlord's performance of any work for or on behalf of Tenant; or (5) breach of any of Tenant's obligations hereunder, then Tenant shall bear all costs ("Code Costs") of bringing the Premises and/or building into compliance with Laws, whether such Code Costs are related to structural or nonstructural elements of the Premises or Building.

**8 HAZARDOUS MATERIALS.** Tenant shall not cause or permit to occur (I) any violation of applicable Laws now or hereafter enacted or issued, related to environmental conditions on, under, or about the Premises arising from Tenant's leasehold interest in or use or occupancy of the Premises including, soil and groundwater conditions and (ii) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Materials on, under, or about the Premises or the Building or the transportation to or from the Premises or the Building of any Hazardous Materials, except de minimis amounts of Hazardous Materials that are commonly used in office products or are present in ordinary cleaning supplies. All such office products and cleaning supplies will be used and stored in a manner that complies with all Laws. Tenant shall at its own expense make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities under Laws relating to Hazardous Materials. Should any governmental entity having jurisdiction over the Premises demand that a remediation plan be prepared or that remediation be undertaken because of any deposit, spill, discharge, or other release of Hazardous Materials that occurs during the Term of this Lease at or from the Premises which arises at any time from Tenant's use or occupancy of the Premises or from acts or omissions of Tenant, its agents, employees, representatives, or invitees, then Tenant shall, at its own expense, prepare and submit the required plans. Tenant shall indemnify, defend, protect, and hold Landlord, its partners, officers, directors, beneficiaries, shareholders, agents, employees, and lenders harmless from all fines, suits, procedures, claims, liabilities, and actions of every kind, and all costs associated therewith (including investigation costs and attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Materials that occurs during the Term of this Lease, at or from the Premises which arises at any time from Tenant's use or occupancy of the Premises or from Tenant's failure to provide all information, make all submissions, and take all steps requires by any governmental authorities having jurisdiction over the Premises. Tenant's obligations and the indemnity hereunder shall survive the expiration or earlier termination of this Lease. The term *Hazardous Materials* as used herein shall include any chemical, substance, or material which has been or is hereafter determined by any federal, state, or local governmental agency to be capable of posing a risk of injury to health or safety including petroleum, asbestos, polychlorinated biphenyls, radioactive materials, and radon gas.

**8.1 Permitted Hazardous Materials.** Notwithstanding anything to the contrary herein, Landlord agrees that Tenant shall be permitted to conduct industry-standard procedures for oncological testing and analysis in the Premises, including standard tests requiring the use of radioactive materials, provided, however, that the use and storage complies with all laws . Prior to the use of any Hazardous Material in the Premises and at such times as Landlord may reasonably request, Tenant shall provide Landlord with a written list identifying any Hazardous Material proposed or then used, stored, or maintained upon the Premises, the use and approximate quantity of each such material, a copy of any material safety data sheet ("MSDS") issued by the manufacturer thereof, written information concerning the removal, transportation, and disposal of the same, and such other information as Landlord may reasonably require or as may be required by law. Tenant agrees unconditionally to indemnify, defend, protect, and hold Landlord harmless against any claims, liabilities, demands, losses, damages, consequential damages, and the like, including reasonable attorneys' fees and court costs (collectively "Claims") that may be maintained, claimed, or asserted against Landlord as a result of Tenant's use of or the presence of Hazardous Materials introduced by Tenant in the Premises.

**8.2 Cleanup.** If any Hazardous Material is released, discharged, or disposed of by Tenant or any other occupant of the Premises, or their employees, agents, or contractors, on or about the Development in violation of the foregoing provisions, Tenant shall immediately, properly, and in compliance with applicable Laws clean up and remove the Hazardous Material from the Development and any other affected property and clean or replace any affected personal property (whether or not owned by Landlord), at Tenant's expense. Such clean up and removal work shall be subject to Landlord's prior written approval (except in emergencies), and shall include any testing, investigation, and the preparation and implementation of any remedial action plan required by any governmental body having jurisdiction or

reasonably required by Landlord. If Tenant shall fail to comply with the provisions of this § 8.2 within five (5) days after written notice by Landlord, or such shorter time as may be required by Laws or in order to minimize any hazard to persons or property, Landlord may (but shall not be obligated to) arrange for such compliance directly or as Tenant's agent through contractors or other parties selected by Landlord, at Tenant's expense (without limiting Landlord's other remedies under this Lease or applicable Laws).

**9 MAINTENANCE REPAIRS, ALTERATIONS.** After completion of Landlord's Work, if any, pursuant to § 5.1 above, Tenant shall, at his own expense and at all times, maintain the Premises in good and safe condition, including window glass and the Systems and Equipment serving the Premises and shall surrender the same at termination hereof in as good condition as received, normal wear and tear excepted. Tenant shall be responsible for all repairs required, excepting only the roof, skylights, exterior walls, and structural foundations, which shall be maintained by Landlord. Landlord shall maintain in good condition the common areas of the property, such as sidewalks, driveways, lawns, and shrubbery. Landlord shall be responsible for electrical and plumbing supplied by Landlord and embedded in floor or side walls and not accessible from the Premises. No improvement or alteration of the Premises shall be made without the prior written consent of the Landlord. Prior to the commencement of any substantial repair, improvement, or alteration, Tenant shall give Landlord at least five (5) days' written notice in order that Landlord may post appropriate notices of nonresponsibility to avoid any liability for liens for any such work of improvement on the Premises. If Tenant requests that Landlord perform any maintenance or repair work in the Premises the responsibility for which is allocated to Tenant under this Lease, Landlord may agree to perform such maintenance or repair at Landlord's sole discretion. If Landlord agrees to perform such maintenance or repair work, Tenant shall pay, as Additional Rent, Landlord's standard charges for such maintenance or repair work within twenty (20) days after receipt of Landlord's invoice therefor. Landlord's standard maintenance and repair charges shall be subject to adjustment from time to time in Landlord's sole discretion, and all invoices for such maintenance or repair charges shall include a service charge in the amount of fifteen percent (15%) of the invoiced cost or any such maintenance or repair work performed by Landlord at Tenant's request.

**9.1 Restoration of Premises.** At or before the Expiration Date or the date of any earlier termination of this Lease, or as promptly as practicable using Tenant's best efforts after such an earlier termination date, Tenant, at its expense, shall do all of the following:

- (a) surrender possession of the Premises in the condition required under § 9 above, ordinary wear and tear excepted;
- (b) surrender all keys, any key cards, and any parking stickers or cards to Landlord and give Landlord in writing the combinations of any locks or vaults then remaining in the Premises;
- (c) remove from the Premises all of Tenant's Property, including any data wiring and cabling that Tenant has installed, except such items thereof as Tenant shall have expressly agreed in writing with Landlord were to remain and to become the property of Landlord; and
- (d) fully repair any damage to the Premises or the Development resulting from such removal.

Tenant's obligations herein shall survive the expiration or earlier termination of the Lease, unless expressly provided to the contrary herein. All improvements and other items in or upon the Premises

(except Tenant's Property), whether installed by Tenant or Landlord, shall be Landlord's property and shall remain upon the Premises, all without compensation, setoff, allowance, or credit to Tenant; provided, however, that if prior to such expiration or earlier termination Landlord so directs by notice, Tenant shall promptly remove such of the improvements in the Premises as are designated in such notice and shall restore the Premises to their condition prior to the installation of such Improvements. Notwithstanding the foregoing, Landlord shall not require removal of customary office improvements installed pursuant to the Work Letter Agreement, if any (except as expressly provided to the contrary therein), or installed by Tenant with Landlord's written approval (except as expressly required by Landlord in connection with granting such approval), nor shall the removal of the cold room and restoration of that space be required.

**9.1.1 Restoration of Fixtures.** If any of Tenant's alterations or changes to the Premises permitted under § 9 above shall involve the removal of any fixtures, equipment, or other property in the Premises which are not Tenant's Property, such fixtures, equipment, or other property shall be promptly replaced, at Tenant's expense, with new fixtures, equipment, or other property (as the case may be) of like utility and at least equal value, unless Landlord shall otherwise expressly consent in writing; and Tenant shall, store and preserve, at Tenant's sole cost and expense, any such fixtures, equipment or property so removed and shall return same to Landlord upon the expiration or sooner termination of this Lease.

**9.2 HVAC Maintenance Contract Costs.** Notwithstanding anything to the contrary herein, Tenant shall bear the cost, up to a maximum of Five Hundred Dollars (\$500.00) per HVAC compressor unit serving the Premises per annum, of the annual HVAC maintenance contract for the maintenance of the HVAC serving the Premises, which costs shall be payable in addition to and not as part of Tenant's Pro Rata Share of CAM Charges payable under § 2.3 above. Such costs shall be payable upon demand to Landlord as Additional Rent.

**9.3 Janitorial Services.** Notwithstanding anything to the contrary herein, Tenant shall contract and pay, at its sole cost and expense, for all janitorial services necessary to maintain the Premises in the condition required under this Lease, which costs shall be payable in addition to and not as part of Tenant's Pro Rata Share of CAM Charges payable under § 2.3 above. Notwithstanding the foregoing, if certain areas of the Building shall be shared as common area, Landlord shall provide janitorial services and bill Tenant for its Pro Rata Share of those expenses as Additional Rent under § 2.3 above.

**9.4 Fume Hood Maintenance.** Tenant shall be responsible for obtaining the required annual certification and maintenance as required for any and all fume hoods in the Premises. Notwithstanding the foregoing, Landlord may elect to undertake the maintenance and annual certification of any such fume hoods in the Premises, in which case Tenant agrees to reimburse Landlord for all reasonable costs incurred, promptly after receipt of Landlord's bill therefor and as Additional Rent hereunder, for all costs incurred in connection with such maintenance and certification.

**10 ENTRY AND INSPECTION.** Tenant shall permit Landlord or Landlord's agents to enter upon the Premises at reasonable times and upon reasonable notice for the purpose of inspecting the same, will permit Landlord at any time within one hundred twenty (120) days prior to the expiration of this Lease to place upon the Premises any usual "To Lease" or "Available" signs, and will permit persons desiring to lease the same to inspect the Premises thereafter.

**11 INDEMNIFICATION OF LANDLORD.** Landlord shall not be liable for any damage or injury to Tenant, to any other person, or to any property occurring on the demised Premises or any part thereof, and Tenant agrees to indemnify, defend, protect, and hold Landlord harmless from any liabilities and/or claims for damages, no matter how caused, which may arise in connection with Tenant's use or occupancy of the Premises, except those caused by any grossly negligent act or intentional misconduct of Landlord or Landlord's agents acting in the course of their agency.

**12 LANDLORD’S INSURANCE.** Landlord shall, as part of Insurance Costs, maintain “all risk” property damage insurance containing an agreed amount endorsement covering not less than one hundred percent (100%) of the full insurable replacement cost valuation of (1) the Building and the tenant improvements, betterments, and the alterations thereto; and (2) Landlord’s personal property, business papers, furniture, fixtures, and equipment (collectively “Landlord’s Property”), exclusive of the costs of excavation, foundations, footings, and risks required to be covered by Tenant’s insurance, and subject to commercially reasonable deductibles. Landlord shall also, as part of Insurance Costs, obtain and keep in full force the following policies of insurance: (a) commercial general liability insurance; (b) loss of rent insurance (also known as rent continuation insurance); (c) workers’ compensation insurance, if required by applicable Law; and (d) such other insurance as Landlord deems appropriate or as may be required by any Holder or ground lessor.

**13 TENANT’S INSURANCE.** Tenant shall obtain and maintain in effect at all times during Tenant’s possession of the Premises the following insurance coverages and policies:

**(a) Liability Insurance.** Tenant shall maintain a policy of commercial general liability insurance, which shall include coverages for (1) personal injury; (2) broad-form contractual liability; (3) owner’s (i.e., Tenant’s) & contractor’s protective; and (4) broad-form property damage liability. The minimum limits of liability shall be a combined single limit with respect to each occurrence of not less than One Million Dollars (\$1,000,000) and an aggregate limit of not less than Two Million Dollars (\$2,000,000). The policy shall contain a cross-liability endorsement and a severability of interest clause. Tenant shall increase the insurance coverage as required by Landlord’s lender or if Landlord’s insurance consultant believes that the coverage is not adequate.

**(b) Tenant’s Business Personal Property Insurance.** Tenant shall maintain on all of its business personal property, including valuable business papers and accounts receivable; operating supplies; inventory; and furniture, fixtures, and equipment (whether owned, leased, or rented) (collectively “Business Personal Property”) an “all risk” property damage insurance policy including coverages for sprinkler leakage and containing an special form replacement cost (or, if applicable, a business owner’s policy with a no-coinsurance provision) in an amount not less than one hundred percent (100%) of the full replacement cost valuation of such Business Personal Property. The proceeds from any such policy shall be used by Tenant for the replacement of such Business Personal property.

**(c) Business Interruption/Extra Expense Insurance.** Tenant shall maintain business interruption or (if applicable) contingent business interruption and extra expense insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings and incurred costs attributable to the perils commonly covered by Tenant’s property insurance described in § 13(b) above but in no event less than the average total of Tenant’s annual gross receipts during the three-year period immediately preceding such interruption or loss. Such insurance will be carried with the same insurer that issues the insurance for Tenant’s Business Personal Property pursuant to §13(b) above. Notwithstanding the foregoing, this coverage condition may be waived upon obtaining 100% annual Rental Coverage Expense in lieu of Business Interruption/Extra Expense Insurance.

**13.2 Tenant's Insurance Criteria.** All insurance required to be maintained by Tenant under this Lease shall conform to the following criteria:

- (i) Tenant's insurance shall be issued by insurance companies authorized to do business in the State of California with a financial rating of at least B+ for any property insurance and at least B+ for any liability insurance, as rated in the most recent edition of *Best's Insurance Reports*;
- (ii) Tenant's insurance shall be issued as primary and noncontributory;
- (iii) Tenant's liability and property insurance policies shall name Tenant as the insured and Landlord, Landlord's agents, and any ground lessors and Holders (as such terms are defined in § 26) whose names shall have been furnished to Tenant as additional insureds;
- (iv) Tenant's insurance shall contain an endorsement requiring at least thirty (30) days' written notice from the insurance company to each insured and additional insured before cancellation or any material change in the coverage, scope, or amount of any policy; and

with respect to damage to or loss of Tenant's Business Personal Property, a waiver of subrogation must be obtained, as required under § 14 below.

**13.3 Blanket Coverage.** All of the insurance requirements set forth herein on the part of Tenant to be observed shall be deemed satisfied if the Premises are covered by a blanket insurance policy complying with the limits, requirements, and criteria contained in this § 13 *et. seq.* insuring all or most of Tenant's facilities in California.

**13.4 Evidence of Coverage.** A duplicate original policy or a certificate of insurance shall be deposited with Landlord at the commencement of the Term or, if earlier, upon Tenant's taking possession of the Premises; and on renewal of the policy a certificate of insurance listing the insurance coverages required hereunder and naming the appropriate additional insureds shall be deposited with Landlord not less than seven (7) days before expiration of the policy.

**14 WAIVER OF SUBROGATION.** To the maximum extent permitted by insurance policies which Landlord and Tenant are required to maintain under §§ 12 and 13 above, Tenant and Landlord, for the benefit of each other, waive any and all rights of subrogation which might otherwise exist. Landlord and Tenant intend that their respective property loss risks shall be borne by responsible insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that said waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

**15 UTILITIES AND SERVICES.** Tenant shall be responsible for the payment directly to their suppliers of the charges for all utilities, including, gas, water, electricity, heat, and other services delivered to or consumed in the Premises. If any such services are not separately metered to Tenant, Tenant shall pay to Landlord pursuant to § 2.3 above a reasonable proportion, as determined by Landlord by means of submetering or good-faith estimation, of all charges jointly metered with other premises. Notwithstanding the foregoing, Landlord may apply, and bill Tenant as Additional Rent for, an equitable allocation, as determined in Landlord's reasonable judgement, of the costs of any unmetered services consumed by Tenant in the Premises in any case where Tenant's usage of such unmetered services is reasonably calculated to be disproportionate to that of other Tenants in the Building.

**15.1 Interruption of Services.** Landlord does not warrant that any services or utilities provided hereunder for Tenant's use in the Premises will be free from shortages, failures, variations, or



interruptions caused by repairs, maintenance, replacements, improvements, alterations, changes of service, strikes, lockouts, labor controversies, accidents, inability to obtain services, fuel, steam, water, or supplies, governmental requirements or requests, or other causes beyond Landlord's reasonable control, including interference with light or other incorporeal hereditaments and any interruption in services or any failure to provide services to Landlord by a designated utility company at the demarcation point at which Landlord accepts responsibility for such service or at any point prior thereto, which interference impedes Landlord in furnishing plumbing, HVAC, electrical, sanitary, life safety, elevator, telecommunications, or other Building services, utilities, or the Systems and Equipment. None of the same shall be deemed an eviction or disturbance of Tenant's use and possession of the Premises or any part thereof, shall render Landlord liable to Tenant for abatement of Rent, or shall relieve Tenant from performance of Tenant's obligations under this Lease. Landlord in no event shall be liable for damages by reason of loss of profits, business interruption, or other compensatory or consequential damages.

**15.2 Additional Services or Utilities.** Landlord shall, subject to all applicable Laws, seek to provide such utilities or services in excess of those Landlord is required to provide under § 15 as Tenant may from time to time request, if the same are reasonable and feasible for Landlord to provide and do not involve modifications or additions to the Building or the Systems and Equipment and if Landlord shall receive Tenant's request within a reasonable period prior to the time such extra utilities or services are required. Landlord may comply with written or oral requests by any officer or employee of Tenant, unless Tenant shall notify Landlord of, or Landlord shall request, the names of authorized individuals and procedures for written requests. Use of the Premises, or any part thereof, in a manner exceeding the design conditions (including occupancy and connected electrical load) for the heating or cooling units in the Premises, or rearrangement of partitioning which interferes with normal operation of the HVAC system in the Premises, may require changes in the HVAC system servicing the Premises. Such changes shall be made by Tenant at its expense. Tenant shall not change or adjust any closed or sealed thermostat or other element of the HVAC system without Landlord's express prior written consent. Tenant shall, for such extra utilities or services, pay such charges as Landlord shall from time to time establish. All charges for extra utilities or services or those requested outside business hours shall be due at the same time as the installment of Base Rent with which the same are billed, or if billed separately, shall be due within twenty (20) days after such billing. All invoices for such additional services or utilities shall include a service charge in the amount of fifteen percent (15%) of the invoiced cost or any such additional utilities or services supplied by Landlord at Tenant's request.

**15.2.1 Additional Building Expenses.** In addition to the cost of Tenant's Utilities payable under § 15 above and the CAM Charges payable under § 2.3(a) above, Tenant agrees to pay, as Additional Rent hereunder, its Pro Rata Share of (i) the cost to Landlord, if any, to guard or monitor the parking lot associated with the Building, as provided in § 1.1.3 above; and (ii) the cost to Landlord of scavenger services for the Building, as provided under § 15 above.

**16 SIGNS.** Landlord reserves the exclusive right to the roof, side and rear walls of the Premises. Tenant shall not construct any projecting sign or awning without the prior written consent of Landlord.

**17 CONDEMNATION.** If any part of the Premises shall be taken or condemned for public use, and a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part taken, terminate as of the date the condemnor acquires possession, and thereafter Tenant shall be required to pay such proportion of the rent for the remaining term as remaining square footage of the Premises bears to the total original square footage of the Premises at the date of condemnation; provided, however, that Landlord at its option may terminate this Lease as of the date the condemnor acquires possession. In the event that the demised Premises are condemned in whole, or that a portion is condemned of such size that the remainder is not suitable for Tenant's beneficial enjoyment of the Premises for their intended purposes, this Lease shall terminate upon the date upon which the condemnor acquires possession. All sums which may be payable on

account of any condemnation shall belong to the Landlord, and Tenant shall not be entitled to any part thereof; provided however, that Tenant shall be entitled to retain any amount awarded to him for his trade fixtures or moving expenses.

**18 SURRENDER AND RESTORATION.** At or before the Expiration Date or the date of any earlier termination of this Lease, or as promptly as practicable using Tenant's best efforts after such an earlier termination date, Tenant, at its expense, shall do all of the following:

- (a) surrender possession of the Premises in the condition required under § 5 above, ordinary wear and tear excepted;
- (b) surrender all keys, any key cards, and any parking stickers or cards to Landlord and give Landlord in writing the combinations of any locks or vaults then remaining in the Premises;
- (c) remove from the Premises all of Tenant's Property, except such items thereof as Tenant shall have expressly agreed in writing with Landlord were to remain and to become the property of Landlord, which shall include the cold room and additional fume hoods; and
- (d) fully repair any damage to the Premises or the Property resulting from such removal.

Tenant's obligations herein shall survive the termination of the Lease. All improvements and other items in or upon the Premises (except Tenant's Property), whether installed by Tenant or Landlord, shall be Landlord's property and shall remain upon the Premises, all without compensation, allowance, or credit to Tenant; provided, however, that if prior to such termination Landlord so directs by notice, Tenant shall promptly remove such of the Improvements in the Premises as are designated in such notice and shall restore the Premises to their condition prior to the installation of such Improvements. Notwithstanding the foregoing, Landlord shall not require removal of customary office improvements installed pursuant to the Work Letter Agreement, if any (except as expressly provided to the contrary therein), or installed by Tenant with Landlord's written approval (except as expressly required by Landlord in connection with granting such approval).

**18.2 Tenant's Failure to Remove or Restore.** If Tenant shall fail to perform any repairs or restoration or fail to remove any items from the Premises as required under this Article 18, Landlord may do so, and Tenant shall pay Landlord the cost thereof upon demand. All property removed from the Premises by Landlord pursuant to any provisions of this Lease or any Law may be handled or stored by Landlord at Tenant's expense, and Landlord shall in no event be responsible for the value, preservation, or safekeeping thereof. All property not removed from the Premises or retaken from storage by Tenant within thirty (30) days after expiration or earlier termination of this Lease or Tenant's right to possession shall at Landlord's option be conclusively deemed to have been conveyed by Tenant to Landlord as if by bill of sale without payment by Landlord. Unless prohibited by applicable Laws, Landlord shall have a lien against such property for the costs incurred in removing and storing the same.

**19 DESTRUCTION OF PREMISES.** Landlord and Tenant agree that their respective rights and obligations in the event of any damage or destruction of the Premises or Building shall be governed exclusively by this Lease. Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases Tenant's rights under California Civil Code §§ 1932(2), 1933(4), and 1942, as the same may be modified or replaced hereafter. No damages, compensation, or claim shall be payable by Landlord for any inconvenience, interruption, or cessation of Tenant's business or any annoyance arising from any damage to or destruction of all or any portion of the Premises or Building.

**19.1 Partial Destruction of Premises.** In the event of a partial destruction of the Premises during the term hereof from any cause, Landlord shall forthwith repair the same at Landlord's expense, provided

that such repairs can be made within sixty (60) days under existing Laws; but such partial destruction shall not terminate this Lease, except that Tenant shall be entitled to a proportionate reduction of Rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with Tenant's beneficial enjoyment of the Premises for their intended purposes. If such repairs cannot be made within sixty (60) days, Landlord at its option may make the same within a reasonable time, this Lease continuing in effect with the rent proportionately abated as aforesaid; and in the event that Landlord shall not elect to make such repairs which cannot be made within sixty (60) days, this Lease may be terminated by either party upon written notice, effective as of the date of such notice.

**19.2 Destruction of Building.** In the event that the Building is destroyed to an extent of not less than one-third of the replacement costs thereof, Landlord may elect to terminate this Lease, whether the Premises be injured or not. A total destruction of the Building shall terminate this Lease.

**19.3 Disputes.** In the event of any dispute between Landlord and Tenant with respect to the provisions hereof, the matter shall be settled by arbitration in accordance with the provisions of § 25 below.

**20 TENANT'S DEFAULT.** The occurrence of any one or more of the following events shall constitute a material breach and default ("Event of Default") of this Lease by Tenant:

- (a) Tenant's failure to pay any Rent or any other charges required to be paid by Tenant under this Lease, where such failure continues for ten (10) days after such payment is due and payable;
- (b) Tenant's failure promptly and fully to perform any other covenant, condition, or agreement contained in this Lease, where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant;
- (c) Tenant's failure to comply with the Rules, unless such failure is cured within five (5) days after notice; provided, that if the nature of Tenant's failure is such that more than five (5) days are reasonably required in order to cure, Tenant shall not be in Default if Tenant commences to cure within such period and thereafter diligently and continuously prosecutes such cure to completion;
- (d) Tenant's abandonment or vacation of the Premises;
- (e) any material misrepresentation or omission herein or in any financial statements or other materials provided by Tenant or any Guarantor in connection with negotiating or entering this Lease or in connection with any Transfer under § 6 above;
- (f) cancellation of any guaranty of this Lease by any Guarantor;
- (g) Failure by Tenant to cure within any applicable time permitted thereunder any default under any other lease for space any other building owned or managed by Landlord or its affiliates now or hereafter entered by Tenant; and any Default hereunder not cured within the times permitted for cure herein shall, at Landlord's election, constitute a default under any other such lease or leases;
- (h) The levy of a writ of attachment or execution on this Lease or on any of Tenant's property;
- (i) Tenant's or any Guarantor's general assignment for the benefit of creditors or arrangement, composition, extension, or adjustment with its creditors; or

(j) In any proceeding or action in which Tenant is a party, the appointment of a trustee, receiver, agent, or custodian to take charge of the Premises or Tenant's Property for the purpose of enforcing a lien against the Premises or Tenant's Property.

The parties expressly agree that any notice which Landlord may give to Tenant that an Event of Default has occurred under this § 20 above shall satisfy the requirements of § 1161 of the California Code of Civil Procedure, and it shall not be necessary to give another notice to Tenant under § 1161.

**20.2 Landlord's Remedies.** Upon the occurrence of an Event of Default hereunder, Landlord shall have the right, in addition to any other rights or remedies Landlord may have, at Landlord's option, without further notice or demand of any kind, to elect to do one of the following alternatives:

- (a) Terminate this Lease and Tenant's right to possession of the Premises, re-enter the Premises, and take possession thereof; and Tenant shall have no further claim to the Premises or under this Lease; or
- (b) Continue this Lease in effect and collect any unpaid Rent or other charges which have theretofore accrued or which thereafter become due and payable. It is intended hereunder that Landlord have the remedy described in California Civil Code § 1951.4, which provides that a landlord may continue a lease in effect after a tenant's breach and abandonment and recover rent as it becomes due, if tenant has the right to sublease or assign, subject only to reasonable limitations.

In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's Property from the Premises and to place such property in storage at a public warehouse at the expense and risk of Tenant.

**20.3 No Waiver of Default.** The waiver by Landlord of any Event of Default or of any other breach of any term, covenant, or condition of this Lease shall not be deemed a waiver of such term, covenant; or condition or of any subsequent breach of the same or any other term, covenant, or condition. Acceptance of Rent by Landlord subsequent to any Event of Default or breach hereof shall not be deemed a waiver of any preceding Event of Default or breach other than the failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any term, covenant, or condition of this Lease, unless Landlord gives Tenant written notice of such waiver. Tenant should not rely upon Landlord's failure or delay in enforcing any right or remedy hereunder.

**20.4 Landlord's Right to Cure.** If Tenant defaults in the performance of any of its obligations under this Lease, Landlord may (but shall not be obligated to), without waiving such default, perform the same for the account and at the expense of Tenant. Tenant shall pay Landlord all costs of such performance promptly upon receipt of a bill therefor.

**20.5 Damages.** Should Landlord elect to terminate this Lease under the provisions of § 20.2(a) above, Landlord may recover as damages from Tenant the following:

- (i) *Past Rent*: The worth at the time of the award of any unpaid Rent which had been earned at the time of termination; plus
- (ii) *Rent Prior to Award*: The worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) *Rent After Award*: The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the rental loss that Tenant proves could have been reasonably avoided; plus

(iv) *Proximately Caused Damages*: Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorneys' fees), incurred by Landlord in (I) retaking possession of the Premises; (ii) maintaining the Premises after Tenant's default; (iii) preparing the Premises for reletting to a new tenant, including any repairs or alterations; and (iv) reletting the Premises, including brokers' commissions.

"The worth at the time of the award" as used in subsections (a) and (b) above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in subsection (c) above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%).

**21 RULES.** Tenant agrees that it will abide by, keep and observe all reasonable rules and regulations which Landlord may make from time to time for the management, safety, care, and cleanliness of the Building and grounds, the parking of vehicles and the preservation of good order herein as well as for the convenience of other occupants and tenants of the Building. The violations of any such rules and regulations shall be deemed a material breach of this Lease by Tenant.

**22 NOTICES.** Any notice required or permitted under this Lease shall be in writing and shall be delivered in at least one of the following ways: (1) personally or by private hand-delivery messenger service; (2) by depositing the same in the United States mail, postage prepaid, registered or certified, return receipt requested; or (3) by depositing such notice, postage prepaid, with Federal Express, DHL, UPS, or another nationally-recognized private overnight delivery service. Each such notice shall be addressed to the intended recipient at such party's address set forth as follows, or at such other address as such party has theretofore specified by written notice delivered in accordance with this § 22:

*if to Landlord:*

BANCROFT WAY, LLC  
Attn: Manager  
2332 Fifth Street  
Berkeley, CA 94710

*if to Tenant:*

ONCOLOGIC, INC.  
Attn: Director of Operations  
626 Bancroft Way, Suite 3C  
Berkeley, CA 94710

Every notice given to a party shall state the section of the Lease pursuant to which the notice is given and the period of time within which the recipient of the notice must respond

**23 HOLDING OVER.** Any holding over after the expiration of this Lease, with the consent of Landlord, shall be construed as a month-to-month tenancy at a base monthly rental of one hundred twenty five percent (125%) of the monthly rental which was in effect under the Lease on the Expiration Date, and otherwise in accordance with the terms hereof, as applicable, except that Tenant shall have no extension or renewal option.

*626 Bancroft Way Office Lease  
Bancroft Way, LLC:: Oncologic, Inc.  
page 20 of 23*

*Suite 3C (8,073 rsf)*

**24 ESTOPPEL CERTIFICATE.** Tenant shall at any time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge, and deliver to Landlord a statement in writing certifying (1) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), the amount of any security deposit, and the date to which the rent and other charges are paid in advance, if any; and (2) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer to the Premises. At Landlord's option, Tenant's failure to deliver such statement within such time shall be a material breach of this Lease or shall be conclusive upon Tenant that (1) this Lease is in full force and effect, without modification except as may be represented by Landlord, (2) there are no uncured defaults in Landlord's performance, and (3) not more than one month's rent has been paid in advance or such failure may be considered by Landlord as a default by Tenant under this Lease. If Landlord desires to finance, refinance, or sell the Premises, or any part thereof, Tenant hereby agrees to deliver to any lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such lender or purchaser. Such statements shall include the past three years' financial statements of Tenant. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

**25 ARBITRATION.** In the event of any dispute between Landlord and Tenant arising under this Lease that is not resolved by the parties within ten (10) days after the date either party gives notice to the other of its desire to arbitrate the dispute (the "Outside Agreement Date"), the dispute shall be settled by binding arbitration as provided in this § 25 and under the Commercial Arbitration Rules of the American Arbitration Association then in effect; provided, however, that nothing in this § 25 shall limit Landlord's right to bring an unlawful detainer action against Tenant if appropriate. All arbitration proceedings shall be conducted at Berkeley, California. Judgement upon the arbitration award may be entered in any court having jurisdiction. The arbitrators shall have no power to change the Lease provisions. Both parties shall continue performing their Lease obligations pending the award in the arbitration proceeding. The arbitrators shall award the prevailing party reasonable expenses and costs, including reasonable attorneys' fees pursuant to § 25.3 below, plus interest on the amount due at eighteen percent (18%) per annum or the maximum then allowed by Law, whichever is less.

**25.1 Procedure.** Not later than fifteen (15) days following the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator who shall be a real estate professional who shall have been active over the five (5) year period ending on the date of such appointment in the appraisal and/or leasing of commercial properties in the vicinity of the Building. The two arbitrators so appointed shall within fifteen (15) days of the date of the appointment of the last appointed arbitrator agree upon and appoint a third arbitrator who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two arbitrators. Within three (3) business days following the appointment of the third arbitrator, each party shall submit to the arbitrators its best estimate of the correct solution to the dispute under submission (the "Estimated Determination"). The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's Estimated Determination of the dispute under arbitration is closer to the arbitrators' independent determination of the dispute, taking into account any definitions or other sections of the Lease which may be applicable to the dispute. The three arbitrators shall within thirty (30) days of the appointment of the third arbitrator reach a decision as to whether the parties shall use Landlord's or Tenant's Estimated Determination and shall notify Landlord and Tenant thereof. The decision of the majority of the three arbitrators shall be binding upon Landlord and Tenant.

**25.2 Failure to Agree.** If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, or if the two arbitrators fail to agree upon and appoint a third arbitrator, both arbitrators shall be dismissed; and the matter to be decided shall be forthwith submitted to arbitration under the current rules of the American Arbitration Association, but subject to any definitions or sections of the Lease which may be applicable to the dispute under submission.

**25.3 Payment.** The losing party shall pay to the prevailing party the amount of the final arbitration award. If payment is not made within ten (10) business days after the date the arbitration award is no longer appealable, then in addition to any remedies under the law, if Landlord is the prevailing party, it shall have the same remedies for failure to pay the arbitration award as it has for Tenant's failure to pay Rent; and if Tenant is the prevailing party, it may deduct any remaining award from its monthly payment of Rent or other charges.

**26 SUBORDINATION.** Tenant agrees that this Lease shall be automatically subordinate to any mortgage or trust deeds that are now or may hereafter be placed upon said Premises. Notwithstanding the foregoing, Tenant agrees that any mortgagee of the Building, the holder of any note, or beneficiary of any deed of trust (collectively "Holders") encumbering the Building shall have the right upon written notice to Tenant to subordinate the lien of any such note or deed of trust to this Lease.

**27 LANDLORD'S LIABILITY.** The liability of Landlord to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration, or any other matter relating to the Building or the Premises shall be limited to the interest of Landlord in the Building (and the rental proceeds thereof). Under no circumstances shall Landlord ever be liable for consequential or punitive damages, including damages for lost profits or for business interruption. Tenant agrees to look solely to Landlord's interest in the Building (and the rental proceeds thereof) for the recovery of any judgment against Landlord, and Landlord shall not be personally liable for any such judgment or deficiency after execution thereon. The limitations of liability contained in this § 27 shall apply equally and inure to the benefit of Landlord's present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents, and employees, and their respective partners, heirs, successors, and assigns. Under no circumstances shall any present or future general or limited partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust) have any liability for the performance of Landlord's obligations under this Lease.

**27.1 Liability Upon Transfer.** The term *Landlord* as used herein shall mean only the owner or owners, at the time in question, of the fee title of leased Premises and in the event of any transfer of such title or interest, Landlord herein named shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Landlord shall, subject as aforesaid, be binding on Landlord's successors and assigns, only during their respective periods of ownership.

**28 MISCELLANEOUS.** The following provisions shall apply generally to terms, provisions, and covenants of this Lease:

**28.1 No Offer.** The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document becomes effective and binding only upon execution and delivery hereof by Tenant and by Landlord. No act or omission of any employee or agent of Landlord or of Landlord's broker shall alter, change, or modify any of the provisions hereof.

**28.2 No Partnership.** It is expressly understood that Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint adventurer or a member of a joint enterprise with Tenant, and that the provisions of this Lease relating to the percentage rental payable hereunder, if any, are included solely for the purpose of providing a method whereby the rental is to be measured and ascertained.

**28.3 Heirs, Assigns, Successors.** This Lease is binding upon and inures to the benefit of the heirs, assigns and successors in interest to the parties.

**28.4 Time.** Time is of the essence of this Lease.

**28.5 Waiver.** No failure of Landlord to enforce any term hereof shall be deemed to be a waiver.

**28.6 Attorney's fees.** In case arbitration or suit should be brought for recovery of the Premises, or for any sum due hereunder, or because of any act or omission which may arise out of the possession of the Premises, by either party, the prevailing party shall be entitled to all costs incurred in litigation, arbitration, or otherwise in connection with such action, including a reasonable attorneys' fee.

**29 ENTIRE AGREEMENT.** This Lease, together with its exhibits, contains all the agreements of the parties hereto and supersedes any previous negotiations. There have been no representations made by the Landlord or understandings made between the parties other than those set forth in this Lease and its exhibits. This Lease may not be modified except by a written instrument duly executed by the parties hereto.

In witness whereof, the parties have executed this Lease as of the date first above written.

*Landlord:*

BANCROFT WAY, LLC, a California limited liability company

By: /s/ Michael Goldin

Michael Goldin, Manager

*Tenant:*

ONCOLOGIC, INC., a California corporation

By: /s/ Roy K. Steven

Roy K. Steven

Its: Pres. + CEO

**EXHIBITS**

Exhibit A - Site Plan of Development

Exhibit B - Floor Plan of Premises

Exhibit C - Commencement Date Agreement

Exhibit D - Work Letter Agreement (none)

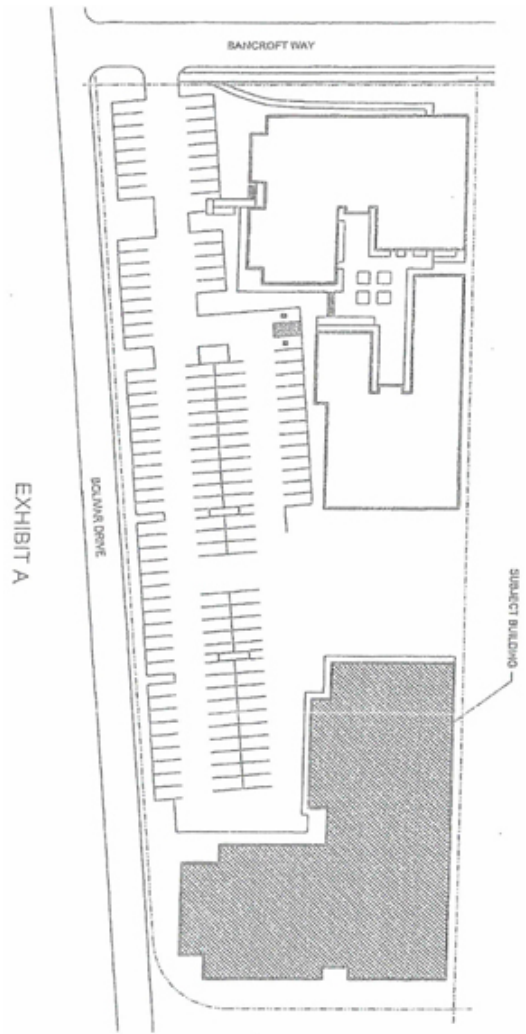
**CORPORATE AUTHORITY:** If Lessee is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he/she is duly authorized to execute and deliver this Lese on behalf of said corporation in accordance with duly adopted resolution of the Board of Directors of said Corporation or in accordance with the Bylaws of said Corporation, and that this Lease is binding upon said Corporation in accordance with its terms.

\*\*\*\*\*

*626 Bancroft Way Office Lease  
Bancroft Way, LLC:: Oncologic, Inc.  
page 23 of 23*

*Suite 3C (8,073 rsf)*





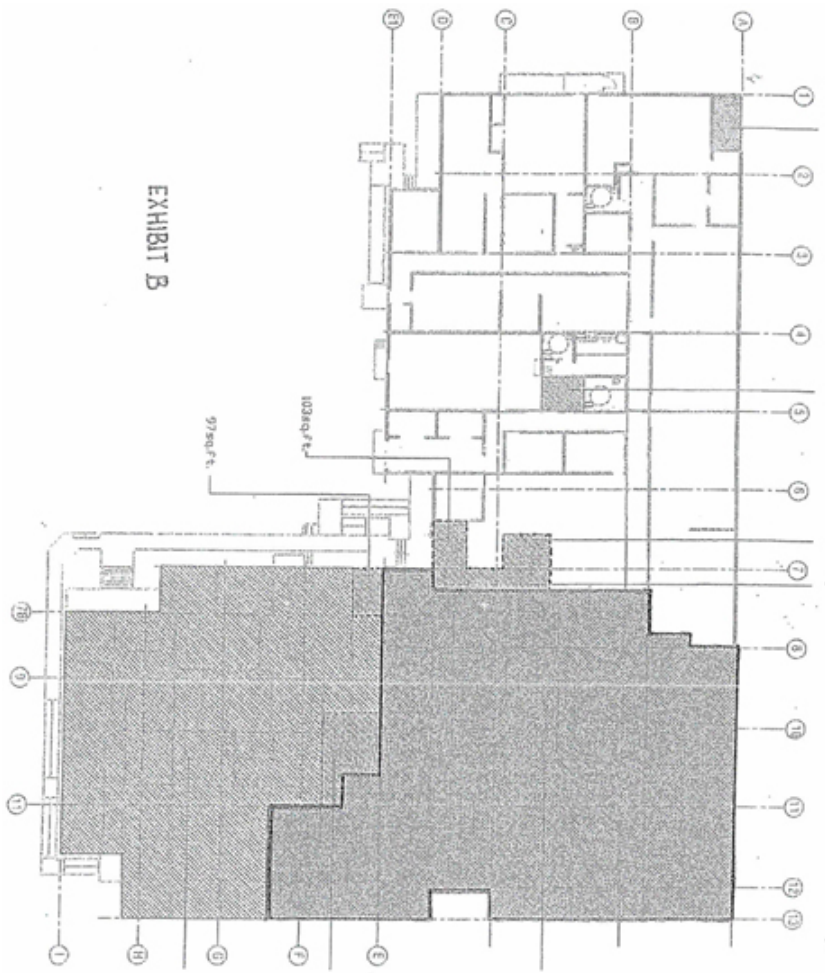


EXHIBIT B

May 21, 2008

**NANOTX CORP., DBA ADURO BIOTECH**

Attn: David Rose, Director of Operations

626 Bancroft Way

Berkeley, CA 94710

*re: Extension of Term of Lease at 625 Bancroft Way, Berkeley, California*

Dear Steve,

This letter will confirm the agreement of Landlord and Tenant that the Term of your lease dated June 1, 2005 (the "Lease") of Suite 3C at 626 Bancroft Way, Berkeley, California (collectively the "Premises") as defined under the Lease, will be extended for a period of twenty-four (24) months commencing on September 1, 2008, upon the following terms and conditions:

1. You have informed Landlord that the Lease has heretofore been transferred or assigned by Oncologic, Inc. to NanoTx Corp., a California corporation *dba* Aduro BioTech. In consideration of the extension of the Lease hereby effected pursuant to Tenant's exercise of its Extension Option thereunder, Landlord consents to such assignment of the Lease. Landlord's consent to the assignment does not constitute its consent to any further assignment of the Lease, for which Landlord's consent shall be required in accordance with the provisions of § 6 of the Lease.
2. The Term of The Lease respect to the entire Premises is hereby extended for a period of Twenty-four (24) months commencing on **September 1, 2008, and expiring on August 31, 2010** (the "Extension Term").
3. The Base Rent payable with respect to the entire Premises shall be One Dollar and fifty five cents (\$1.55) per rentable square foot per month, payable when and as specified in the Lease.
4. Base Rent for the month of September, 2008, for the entire Premises shall be due payable on September 1, 2008.
5. Additional Rent shall be payable with respect to the entire Premises as specified under § 2.3 *et seq.* of the Lease.
6. Landlord shall have no obligation to improve or alter the Premises or pay for the same in preparation for Tenant's continued occupancy thereof for the Extension Term, and Tenant agrees to accept the same in their current "as is" condition on August 1, 2008.

Thank you for your prompt and courteous attention to this matter. It has been a pleasure to have you as a tenant at Bancroft Way, and we look forward to extending your presence in the property for the duration of the Extension Term.

---

Very truly yours,

**Bancroft Way, LLC**

*/s/ Steven Goldin*  
Steven Goldin, Manager

Read, agreed, and subscribed as the binding agreement of the parties.

**NanoTx Corp.**, a California corporation *dba* **Aduro BioTech**

By: */s/ Steve Isaacs*  
Steve Issacs, CEO

Date: May 21, 2008

---

February 11, 2010

**ADURO BIOTECH**

Attn: Steve Isaacs  
626 Bancroft Way  
Berkeley, CA 94710

*re: Extension of Term of Lease at 626 Bancroft Way, Berkeley, California*

Dear Steve,

This letter will confirm the agreement of Landlord and Tenant that the Term of your lease dated June 1, 2005 (the “Lease”) of Suite 3C at 626 Bancroft Way, Berkeley, California (collectively the “Premises”) as defined under the Lease, and extended by Letter Agreement September 1, 2008, will be extended for a period of twenty four months (24) months commencing on **September 1, 2010**, upon the following terms and conditions:

1. The Term of the Lease respect to the entire Premises is hereby extended for a period of Twenty four (24) months commencing on **September 1, 2010**, and expiring on **August 31, 2012** (the “Extension Term”).
2. The Base Rent payable with respect to the entire Premises shall be One Dollar and sixty five cents (\$1.65) per rentable square foot per month, payable when and as specified in the Lease.
3. Base Rent for the month of September, 2010, for the entire Premises shall be due payable on September 1, 2010.
4. Additional Rent shall be payable with respect to the entire Premises as specified under § 2.3 *et seq.* of the Lease.
5. Landlord shall have no obligation to improve or alter the Premises or pay for the same in preparation for Tenant’s continued occupancy thereof for the Extension Term, and Tenant agrees to accept the same in their current “as is” condition on September 1, 2010.

Thank you for your prompt and courteous attention to this matter. It has been a pleasure to have you as a tenant at Bancroft Way, and we look forward to extending your presence in the property for the duration of the Extension Term.

Very truly yours,

**Bancroft Way, LLC**

*/s/ Steven Goldin*  
Steven Goldin, Manager

Read, agreed, and subscribed as the binding agreement of the parties.

**Aduro BioTech.**, a California corporation

By: */s/ Steve Isaacs 2/25/2010*  
Steve Issacs, CEO

Date: February 11, 2010

**Bancroft  
Way, LLC.**

Tenant Improvement  
630 Bancroft Way  
Berkeley, CA

[illegible]

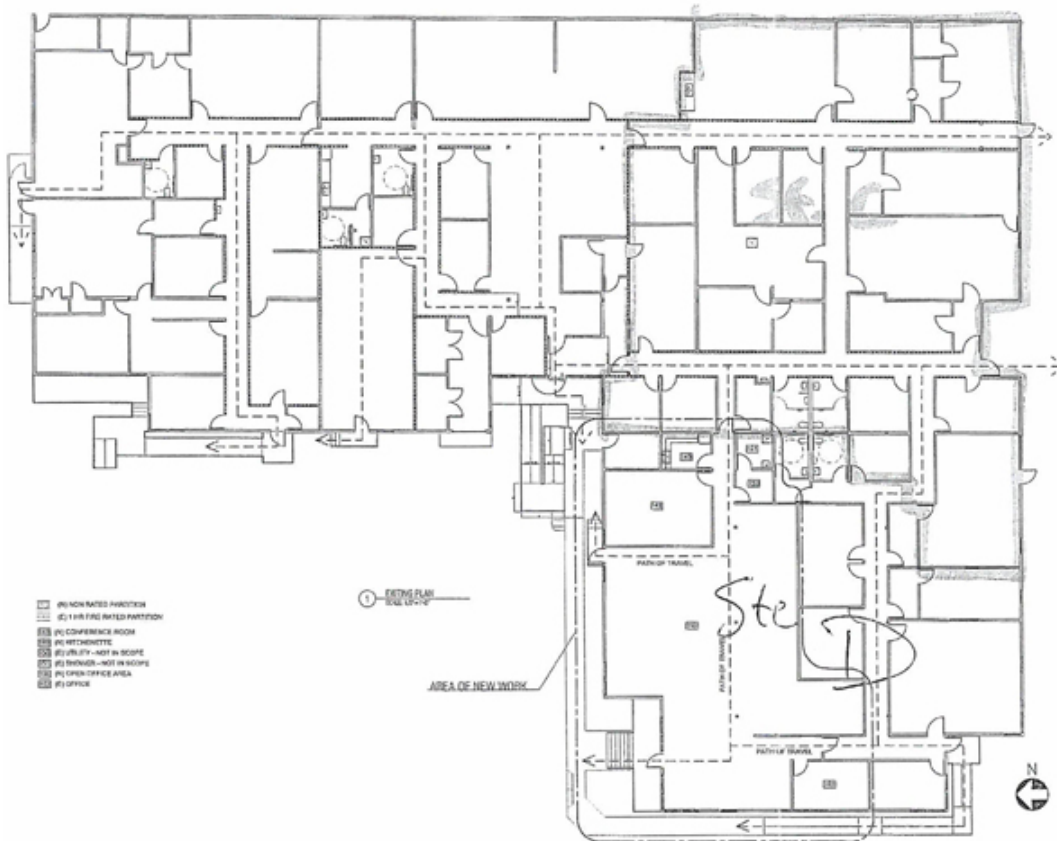
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## EXITING PLAN

### A.1



UNIVERSITY OF CALIFORNIA, BERKELEY

OFFICE OF TECHNOLOGY LICENSING



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**AMENDMENT # 1**  
**TO:**  
**THE EXCLUSIVE LICENSE AGREEMENT BETWEEN ADURO BIOTECH INC. AND**  
**THE REGENTS**  
**FOR**  
**CYCLIC-DI-NUCLEOTIDES THAT STIMULATE HUMAN STING VARIANTS**  
**ANDSTIMULATOR OF INTERFERON GENE**

UC Case No.: [\*]  
Agreement Control No. 2015-04-0045

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This first amendment ("AMENDMENT # 1") to the exclusive license agreement (the "AGREEMENT") between the **REGENTS OF THE UNIVERSITY OF CALIFORNIA**, a California corporation, whose legal address is 1111 Franklin Street, 12th Floor, Oakland, California 94607-5200, acting through its Office of Technology Licensing, at the University of California, Berkeley, 2150 Shattuck Avenue, Suite 510, Berkeley, CA 94704-1347 ("REGENTS") and **ADURO BIOTECH, INC.**, a Delaware corporation having a principal place of business at 626 Bancroft Way, 3C, Berkeley, CA 94710 ("LICENSEE") is effective as of March 4, 2015.

The parties agree to amend the referenced license agreement as follows:

**Article 2 (DEFINITIONS), substitute paragraph 2.5 in its entirety with the following:**

- 2.5 "Joint PATENT RIGHTS" means (i) U.S. Patent Application Serial Number [\*] and assigned to REGENTS and LICENSEE; (ii) U.S. Patent Application Serial Number [\*] and assigned to REGENTS and LICENSEE; (iii) U.S. Patent Application Serial Number [\*] and assigned to REGENTS and LICENSEE; (iv) PCT Application Serial Number [\*] and assigned to REGENTS and LICENSEE; (v) any patent applications, utility models, inventors certificates, invention registrations, continuing applications, divisional applications, substitutions, continuation-in-

Aduro Biotech Inc.  
CONFIDENTIAL

Page 1 of 2

Amend. # 1 (REVC) to EXCL 2015-04-0045  
UC Case No.: B13-136 & B14-143



part applications, and equivalents thereof in any jurisdiction anywhere in the world, in each case to the extent that claims in such filings are entitled to the filing date of the patent applications in (i)-(iv); and (vi) any granted patents issuing on (i)-(v) including any reissues, re-examinations, or extensions thereof.

All remaining terms and conditions of the AGREEMENT between Licensee and Regents, which bears an effective date of September 25, 2014, remain in full force and effect.

**IN WITNESS WHEREOF, the parties hereto have executed this Amendment # 1 in duplicate originals by their duly authorized officers and representatives. The parties to this document agree that a copy of the original signature to this Agreement (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.**

**THE REGENTS OF THE  
UNIVERSITY OF CALIFORNIA**

**ADURO BIOTECH, INC.**

By /s/ Irvin J. Mettler

Irvin J. Mettler, Ph.D.  
Associate Director  
Office of Technology Licensing

Date March 6, 2015

Aduro Biotech Inc.  
CONFIDENTIAL

By /s/ Thomas Dubensky

Name Thomas Dubensky

Title Chief Scientific Officer

Date 03.05.2015

Page 2 of 2

Amend. # 1 (REVC) to EXCL 2015-04-0045  
UC Case No.: B13-136 & B14-143

**[\*] = Certain confidential information contained in this document, marked by brackets, is filed with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.**

**ADURO BIOTECH, INC.**  
**SEVERANCE PLAN**  
**AND**  
**SUMMARY PLAN DESCRIPTION**

Plan Effective Date: March 4, 2015

**ADURO BIOTECH, INC.**  
**SEVERANCE PLAN**  
**AND**  
**SUMMARY PLAN DESCRIPTION**

The Aduro Biotech, Inc. Severance Plan (the “**Plan**”) provides severance benefits to a select group of management or highly compensated employees of Aduro Biotech, Inc., a Delaware corporation (the “**Company**”). The Plan is effective for eligible employees who receive and execute a Severance Agreement (an “**Agreement**”) and who otherwise satisfy the conditions set forth in such Agreement and the provisions of this Plan (“**Covered Employees**”).

This Plan is designed to be an “employee welfare benefit plan,” as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). This Plan is governed by ERISA and, to the extent applicable, the laws of the State of Delaware, without reference to the conflict of law provisions thereof.

This document and your Agreement constitute both the official plan document and the required summary plan description under ERISA.

**I. ELIGIBILITY**

You will become a Covered Employee participant in the Plan only if you: (i) are selected by the Company to be eligible to participate in this Plan, (ii) receive and sign the Agreement (attached hereto as Exhibit A) indicating your agreement to be bound by the terms of this Plan and the Agreement and (iii) timely return such signed Agreement to the Company.

**II. BENEFITS**

If you are a Covered Employee, you shall be eligible for severance benefits at such times and in such amounts as may be specified in your Agreement.

**III. OTHER IMPORTANT INFORMATION**

**A. Plan Administration.** As the Plan Administrator, the Company has the full and sole discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for participation in and for benefits under the Plan, to determine the amount of benefits (if any) payable per participant, and to interpret any terms of this document. All determinations by the Plan Administrator will be final and conclusive upon all persons and be given the maximum possible deference allowed by law. The Plan Administrator is the “named fiduciary” of the Plan for purposes of ERISA and will be subject to the applicable fiduciary standards of ERISA when acting in such capacity. The Company may delegate in writing to any other person all or a portion of its authority or responsibility with respect to the Plan.

**B. Source of Benefits.** The Plan is unfunded, and all severance benefits will be paid from the general assets of the Company or its successor. No contributions are required under the Plan.

**C. Claims Procedure.** If you are a Covered Employee and believe you have been incorrectly denied a benefit or are entitled to a greater benefit than the benefit you received under the Plan, you may submit a signed, written application to the Company's Chief Executive Officer ("**Claims Administrator**"). You will be notified in writing of the approval or denial of this claim within ninety (90) days of the date that the Claims Administrator receives the claim, unless special circumstances require an extension of time for processing the claim. In the event an extension is necessary, you will be provided written notice prior to the end of the initial ninety (90) day period indicating the special circumstances requiring the extension and the date by which the Claims Administrator expects to notify you of approval or denial of the claim. In no event will an extension extend beyond ninety (90) days after the end of the initial ninety (90) day period. If your claim is denied, the written notification will state specific reasons for the denial, make specific reference to the Plan provision(s) on which the denial is based, and provide a description of any material or information necessary for you to perfect the claim and why such material or information is necessary. The written notification will also provide a description of the Plan's review procedures and the applicable time limits, including a statement of your right to bring a civil suit under section 502(a) of ERISA following denial of your claim on review.

You will have sixty (60) days from receipt of the written notification of the denial of your claim to file a signed, written request for a full and fair review of the denial by a review panel which will be a named fiduciary of the Plan for purposes of such review. This request should include the reasons you are requesting a review and may include facts supporting your request and any other relevant comments, documents, records and other information relating to your claim. Upon request and free of charge, you will be provided with reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. A final, written determination of your eligibility for benefits shall be made within sixty (60) days of receipt of your request for review, unless special circumstances require an extension of time for processing the claim, in which case you will be provided written notice of the reasons for the delay within the initial sixty (60) day period and the date by which you should expect notification of approval or denial of your claim. This review will take into account all comments, documents, records and other information submitted by you relating to your claim, whether or not submitted or considered in the initial review of your claim. In no event will an extension extend beyond sixty (60) days after the end of the initial sixty (60) day period. If an extension is required because you fail to submit information that is necessary to decide your claim, the period for making the benefit determination on review will be tolled from the date the notice of extension is sent to you until the date on which you respond to the request for additional information. If your claim is denied on review, the written notification will state specific reasons for the denial, make specific reference to the Plan provision(s) on which the denial is based and state that you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to your claim, including any document, record or other information that was relied upon in, or submitted, considered or generated in the course of, denying your claim. The written notification will also include a statement of your right to bring an action under section 502(a) of ERISA.

If your claim is initially denied or is denied upon review, you are entitled to receive upon request, and free of charge, reasonable access to, and copies of, any document, record or other information that demonstrates that (1) your claim was denied in accordance with the terms of the

Plan, and (2) the provisions of the Plan have been consistently applied to similarly situated Plan participants, if any. In pursuing any of your rights set forth in this section, your authorized representative may act on your behalf.

If you do not receive notice within the time periods described above, whether on initial determination or review, you may initiate a lawsuit under Section 502(a) of ERISA.

**D. Prior Plans Superseded.** The Plan supersedes any and all prior separation, change in control, severance and salary continuation arrangements, programs and/or similar plans that may previously have been offered or provided by the Company (and its predecessors-in-interest) to Covered Employees provided, however, that an Agreement may provide for the survival of some or all of the provisions in such prior arrangements.

**E. Plan Amendment or Termination.** The Company reserves the right to amend or terminate the Plan at any time, in whole or in part, and in any manner, and for any reason. Notwithstanding the foregoing, unless a Covered Employee provides written consent to the contrary, any termination or amendment of the Plan will be effective only after two (2) years advance written notice to a Covered Employee if such amendment or termination would result in a reduction of benefits that the Covered Employee would have otherwise been able to receive under the pre-amended or terminated Plan.

**F. At-Will Employment.** No provision of the Plan is intended to provide you with any right to continue as an employee with the Company or in any other capacity, for any specific period of time, or otherwise affect the right of the Company to terminate the employment or service of any individual at any time for any reason or no reason, with or without cause.

**G. Section 409A of the Internal Revenue Code.** This Plan is intended to provide severance benefits pursuant to an employee welfare benefit plan subject to ERISA. The Plan is not intended to constitute a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Internal Revenue Code (“Code”). Notwithstanding the foregoing, in the event this Plan or any benefit paid under this Plan to a Covered Employee is deemed to be subject to Code Section 409A, such Covered Employee consents to the Company’s adoption of such conforming amendments as the Company deems advisable or necessary, in its sole discretion, to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A. Each payment made pursuant to any provision of this Plan shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. While it is intended that all payments and benefits provided under this Plan to Covered Employees will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under this Plan are exempt from or compliant with Code Section 409A. The Company will have no liability to Covered Employees or any other party if a payment or benefit under this Plan is challenged by any taxing authority or is ultimately determined not to be exempt or compliant. The Covered Employees further understand and agree that the Covered Employees will be entirely responsible for any and all taxes on any benefits payable to the Covered Employees as a result of this Plan. In addition, if upon a Covered Employee’s “separation from service” within the meaning of Code Section 409A, he or she is then a “specified employee” (as defined in Code Section 409A), then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of “nonqualified deferred compensation” subject to Code Section 409A payable as a result of and within six (6) months following such

“separation from service” under this Plan until the earlier of (i) the first business day of the seventh month following the Covered Employee’s “separation from service,” or (ii) ten (10) days after the Company receives written confirmation of the Covered Employee’s death. Any such delayed payments shall be made without interest.

**H. Indemnification.** The Company agrees to indemnify its officers and employees and the members of the Board of Directors of the Company from all liabilities from their acts or omissions in connection with the administration, amendment or termination of the Plan, to the maximum extent permitted by applicable law.

**I. Severability.** If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

**J. Headings.** Headings in this Plan document are for purposes of reference only and will not limit or otherwise affect the meaning hereof.

#### **IV. STATEMENT OF ERISA RIGHTS**

As a participant in the Plan you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

##### **A. Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator’s office and at other specified locations, such as work sites, all documents governing the Plan.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan. The Plan Administrator may impose a reasonable charge for the copies.

##### **B. Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

##### **C. Enforce Your Rights**

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents and do not receive it within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110.00 per day until you receive the materials, unless the materials

were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you have completed the Plan's administrative appeals process. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

#### **D. Assistance With Your Questions**

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

#### **ADDITIONAL PLAN INFORMATION**

Name of Plan:	Aduro Biotech, Inc. Severance Plan
Employer Sponsoring Plan:	Aduro Biotech, Inc. 626 Bancroft Way 3C, Berkeley, CA 94710
Employer Identification Number:	94-3348934
Plan Number:	555
Plan Year:	Calendar Year
Plan Administrator:	Aduro Biotech, Inc. c/o Chief Executive Officer 626 Bancroft Way 3C, Berkeley, CA 94710 Telephone No. (510) 848-4400
Agent for Service of Legal Process:	Plan Administrator, at the above address
Type of Plan:	Employee Welfare Benefit Plan providing for severance benefits
Plan Costs:	The cost of the Plan is paid by Aduro Biotech, Inc.
Type of Administration:	Self-administered by the Plan Administrator

**IN WITNESS WHEREOF**, the Company has caused this Plan to be duly executed as of March 4, 2015.

**ADURO BIOTECH, INC.**

/s/ Stephen T. Isaacs

By: Stephen T. Isaacs

Title: Chief Executive Officer



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of our report dated March 2, 2015 relating to the consolidated financial statements of Aduro Biotech, Inc. and its subsidiary appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading “Experts” in such Prospectus.

/s/ Deloitte & Touche LLP

San Francisco, California  
March 11, 2015