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

Form S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

Arcus Biosciences, 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)

47-3898435
(I.R.S. Employer Identification Number)

Arcus Biosciences, Inc.
3928 Point Eden Way
Hayward, CA 94545

(Address, including zip code and telephone number, including area code, of registrant’s principal executive offices)

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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 of 1933, 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, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Accelerated filer ☐

Small non-accelerated filer ☒
Small company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. ☐

Title of each class of securities to be registered

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<th>Proposed maximum aggregate offering price(1)(2)</th>
<th>Amount of registration fee</th>
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<td>Common Stock, $0.0001 par value per share</td>
<td>$100,000,000</td>
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(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes the aggregate offering price of 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 such Section 8(a), may determine.
The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 16, 2018

PRELIMINARY PROSPECTUS

Arcus Biosciences, Inc.
Common Stock

This is the initial public offering of our common stock. We are selling shares of our common stock in this offering. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between $ and $ per share. We have applied to list our common stock on the New York Stock Exchange under the symbol “RCUS.”

We are an “emerging growth company” as defined under the federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements.

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 13 to read about factors you should consider before buying shares of our common stock.

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.

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<th>Per Share</th>
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<td>Underwriting discounts and commissions (1)</td>
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(1) See “Underwriting” for a description of the compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days to purchase up to additional shares from us at the public offering price, less the underwriting discounts and commissions.

The underwriters expect to deliver the shares to purchasers on or about , 2018.

Citigroup Goldman Sachs & Co. LLC Leerink Partners

Prospectus dated , 2018
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Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can 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 under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Through and including , 2018 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.
**PROSPECTUS SUMMARY**

This summary highlights certain information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our common stock. You should carefully consider, among other things, our consolidated financial statements and the related notes and the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to “Arcus,” “the company,” “we,” “us,” and “our” refer to Arcus Biosciences, Inc.

**Arcus Biosciences, Inc.**

**Company Overview**

We are a clinical-stage biopharmaceutical company focused on creating innovative cancer immunotherapies by leveraging underexploited biological opportunities. Specifically, we target well-characterized biological pathways with significant scientific data supporting their importance in regulating the immune response against cancer and for which either there are no molecules in development or those that exist have suboptimal profiles. To exploit these pathways, we have built a robust and highly efficient discovery capability to create and optimize highly differentiated small-molecule immuno-oncology product candidates. Since our inception in 2015, we have built a broad portfolio of small-molecule and antibody product candidates that we plan to develop together as intra-portfolio combinations. We have initiated clinical trials for our two most advanced product candidates, both of which are expected to generate data in 2018, and we expect clinical data from our first intra-portfolio combinations in the first half of 2019. We plan to advance two additional product candidates into clinical trials by the end of 2018. Members of the Arcus team have worked together for more than 10 years discovering innovative small-molecule product candidates while at companies such as Tularik Inc., Amgen, Inc. and Flexus Biosciences, Inc.

Our initial focus is on the ATP-adenosine pathway, a key driver of immunosuppression in the tumor microenvironment. Decades of scientific research have demonstrated that extracellular adenosine, generated by the CD73 enzyme, acts as a powerful inhibitor of immune cell activity. The compelling therapeutic rationale for inhibition of the ATP-adenosine pathway has led several companies to repurpose for oncology existing adenosine A2aR receptor antagonists that were originally designed for the treatment of central nervous system indications. We believe our lead product candidate, AB928, which we designed using our small-molecule discovery capability, is the first adenosine receptor antagonist that effectively blocks the adenosine receptor in the tumor microenvironment and potently inhibits both the adenosine A2a receptor (A2aR) and the adenosine 2b receptor (A2bR). Our in vitro studies have demonstrated that AB928 reverses adenosine-induced immunosuppression and inhibits the A2aR and A2bR receptors more potently and effectively than the other adenosine receptor antagonists in clinical development. In addition to AB928, we have created a small-molecule inhibitor of CD73, AB680, which could represent another powerful approach to inhibiting the ATP-adenosine pathway, and have generated additional potential product candidates against ATP-adenosine and other important immuno-oncology pathways using our internal discovery capability.

As the immuno-oncology market evolves toward the use of combination therapies, a key element of our strategy is to build a broad portfolio of product candidates that target a wide range of immune mechanisms, which will enable us to pursue multiple intra-portfolio combinations. Consistent with this strategy, we are developing antibody drug candidates that are currently considered the foundation for combination therapies in immuno-oncology, or backbone therapy, or that have the potential to be future backbone therapies, such as our in-licensed antibodies targeting the immune checkpoint receptors PD-1 and TIGIT. Our strategy is to create differentiated combination products by combining these antibodies with our internally discovered small-molecule product candidates.
Our Product Portfolio

The following chart summarizes our product pipeline and our upcoming milestones. We currently hold world-wide rights to all of our product candidates other than the rights to AB122 in China and five other countries that are outside of the United States, Europe and Japan. In addition, Taiho Pharmaceutical Co., Ltd. (Taiho) has an option to exclusively license the development and commercialization rights to each of our programs for Japan and certain other territories in Asia (excluding China).

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<tr>
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<th>Phase 1</th>
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<td>Fine Phase 1 data in Q2 ’18</td>
<td>Solid tumors</td>
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Small-Molecule CD73 Inhibitor

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<tr>
<td>A9880 (intravenous)</td>
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<td>A9122 (anti-PD-1 Antibody)</td>
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<td>Phase 1 data in cancer patients in Q2 ’18</td>
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<td>A8104 (anti-TREG Antibody)</td>
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<td>Regulatory filing in mid-2018</td>
<td>Solid tumors</td>
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* For more details on the solid tumor types that we plan to pursue in our Phase 1/2 trials for AB928 + AB122 and AB928 + chemotherapy, please see “Business—Our Clinical Development Strategy for AB928.”

In addition to the above product candidates, we expect to identify a lead oral CD73 inhibitor in 2018. We have initiated several other programs against promising immuno-oncology targets such as arginase, and we expect to select a development candidate in 2018 and file an IND or foreign regulatory application for the first development candidate from one of these programs by early 2019.

We are rapidly advancing our two lead, internally discovered, small-molecule product candidates, the profiles of which are summarized below.

- **AB928.** Our lead adenosine receptor antagonist, AB928, is an orally bioavailable, highly potent, reversible antagonist of the A$_2$A and A$_2$B receptors. We believe that AB928 is the first adenosine receptor antagonist in clinical development to be designed specifically for the biology of the tumor microenvironment and has multiple advantages over other adenosine receptor antagonists in clinical development, including: (i) significantly greater potency under conditions that closely resemble the tumor microenvironment, for example, high concentrations of adenosine and albumin, (ii) inhibition of both the A$_2$A and A$_2$B receptors, (iii) low penetration through the blood-brain barrier, (iv) high penetration of tumor tissue and (v) attractive pharmacokinetics, with high oral bioavailability and a human half-life that enables once-daily dosing.

AB928 is currently in a Phase 1 trial in healthy volunteers. This trial will provide us with significant insights into the safety, pharmacokinetic and pharmacodynamic profiles of AB928, which could allow us to initiate the dose-escalation portions of our planned Phase 1/2 combination trials in cancer patients at a higher dose than would otherwise be possible. To date, we have administered single doses up to 150 mg, which we believe is sufficient to inhibit 90% of A$_2$A activation, and have observed no safety issues. We expect to report final safety, pharmacokinetic and pharmacodynamic data from this trial and to initiate dose-escalation trials in cancer patients of AB928 in combination with AB122, our anti-PD-1 antibody, and in combination with chemotherapy in the second quarter of 2018. We are planning to explore AB928 in a variety of solid tumors supported by biological and commercial rationale, as described in more detail in “Business—Our Clinical Development Strategy for AB928.” We are also
focused on the identification of additional molecules that block adenosine 2 receptor signaling and have identified a second dual A\textsubscript{2a}R/A\textsubscript{2b}R antagonist (A003105) as well as a selective A\textsubscript{2a}R antagonist (A002926).

- **AB680.** Our lead CD73 inhibitor, AB680, is a highly potent, reversible and selective inhibitor of the CD73 enzyme and is expected to be the first small-molecule inhibitor of CD73 to enter clinical development. As CD73 plays a critical role in the extracellular generation of adenosine, AB680 may provide a highly effective approach to preventing adenosine-mediated immune suppression. We plan to submit our first regulatory application for AB680 in the middle of 2018 and expect to initiate our first clinical trial for AB680 in the second half of 2018. Similar to AB928, we plan to follow this trial with Phase 1/2 dose escalation trials which will explore AB680 in combination with other agents in multiple solid tumor types where we believe the ATP-adenosine pathway plays an important role. Based upon its projected pharmacokinetic profile, AB680 has the potential to be administered on the same dosing schedule as our anti-PD-1 antibody, AB122, and various chemotherapeutic agents, which would be attractive from a patient compliance and commercial perspective. We also plan to advance into preclinical development a small-molecule CD73 inhibitor that can be dosed orally, and expect to select such oral development candidate in 2018.

We have in-licensed two antibody drug candidates that represent current or potential backbone therapies, the profiles of which are summarized below:

- **AB122.** Our anti-PD-1 antibody, AB122, is a fully human antibody with similar binding affinity and other characteristics to the marketed anti-PD-1 antibodies, pembrolizumab and nivolumab. AB122 is currently in a Phase 1 dose-escalation trial in cancer patients in Australia. We expect to initiate a Phase 1/2 trial of AB122 in combination with AB928 in cancer patients during the second quarter of 2018 and to report safety, pharmacokinetic and pharmacodynamic data from our ongoing Phase 1 trial of AB122 in cancer patients in the third quarter of 2018. We expect to initiate an expansion cohort to evaluate AB122 as a single agent in tumor types known to be responsive to an anti-PD-1 therapy in the second half of 2018. We also plan to develop AB122 in combination with our other small-molecule and antibody product candidates.

- **AB154.** Our anti-TIGIT antibody, AB154, is a humanized antibody that inhibits a unique immune checkpoint target involved in a pathway that plays both inhibitory and stimulatory roles in the immune system. We plan to submit our first regulatory application for AB154 in the middle of 2018 and expect to initiate a Phase 1 dose escalation trial to evaluate AB154 as a single agent and in combination with AB122 in the second half of 2018. A variety of tumor types associated with high expression of CD155 and TIGIT will be explored.

**Background on the Immuno-Oncology Market**

For decades, it has been understood that the immune system can be harnessed to eradicate and prevent the proliferation of cancer cells. Unfortunately, multiple early clinical trial failures discouraged the biopharmaceutical industry from making a significant investment in immuno-oncology. However, when the immune checkpoint inhibitor ipilimumab, which blocks the function of a receptor called CTLA-4, generated positive Phase 3 data in melanoma in 2010, demonstrating a longer survival rate in patients with very advanced disease, the biopharmaceutical industry’s view of the importance of immuno-oncology changed significantly.

Following the ipilimumab data, biopharmaceutical companies focused their development efforts on another class of immune checkpoint inhibitors that includes anti-PD-1 antibodies, which block the PD-1 receptor found on T cells, B cells and myeloid cells, and anti-PD-L1 antibodies, which block the PD-L1 ligand on cancer cells. Collectively, anti-CTLA-4, anti-PD-1 and anti-PD-L1 antibodies represent the first generation of immune checkpoint inhibitors. According to EvaluatePharma, a life sciences market intelligence firm, by 2022, these antibody products are expected to generate revenues of approximately $30 billion globally.
Despite the success of the first generation of immune checkpoint inhibitors, patient response rates for single-agent therapy are relatively low. For example, the two approved anti-PD-1 antibodies, when administered as single agents, have only demonstrated response rates of approximately 30% in melanoma patients, and the majority of these patients see their disease ultimately progress. The response rates in other tumor types are even lower. In addition, these therapies have not demonstrated meaningful single-agent activity in many of the most prevalent types of cancer, such as breast, prostate, pancreatic, ovarian and colorectal.

To address the limitations of single-agent immuno-oncology therapy, a significant academic and industry effort is now underway to evaluate combinations of anti-PD-1/PD-L1 antibodies with other agents in order to achieve higher response rates and longer overall survival. The challenge remains to identify and develop combinations that will ultimately succeed in important clinical settings. We believe that we are uniquely positioned to address this opportunity by pursuing mechanisms and combinations supported by strong biological rationale derived from existing and evolving scientific data sets.

Our Focus on Scientifically Validated Immuno-Oncology Pathways

To exploit the significant opportunity in the immuno-oncology market in the most efficient manner and to maximize the addressable patient population for our portfolio, we focus on the following:

- **Scientifically Validated Pathways.** Academia has spent decades elucidating the biology behind the immune system’s role in cancer, generating a large amount of information on pathways and potential therapeutic targets. However, much of this information has yet to be translated into the discovery of high-quality product candidates. We are focusing on biological pathways for which we can leverage this body of existing scientific knowledge to rapidly generate highly differentiated, small-molecule drug candidates and to identify promising combination therapies and clinical settings in which to pursue them.

- **Broad Range of Mechanisms.** Currently approved immuno-oncology therapeutics target a relatively narrow spectrum of the immune system. We are focused on developing product candidates that act against a broad range of mechanisms that enable tumors to evade eradication by the immune system.

- **Ubiquitously Important Targets.** We focus on targets that are ubiquitous, meaning that they are believed to play an important role in a broad range of human cancer types and settings. For example, CD73, the key enzyme responsible for the generation of extracellular adenosine, has been found to be over-expressed in many tumor types, implying that the generation of extracellular adenosine is a relatively common occurrence in human cancer. As such, we expect to pursue the development of AB928, AB680, and our other product candidates in multiple tumor types, utilizing an adaptive trial design that will allow us to explore several combination settings in parallel, starting with relatively small patient cohorts.

Our Approach to Building a Broad and Differentiated Portfolio

To exploit the potential of these scientifically well understood immuno-oncology pathways and targets, we are focusing our internal discovery effort on novel small-molecule product candidates. While all immuno-oncology agents approved to date are large molecules, we believe that both small and large molecule modalities will be critical in addressing the many different immune-mediated pathways that may be dysregulated in a patient’s tumor. As many immuno-oncology pathways are not amenable to intervention by antibodies or protein therapeutics, we expect that small-molecule approaches will allow us to access a significantly greater number of potential targets. In addition, in some cases, small molecules may prove superior to large-molecule approaches against the same target. For example, we have shown in in vitro studies that our small-molecule CD73 inhibitors can achieve a greater degree of CD73 inhibition than certain antibodies against this target that are in clinical development.
Our internal discovery effort is designed to create and advance small-molecule product candidates with the ideal pharmacological properties for the tumor micro-environment and the target of interest. Small-molecule drugs against the same biological target can be highly differentiated from each other based on their respective pharmacokinetic, pharmacodynamic and biophysical properties. For example, many small-molecule drugs are potent when tested in buffer solution but lose a significant amount of this potency in physiologically relevant media such as blood or tumor tissue. We rigorously test our molecules in whole blood or other physiologically relevant systems and only advance molecules that retain a high degree of activity when tested under such “real world” conditions. We also design our molecules to have the ideal pharmacological properties for the targeted pathway and the desired clinical effect.

To support our intra-portfolio combinations, we are also developing antibody product candidates that target what we believe are some of the most important immune checkpoint receptors, including PD-1 and TIGIT, and that we expect to be critical components of our future intra-portfolio combinations.

Our Internal Discovery Capability and Team

Our discovery capability and organization have enabled the rapid and efficient generation of small-molecule immuno-oncology drug candidates, which we believe have the potential to be highly differentiated, if approved. In the case of our A2R antagonist program, we identified the first compounds in February 2016, synthesized AB928 in December 2016, and initiated our first clinical trial of AB928 in November 2017, essentially progressing from program initiation to first subject dosed within 21 months. We believe our discovery capability and our expertise and efficiency will allow us to replicate the rapid timeline that we achieved with AB928.

We have assembled a management team with highly relevant experience in immuno-oncology, small-molecule drug discovery and clinical development. Members of our scientific and senior management team, including our founders, Dr. Terry Rosen and Dr. Juan Jaen, have demonstrated their ability to rapidly discover product candidates, most recently at Flexus Biosciences, Inc., which was acquired by Bristol-Myers Squibb in 2015 for its preclinical-stage IDO-1 enzyme inhibitor, now called BMS-986205, approximately 18 months after the company’s formation. Prior to Flexus, several members of our senior management team worked together at Amgen, Inc. and prior to that at Tularik Inc. (which was acquired by Amgen). While we believe that our experienced management team represents an important competitive advantage, the historical results, past performance and/or acquisition of companies with which members of our management team have been affiliated, including Flexus, do not necessarily predict or guarantee similar results for our company.

Since our inception in 2015, we have raised approximately $227 million in equity capital from investors that have significant life sciences experience and that share our vision to create a leading company in the immuno-oncology field, including: GV (formerly Google Ventures), The Column Group, Foresite Capital, Wellington Management Company LLP, EcoR1 Capital, BVF Partners L.P., Decheng Capital, Invus Opportunities, Hillhouse, Aisling Capital, Novartis Institute for BioMedical Research, Inc., Celgene Corporation, Stanford University, Taiho Ventures and DROIA Oncology Ventures. This equity capital includes approximately $22 million in investments made by our founders and management.

Our Strategy

Our objective is to transform the treatment of cancer by creating a broad portfolio of innovative immuno-oncology therapeutics and developing combinations that offer significant improvement over current treatment options. To achieve this objective, we are pursuing the following strategies:

- **Rapidly advance our lead product candidates and combinations through clinical development in multiple tumor types.** We plan to pursue development strategies, such as initiating clinical trials in
healthy volunteers for certain of our product candidates and utilizing adaptive trial designs, that will potentially allow us to expedite the development of our product candidates and to rapidly generate meaningful clinical data.

- **Pursue combinations and tumor types based on strong biological rationales.** We are pursuing therapeutic combinations supported by strong biological rationales that suggests synergy between the agents. We are also selecting tumor types that we believe will be most sensitive to our product candidates’ mechanisms of action, such as those that have high CD73 expression and T cell infiltration in the case of AB928 and AB680.

- **Control, or otherwise secure access to, all the components of our desired therapeutic combinations.** We plan to secure access to product candidates that will be critical components of our intra-portfolio combinations, as we did with our anti-PD-1 and anti-TIGIT antibodies. By having these assets in our portfolio, we can better control the combinations we pursue, as well as capture a greater share of the commercial value of the combination products.

- **Continue to expand our pipeline of novel small-molecule product candidates.** More than 80% of our workforce is dedicated to research and development, and we plan to continue to invest in our discovery capability and to expand our pipeline. By the end of 2018, we expect to have filed at least four regulatory applications to initiate clinical trials in the United States or other countries, including two for product candidates that we discovered and developed in-house.

- **Retain significant economic and commercial rights to our programs in key geographic areas.** We plan to retain significant economic and commercial rights to our portfolio in the United States and certain other regions. We have pursued and will continue to evaluate opportunities to out-license rights to our product candidates in regions in which we are unlikely to pursue development and commercialization on our own, as was the case with our option and license agreement with Taiho for Japan and certain other territories in Asia (excluding China).

**Risks Associated with Our Business**

Our ability to implement our business strategy is subject to numerous risks that you should be aware of before making an investment decision. These risks are described more fully in the section entitled “Risk Factors” immediately following this prospectus summary. These risks include, among others:

- We are an early-stage immuno-oncology company with a very limited operating history. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. We have never generated any revenue from product sales and may never be profitable.

- Even if this offering is successful, we will need to obtain substantial additional funding to complete the development and any commercialization of our product candidates. If we are unable to raise this capital when needed, we may be forced to delay, reduce or eliminate our product development programs or other operations.

- Our product candidates are in the early stages of development. We only recently began clinical trials to test some of our product candidates in humans and, as a company, we have limited experience in this area.

- Clinical drug development is a lengthy, expensive and uncertain process. The results of preclinical studies and early clinical trials are not always predictive of future results. Any product candidate that we advance into clinical trials may not achieve favorable results in later clinical trials, if any, or receive marketing approval.
• We face substantial competition, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their product candidates are shown to be safer or more effective than ours, or if we are not able to differentiate our small molecules from other products which are approved or in development, then our commercial opportunity will be reduced or eliminated.

• Serious adverse events, undesirable side effects or other unexpected properties of our product candidates, or reports of any such occurrences or lack of efficacy by third parties that are developing the same product candidates in other territories, may be identified during development or after approval, which could adversely affect our clinical development programs or otherwise limit the commercial potential of our product candidates.

• We rely on third parties to conduct our clinical trials, manufacture our product candidates and perform some of our research and preclinical studies. If these third parties do not satisfactorily carry out their contractual duties or fail to meet expected deadlines, our development programs, including our clinical trials, may be delayed or subject to increased costs, each of which may have an adverse effect on our business and prospects.

• We are currently party to several in-license agreements under which we acquired rights to use, develop, manufacture and/or commercialize certain of our product candidates. If we breach our obligations under these agreements, we may be required to pay damages, lose our rights to these product candidates or both, which would adversely affect our business and prospects.

• If we are unable to obtain and maintain patent protection for our current or any future product candidates, or if the scope of the patent protection obtained is not sufficiently broad, we may not be able to compete effectively in our markets.

• We expect to expand our development, regulatory and operational capabilities and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

### Implications of Being an Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act). An emerging growth company may take advantage of relief from certain reporting requirements and other burdens that are otherwise applicable generally to public companies. These provisions include:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements in addition to any required unaudited interim financial statements and only two years of selected financial data;

- an exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act of 2002 (the Sarbanes Oxley Act);

- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;

- reduced disclosure obligations about our executive compensation arrangements in our periodic reports, proxy statements and registration statements; and

- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years or such earlier time that we no longer qualify as an emerging growth company. We may choose to take advantage of some but not all of these reduced reporting
burdens. We would cease to be an emerging growth company if we have more than $1.07 billion in annual gross revenues, have more than $700 million in market value of our capital stock held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of the extended transition period for complying with new or revised financial accounting standards. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult. Additionally, because we have taken advantage of certain reduced reporting requirements, the information contained herein may be different from the information you receive from other public companies in which you hold stock.

Corporate Information

We were incorporated in Delaware on April 30, 2015. Our principal executive offices are located at 3928 Point Eden Way, Hayward, CA 94545, and our telephone number is (510) 694-6200. Our website address is www.arcusbio.com. The information on, or that can be accessed through, our website is not part of this prospectus. We have included our website address as an inactive textual reference only.

Arcus Biosciences and the Arcus Biosciences logo are the property of Arcus. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.
## The Offering

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Arcus Biosciences, Inc.</td>
</tr>
<tr>
<td>Shares of common stock we are offering</td>
<td>shares</td>
</tr>
<tr>
<td>Shares of common stock to be outstanding after this offering</td>
<td>shares (shares if the underwriters exercise their option to purchase additional shares in full).</td>
</tr>
<tr>
<td>Underwriters’ option to purchase additional shares</td>
<td>We have granted the underwriters the option, exercisable for 30 days following the date of this prospectus, to purchase up to additional shares of our common stock.</td>
</tr>
<tr>
<td>Use of proceeds</td>
<td>We estimate that the net proceeds from this offering will be approximately $ million, or $ million if the underwriters exercise their option to purchase additional shares in full, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, assuming an initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. The principal purposes of this offering are to increase our financial flexibility and create a public market for our common stock. We intend to use the net proceeds from this offering as follows: (i) approximately $ million to fund the clinical development of AB928 (our dual A2a R/A2b R antagonist) and AB122 (our anti-PD-1 antibody) and (ii) the remaining proceeds to fund the development of other product candidates in our pipeline, including AB680 (our CD73 inhibitor) and AB154 (our anti-TIGIT antibody), our drug discovery and optimization programs, and other general corporate purposes, which may include the hiring of additional personnel, capital expenditures and the costs of operating as a public company. See “Use of Proceeds” on page 67.</td>
</tr>
<tr>
<td>Risk factors</td>
<td>See “Risk Factors” beginning on page 13 and the other information included in this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.</td>
</tr>
<tr>
<td>Proposed NYSE symbol</td>
<td>“RCUS”</td>
</tr>
</tbody>
</table>

The number of shares of common stock to be outstanding after this offering is based on 136,820,355 shares of common stock outstanding as of December 31, 2017, and excludes the following:

- 2,154,741 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2017 with a weighted-average exercise price of $0.43 per share;
- 4,440,000 shares of common stock issuable upon the exercise of options granted after December 31, 2017 with a weighted-average exercise price of $1.36 per share; and
shares of common stock reserved for future issuance under our equity compensation plans, consisting of 7,346,508 shares of common stock that were reserved for issuance under our 2015 Stock Plan as of December 31, 2017, shares of common stock reserved for issuance under our 2018 Equity Incentive Plan, which will become effective in connection with the completion of this offering and shares of common stock reserved for issuance under our 2018 Employee Stock Purchase Plan, which will become effective in connection with the completion of this offering. We expect that the number of shares reserved for issuance under each of our 2018 Equity Incentive Plan and 2018 Employee Stock Purchase Plan will be increased automatically on the first business day of each of our fiscal years, by a number equal to the smallest of (i) shares, (ii) % of the shares of common stock outstanding on the last business day of the prior fiscal year or (ii i) the number of shares determined by our board of directors. On the date immediately prior to the date of this prospectus, we expect that any remaining shares available for issuance under our 2015 Stock Plan will be added to the shares reserved under our 2018 Equity Incentive Plan in effect following the completion of this offering and we will cease granting awards under our 2015 Stock Plan.

Unless otherwise indicated, all information in this prospectus assumes:

- the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 120,620,160 shares of common stock immediately prior to and in connection with the completion of this offering;
- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
- no exercise of the underwriters’ option to purchase additional shares; and
- no exercise or cancellation of outstanding options or acceleration of vesting of any restricted stock subsequent to December 31, 2017; however, any such awards issued under our 2015 Stock Plan that expire, terminate or are forfeited will become available for issuance under our 2018 Equity Incentive Plan.
The following tables set forth a summary of our historical financial data as of, and for the periods ended on, the dates indicated. The consolidated statements of operations data for the fiscal years ended December 31, 2016 and 2017, and the consolidated balance sheet data as of December 31, 2016 and 2017, are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. You should read these data together with our financial statements and related notes appearing elsewhere in this prospectus and the information in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our historical results are not necessarily indicative of the results to be expected in the future.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collaboration and license revenue</strong></td>
<td>$ —</td>
<td>$1,413</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>14,247</td>
<td>47,218</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,935</td>
<td>7,636</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>18,182</td>
<td>54,854</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(18,182)</td>
<td>(54,854)</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>212</td>
<td>359</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (17,970)</td>
<td>$ (53,082)</td>
</tr>
<tr>
<td><strong>Net loss per share, basic and diluted</strong> (2)</td>
<td>$ (5.25)</td>
<td>$ (7.33)</td>
</tr>
<tr>
<td><strong>Weighted-average number of shares used to compute basic and diluted net loss per share</strong></td>
<td>3,421,370</td>
<td>7,239,915</td>
</tr>
<tr>
<td><strong>Pro forma net loss per share, basic and diluted (unaudited)</strong> (2)</td>
<td></td>
<td>$ (0.55)</td>
</tr>
<tr>
<td><strong>Weighted-average number of shares used to compute pro forma basic and diluted net loss per common share (unaudited)</strong></td>
<td></td>
<td>97,236,597</td>
</tr>
</tbody>
</table>

(1) $18.5 million of the 2017 research and development expenses related to licensing payments to WuXi Biologics. Please see Note 6 of our consolidated financial statements for further information on our licensing agreements.

(2) See Note 10 to our audited consolidated financial statements for an explanation of the calculation of our historical and pro forma basic and diluted net loss per share.

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Actual</th>
<th>Pro Forma (1)</th>
<th>As Adjusted (2)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and short-term investments</td>
<td>$175,703</td>
<td>$175,703</td>
<td></td>
</tr>
<tr>
<td>Working capital (4)</td>
<td>164,143</td>
<td>164,143</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>190,486</td>
<td>190,486</td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>226,196</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(73,234)</td>
<td>(73,234)</td>
<td></td>
</tr>
<tr>
<td>Total stockholders’ (deficit) equity</td>
<td>(72,328)</td>
<td>153,868</td>
<td></td>
</tr>
</tbody>
</table>

(1) The pro forma column in the consolidated balance sheet data above gives effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 120,620,160 shares of common stock, and (ii) the filing and effectiveness of our amended and restated certificate of incorporation, each of which will occur immediately prior to the completion of this offering.
The pro forma as adjusted column gives effect to the adjustments described in footnote (1) above and the sale by us of __________ shares of common stock in this offering at an assumed initial public offering price of $________ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase (decrease) in the assumed initial public offering price of $________ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) each of pro forma as adjusted cash, cash equivalents and short-term investments, working capital, total assets and stockholders’ (deficit) equity by $________ million, assuming the number of shares we are offering, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions. 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) each of pro forma as adjusted cash, cash equivalents and short-term investments, working capital, total assets and total stockholders’ (deficit) equity by approximately $________ million, assuming the initial public offering price per share remains the same. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price, number of shares offered and other terms of this offering determined at pricing.

We define working capital as current assets less current liabilities. See our audited consolidated financial statements for further details regarding our current assets and current liabilities.
RISK FACTORS

Investing in our common stock is speculative and involves a high degree of risk. Before investing in our common stock, you should consider carefully the risks described below, together with the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See “Information Regarding Forward-Looking Statements.”

Risks Related to our Limited Operating History, Financial Position and Capital Requirements

We are an early-stage immuno-oncology company with a very limited operating history. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. We have never generated any revenue from product sales and may never be profitable.

We are an early-stage immuno-oncology company with a very limited operating history that may make it difficult to evaluate the success of our business to date and to assess our future viability. Our operations have been limited to organizing and staffing our company, business planning, raising capital, identifying potential product candidates, establishing licensing arrangements and/or acquiring any necessary technology, and undertaking research and preclinical studies and clinical trials of our product candidates. All of our product candidates are in early development, and none have been approved for commercial sale. We have never generated any revenue from product sales and have incurred net losses each year since we commenced operations. For the years ended December 31, 2016 and 2017, our net losses were $18.0 million and $53.1 million, respectively. As of December 31, 2017, we had an accumulated deficit of $73.2 million. We expect that it will be several years, if ever, before we have a product candidate ready for commercialization. We expect to incur increasing levels of operating losses over the next several years and for the foreseeable future as we advance our product candidates. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders’ deficit and working capital.

To become and remain profitable, we must develop and eventually commercialize a product with significant market potential. This will require us to be successful in a range of challenging activities, including completing preclinical studies and clinical trials of our product candidates, obtaining marketing approval for these product candidates, manufacturing, marketing and selling those products for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in these activities and, even if we succeed in commercializing one or more of our product candidates, we may never generate revenues that are significant or large enough to achieve profitability. In addition, as a young business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown challenges. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis and we will continue to incur substantial research and development and other expenditures to develop and market additional product candidates. Our failure to become and remain profitable would decrease the value of the company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

Even if this offering is successful, we will need to obtain substantial additional funding to complete the development and any commercialization of our product candidates. If we are unable to raise this capital when needed, we may be forced to delay, reduce or eliminate our product development programs or other operations.

Since our inception, we have used substantial amounts of cash to fund our operations and expect our expenses to increase substantially during the next few years. The development of biopharmaceutical product candidates is
capital intensive. As our product candidates enter and advance through preclinical studies and clinical trials, we will need substantial additional funds to expand our clinical, regulatory, quality and manufacturing capabilities. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to marketing, sales, manufacturing and distribution. Furthermore, upon the completion of this offering, we expect to incur additional costs associated with operating as a public company.

As of December 31, 2017, we had $175.7 million in cash, cash equivalents and short-term investments. Based on our current operating plan, we believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our anticipated level of operations through at least the next 12 months without the proceeds from this offering. With the expected net proceeds from this offering, we believe that our cash, cash equivalents and short-term investments will be sufficient to fund the clinical development of AB928 and AB122, including cohort expansion studies, into 2020. Accordingly, the expected net proceeds from this offering will not be sufficient for us to fund any of our product candidates through regulatory approval, and we will need to raise substantial additional capital to complete the development and commercialization of our product candidates.

We have based these estimates on assumptions that may prove to be incorrect or require adjustment as a result of business decisions, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, rate of progress and costs of our drug discovery, preclinical development activities, laboratory testing and clinical trials for our product candidates;
- the number and scope of clinical programs we decide to pursue;
- the scope and costs of manufacturing development and commercial manufacturing activities;
- the timing and amount of milestone payments, if any, we receive from Taiho Pharmaceuticals Co., Ltd. (Taiho) under our option and license agreement (the Taiho Agreement);
- the extent to which we acquire or in-license other product candidates and technologies;
- the cost, timing and outcome of regulatory review of our product candidates;
- the cost and timing of establishing sales and marketing capabilities, if any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- our efforts to enhance operational systems and our ability to attract, hire and retain qualified personnel, including personnel to support the development of our product candidates;
- the costs associated with being a public company; and
- the cost associated with commercializing our product candidates, if they receive marketing approval.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval. In addition, our product candidates, if approved, may not achieve product sales or commercial success. We do not expect to have any products commercially available for sale for many years, if at all. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.
The amount of our future losses is uncertain and our quarterly operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control and may be difficult to predict, including the following:

- the timing and success or failure of clinical trials for our product candidates or competing product candidates, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- our ability to successfully recruit and retain subjects for clinical trials, and any delays caused by difficulties in such efforts;
- our ability to obtain marketing approval for our product candidates, and the timing and scope of any such approvals we may receive;
- the timing and cost of, and level of investment in, research and development activities relating to our product candidates, which may change from time to time;
- the cost of manufacturing our product candidates, which may vary depending on the quantity of production and the terms of our agreements with manufacturers;
- our ability to attract, hire and retain qualified personnel;
- expenditures that we will or may incur to develop additional product candidates;
- the level of demand for our product candidates should they receive approval, which may vary significantly;
- the risk/benefit profile, cost and reimbursement policies with respect to our product candidates, if approved, and existing and potential future therapeutics that compete with our product candidates;
- the changing and volatile U.S. and global economic environments; and
- future accounting pronouncements or changes in our accounting policies.

The cumulative effects 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. 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 guidance we may provide.

Raising additional capital may cause dilution to our stockholders, including purchasers of common stock in this offering, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.
If we raise funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Risks Related to the Discovery and Development of our Product Candidates

Our product candidates are in the early stages of development. We only recently began clinical trials to test some of our product candidates in humans and, as a company, we have limited experience in this area.

We are early in our development efforts and most of our operations to date have been limited to drug discovery and preclinical studies. Our two lead product candidates entered Phase 1 clinical trials in November 2017 and we plan to advance two additional product candidates into Phase 1 clinical trials by the end of 2018. As a result, we will need to expand our clinical operations, quality and regulatory capabilities to support these activities.

To date, we have not had any interactions with the FDA regarding our product candidates or an investigational new drug application (IND) to authorize us to conduct clinical trials in the United States. Our ongoing Phase 1 clinical trials are being conducted outside the United States. Because of our lack of interaction with the FDA, we may not learn of certain information or data that the FDA may request until after we begin such interactions or, without such interaction, submit our IND in the future, which may necessitate conducting additional preclinical studies or generating such information at significant time and expense, including under a clinical hold imposed on the IND. Even if we conducted the additional studies or generated the additional information requested, the FDA could disagree that we have satisfied their requirements, all of which will cause significant delays to our programs.

In part because of our limited infrastructure, experience conducting clinical trials as a company and regulatory interactions, we cannot be certain that our clinical trials will be completed on time, that our planned clinical trials will be initiated on time, if at all, that our planned development programs would be acceptable to the FDA or other comparable foreign regulatory authorities, or that, if approval is obtained, such product candidates can be successfully commercialized.

Our ability to generate product revenues, which we do not expect will occur for many years, if ever, will depend heavily on our ability to successfully complete the above activities and any other activities required for the successful development and eventual commercialization of one or more of our product candidates. The success of our product candidates will further depend on factors such as:

- successful completion of preclinical studies;
- approval of IND or other regulatory applications for our planned clinical trials or future clinical trials;
- successful enrollment in, and completion of, clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing manufacturing capabilities or arrangements with third party manufacturers for clinical supply and, if and when approved, for commercial supply;
- establishing sales, marketing and distribution capabilities and launching commercial sales of our products, if and when approved, whether alone or in combination with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies;
• developing and implementing marketing and reimbursement strategies;
• obtaining and maintaining third party coverage and adequate reimbursement;
• obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our product candidates;
• the ability to obtain clearance or approval of companion diagnostic tests, if required, on a timely basis, or at all; and
• maintaining a continued acceptable safety profile of any product following approval.

If we do not achieve one or more of these factors in a timely manner, we could experience significant delays or an inability to successfully commercialize our product candidates, which would materially harm our business.

Clinical drug development is a lengthy, expensive and uncertain process. The results of preclinical studies and early clinical trials are not always predictive of future results. Any product candidate that we advance into clinical trials may not achieve favorable results in later clinical trials, if any, or receive marketing approval.

The research and development of drugs and biological products is an extremely risky industry. Only a small percentage of product candidates that enter the development process ever receive marketing approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, can take many years to complete and its outcome is uncertain.

The results of preclinical and early clinical trials of our product candidates and other products with the same mechanism of action may not be predictive of the results of later-stage clinical trials. Clinical trial failure may result from a multitude of factors including flaws in study design, dose selection, placebo effect, patient enrollment criteria and failure to demonstrate favorable safety or efficacy traits. As such, failure in clinical trials can occur at any stage of testing. A number of companies in the biopharmaceutical industry have suffered setbacks in the advancement of clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from clinical trials are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may further delay, limit or prevent marketing approval. Furthermore, as more product candidates within a particular class of drugs proceed through clinical development to regulatory review and approval, the amount and type of clinical data that may be required by regulatory authorities may increase or change.

We currently have two product candidates in clinical development and their risk of failure is high. We are unable to predict if these product candidates or any of our future product candidates that advance into clinical trials will prove safe or effective in humans or will obtain marketing approval. If we are unable to complete preclinical or clinical trials of current or future product candidates, due to safety concerns, or if the results of these trials are not satisfactory to convince regulatory authorities of their safety or efficacy, we will not be able to obtain marketing approval for commercialization. Even if we are able to obtain marketing approvals for any of our product candidates, those approvals may be for indications that are not as broad as desired or may contain other limitations that would adversely affect our ability to generate revenue from sales of those products. Moreover, if we are not able to differentiate our product against other approved products within the same class of drugs, or if any of the other circumstances described above occur, our business would be materially harmed and our ability to generate revenue from that class of drugs would be severely impaired.
A key element of our strategy is to build a broad portfolio of product candidates that will allow for the development of intra-portfolio combinations. We believe that by developing or licensing these product candidates, we can control the combinations we pursue and, if and when approved, maximize the commercial potential of these combinations.

However, these combinations have not been tested before and may fail to demonstrate synergistic activity against immunological targets, may fail to achieve superior outcomes relative to the use of single agents or other combination therapies, may exacerbate adverse events associated with one of the product candidates when used as monotherapy, or may fail to demonstrate sufficient safety or efficacy traits in clinical trials to enable us to complete those clinical trials or obtain marketing approval for the combination therapy. We expect that AB122 will form the backbone of many of our intra-portfolio combinations. In the event that AB122, which is currently in a Phase 1 trial, were to fail to demonstrate sufficient safety and efficacy, we would need to identify alternatives for accessing an anti-PD-1 antibody. In the event we are unable to do so, or are unable to do so on commercially reasonable terms, our business and prospects would be materially harmed. All of our product candidates are targeting mechanisms that other companies are pursuing as either monotherapy or combination products. Please see “Business—Competition” for a discussion of our competitors. As such, even if we are successful in developing combination therapies, competition from other product candidates in the same class which are either already approved or further along in development than ours may prevent us from realizing the commercial potential of our combination therapies and prevent us from achieving our strategic objectives.

Our intra-portfolio combination strategy relies on discovering, developing and commercializing highly differentiated small molecules. If we are not able to differentiate our small molecules from other products which are approved or in development, our business prospects would be materially adversely affected.

Our combination therapy strategy relies on discovering and developing differentiated small molecules with ideal pharmacologic properties for the targeted pathway to complement our antibody product candidates, which we believe will form the backbone of our combination therapies. We conduct in our laboratories those activities that we consider to be critical for creating a development candidate with optimal properties. These activities include medicinal chemistry, assay development, assessment of compound potency and selectivity, in vitro and in vivo pharmacokinetic profile evaluation, in vivo pharmacology and exploratory safety evaluation, among others. As such, we have invested heavily in these internal capabilities and over 80% of our current workforce is dedicated to research and development. If the small molecules that we discover and design do not have ideal pharmacologic properties, or are not differentiated from other product candidates in development, either through their efficacy or toxicity profile, our product development activities, business and prospects would be materially harmed.

Serious adverse events, undesirable side effects or other unexpected properties of our product candidates may be identified during development or after approval, which could lead to the discontinuation of our clinical development programs, refusal by regulatory authorities to approve our product candidates or, if discovered following marketing approval, revocation of marketing authorizations or limitations on the use of our product candidates thereby limiting the commercial potential of such product candidate.

To date, we have only tested AB928 in healthy volunteers and AB122 in a limited number of oncology subjects. As we continue our development of these product candidates and initiate clinical trials of our additional product candidates, serious adverse events, undesirable side effects or unexpected characteristics may emerge causing us to abandon these product candidates or limit their development to more narrow uses or subpopulations in which the serious adverse events, undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective.
Even if our product candidates initially show promise in these early clinical trials, the side effects of drugs are frequently only detectable after they are tested in large, Phase 3 clinical trials or, in some cases, after they are made available to patients on a commercial scale after approval. Sometimes, it can be difficult to determine if the serious adverse or unexpected side effects were caused by the product candidate or another factor, especially in oncology subjects who may suffer from other medical conditions and be taking other medications. If serious adverse or unexpected side effects are identified during development and are determined to be attributed to our product candidate, we may be required to develop a Risk Evaluation and Mitigation Strategy (REMS) to mitigate those serious safety risks, which could impose significant distribution and use restrictions on our products.

Drug-related side effects could also affect subject recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

In addition, 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.

Lack of efficacy, adverse events or undesirable side effects may emerge in clinical trials conducted by third parties investigating the same product candidates as us in different territories, which could adversely affect our development program.

Lack of efficacy, adverse events or undesirable side effects may emerge in clinical trials conducted by third parties investigating the same product candidates as us in different territories. For example, we and Harbin Gloria Pharmaceuticals Co. Ltd. (Gloria Pharmaceuticals) each licensed our rights to the same anti-PD-1 antibody (which we refer to as AB122) from WuXi Biologics (Cayman) Inc. (WuXi Biologics). Gloria Pharmaceuticals refers to this antibody as GLS-010 and is conducting clinical trials with GLS-010 in China. We have no control over their clinical trials or development program, and lack of efficacy, adverse events or undesirable side effects experienced by subjects in their clinical trials could adversely affect our development of AB122 or even the viability of AB122 as a product candidate. We may be required to report Gloria Pharmaceuticals’ adverse events or unexpected side effects to the FDA or comparable foreign regulatory authorities, which could, among other things, order us to cease further development of AB122. We may face similar risks if Taiho exercises its option to license development rights to any of our programs under the Taiho Agreement.

Enrollment and retention of subjects in clinical trials is expensive and time consuming, can be made more difficult or rendered impossible by competing treatments or clinical trials of competing product candidates in the same or other indications, and could result in significant delays and additional costs in our product development activities, or in the failure of such activities.

We may encounter delays in enrolling, or be unable to enroll and maintain, a sufficient number of subjects to complete any of our clinical trials. Patient enrollment and retention in clinical trials is a significant factor in the
timely and effective clinical trials depend on various factors, including the size of the patient population required for analysis of the trial’s primary endpoints, the nature of the trial protocol, our ability to recruit clinical trial investigators with the appropriate competencies and experience, the existing body of safety and efficacy data with respect to the product candidate, the number and nature of competing products or product candidates and ongoing clinical trials of competing product candidates for the same indication, the proximity of subjects to clinical trial sites, the eligibility criteria for the clinical trial and our ability to obtain and maintain subject consents.

For example, enrollment of oncology subjects in our AB122 clinical trial may be hampered by nivolumab from Bristol-Myers Squibb and pembrolizumab from Merck, both of which are approved and on the market. Subjects may opt to be treated with an approved product with substantially more safety and efficacy data as is currently available for our anti-PD-1 antibody product candidate. Bristol-Myers Squibb and Merck may also be conducting clinical trials of these products in additional indications, and some of those clinical sites may also participate in our clinical trials, which could reduce the number of subjects available for our clinical trials at those sites.

Furthermore, any negative results that we may report in clinical trials of our product candidates may make it difficult or impossible to recruit and retain subjects in other clinical trials of that same product candidate. 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. Failures in planned subject enrollment or retention may result in increased costs or program delays and could render further development impossible.

Certain of our product candidates may require companion diagnostics in certain indications. Failure to successfully develop, validate and obtain regulatory clearance or approval for such tests could harm our product development strategy or prevent us from realizing the full commercial potential of our product candidates.

Certain of our product candidates may require companion diagnostics to identify appropriate patients for those product candidates in certain indications. Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as a medical device and may require separate regulatory authorization prior to commercialization. We may rely on third parties for the design, development, testing and manufacturing of these companion diagnostics, the application for and receipt of any required regulatory authorization, and the commercial supply of these companion diagnostics. If these parties are unable to successfully develop companion diagnostics for these product candidates, or experience delays in doing so, the development of our product candidates may be adversely affected and we may not be able to obtain marketing authorization for these product candidates. Furthermore, our ability to market and sell, as well as the commercial success, of any of our product candidates that require a companion diagnostic will be tied to, and dependent upon, the receipt of required regulatory authorization and the continued ability of such third parties to make the companion diagnostic commercially available on reasonable terms in the relevant geographies. Any failure to develop, validate, obtain and maintain marketing authorization for a companion diagnostic and supply such companion diagnostic will harm our business, results of operations and financial condition.

The design or execution of our ongoing and future clinical trials may not support marketing approval.

The design or execution of a clinical trial can determine whether its results will support marketing approval, and flaws in the design or execution of a clinical trial may not become apparent until the clinical trial is well advanced. In some instances, there can be significant variability in safety or efficacy results between different trials with the same product candidate due to numerous factors, including differences in trial protocols, size and type of the patient populations, variable adherence to the dosing regimen or other protocol requirements and the rate of dropout among clinical trial participants. We do not know whether any clinical trials we conduct will demonstrate consistent or adequate efficacy and safety to obtain marketing approval to market our product candidates.
Further, the FDA and comparable foreign regulatory authorities have substantial discretion in the approval process and in determining when or whether marketing approval will be obtained for any of our product candidates. Our product candidates may not be approved even if they achieve their primary endpoints in future Phase 3 clinical trials or registrational trials. The FDA or comparable foreign regulatory authorities may disagree with our trial designs and our interpretation of data from preclinical studies or clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal Phase 3 or registrational clinical trial that has the potential to result in FDA or other comparable foreign regulatory authorities’ approval. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA or comparable foreign regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates, if approved.

Both of our current clinical trials are being conducted outside the United States, and the FDA may not accept data from trials conducted in foreign locations.

Both of our current clinical trials are being conducted outside the United States. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of these data is subject to certain conditions imposed by the FDA. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with ethical principles. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. In general, the patient population for any clinical trials conducted outside of the United States must be representative of the population for whom we intend to label the product in the United States. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon its determination that the trials also complied with all applicable U.S. laws and regulations. We cannot assure you that the FDA will accept data from trials conducted outside of the United States. If the FDA does not accept the data from such clinical trials, it would likely result in the need for additional trials, which would be costly and time-consuming and delay or permanently halt our development of our product candidates.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we must prioritize our research programs and will need to focus our product candidates on the potential treatment of certain indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may also relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

Any termination or suspension of, or delays in the commencement or completion of, our planned clinical trials could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.

Before we can initiate clinical trials in the United States for our product candidates, we must submit the results of preclinical testing to the FDA along with other information, including information about product candidate chemistry, manufacturing and controls (CMC) and our proposed clinical trial protocol, as part of an IND. We do
not know whether our planned trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- the FDA placing the clinical trial on hold;
- subjects failing to enroll or remain in our trial at the rate we expect;
- subjects choosing an alternative treatment or other product candidates, or participating in competing clinical trials;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- any interruptions or delays in the supply of our product candidates for our clinical trials;
- a facility manufacturing any of our product candidates or any of their components being ordered by the FDA or comparable foreign regulatory authorities to temporarily or permanently shut down due to violations of good manufacturing practice (cGMP) regulations or other applicable requirements, or infections or cross-contaminations of product candidates in the manufacturing process;
- any changes to our manufacturing process that may be necessary or desired;
- any failure or delay in reaching an agreement with contract research organizations (CROs) and clinical trial sites;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, good clinical practices (GCP) or regulatory requirements or other third parties not performing data collection or analysis in a timely or accurate manner;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other comparable foreign regulatory authorities for violations of applicable regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications;
- one or more Institutional Review Boards (IRBs) refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; or
- changes in regulatory requirements and policies, which may require us to amend clinical trial protocols to comply with these changes and resubmit our clinical trial protocols to IRBs for reexamination.

Any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize the commercial prospects of our product candidates and our ability to commence product sales and generate revenues.

In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. For example, if we make manufacturing or formulation changes to our product candidates, we may need to conduct additional studies to bridge our modified product candidates to earlier versions. Further, if one or more clinical trials are delayed, our competitors may be able to bring products to market before we do, and the commercial viability of our product candidates could be significantly reduced. Any of these occurrences may harm our business, financial condition and prospects significantly. Any termination of any clinical trial of our product candidates will harm our commercial prospects and our ability to generate revenues.
We may not be successful in our efforts to identify or discover additional product candidates in the future.

Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for a number of reasons, including:

• our inability to design such product candidates with the pharmacological properties that we desire or attractive pharmacokinetics; or
• potential product candidates may, on further study, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be medicines that will receive marketing approval and achieve market acceptance.

Research programs to identify new product candidates require substantial technical, financial and human resources. If we are unable to identify suitable compounds for preclinical and clinical development, we will not be able to obtain product revenues in future periods, which likely would result in significant harm to our financial position and adversely impact our stock price.

If we do not achieve our product development goals in the time frames we announce and expect, the commercialization of our product candidates may be delayed and as a result our share price may decline.

Drug development is inherently risky and uncertain. We cannot be certain that we will be able to:

• complete IND-enabling preclinical studies or develop manufacturing processes and associated analytical methods that meet cGMP requirements in time to initiate clinical trials in the timeframes we announce;
• obtain sufficient clinical supply of our product candidates to support our ongoing or planned clinical trials;
• initiate our clinical trials within the timeframes we announce;
• enroll and maintain a sufficient number of subjects to complete any of our clinical trials; or
• analyze the data collected from any completed clinical trials in the timeframes we announce.

The actual timing of our development milestones can vary significantly compared to our estimates, in some cases for reasons beyond our control. If we are unable to achieve our goals within the timeframes we announce, the commercialization of our product candidates may be delayed and, as a result, the stock price of our common stock could fall and you may lose all of your investment.

Even if any of our product candidates receive marketing approval, they may fail to achieve the degree of market acceptance by physicians, patients, hospitals, cancer treatment centers, healthcare payors and others in the medical community necessary for commercial success.

If any of our product candidates receive marketing approval, they may nonetheless fail to gain sufficient market acceptance by physicians, patients, healthcare payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and physicians may continue to rely on these treatments. Most of our product candidates currently target mechanisms for which there are no currently approved products. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

• efficacy and potential advantages compared to alternative treatments;
• our ability to offer our medicines for sale at competitive prices;
• convenience and ease of administration compared to alternative treatments;
• the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
• the strength of marketing and distribution support;
• sufficient third-party coverage or reimbursement; and
• the prevalence and severity of any side effects.

Risks Related to Manufacturing, Commercialization and Reliance on Third Parties

We rely on third parties to conduct our clinical trials and perform some of our research and preclinical studies. If these third parties do not satisfactorily carry out their contractual duties or fail to meet expected deadlines, our development programs may be delayed or subject to increased costs, each of which may have an adverse effect on our business and prospects.

We do not have the ability to conduct all aspects of our preclinical testing or clinical trials ourselves. As a result, we are and expect to remain dependent on third parties to conduct our ongoing Phase 1 clinical trials and any future clinical trials of our product candidates. The timing of the initiation and completion of these trials will therefore be partially controlled by such third parties and may result in delays to our development programs. Specifically, we expect CROs, clinical investigators, and consultants to play a significant role in the conduct of these trials and the subsequent collection and analysis of data. However, we will not be able to control all aspects of their activities. Nevertheless, we are responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs and other third parties does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, Australian Therapeutic Goods Administration and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, clinical trial investigators and clinical trial sites. If we or any of our CROs or clinical trial sites fail to comply with applicable GCP requirements, the 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. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to stop and/or repeat clinical trials, which would delay the marketing approval process.

There is no guarantee that any such CROs, clinical trial investigators or other third parties on which we rely will devote adequate time and resources to our development activities or perform as contractually required. If any of these third parties fail to meet expected deadlines, adhere to our clinical protocols or meet regulatory requirements, otherwise performs in a substandard manner, or terminates its engagement with us, the timelines for our development programs may be extended or delayed or our development activities may be suspended or terminated. If any of our clinical trial sites terminates for any reason, we may experience the loss of follow-up information on subjects enrolled in such clinical trials unless we are able to transfer those subjects to another qualified clinical trial site, which may be difficult or impossible. In addition, clinical trial investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and may receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, or the FDA or comparable foreign regulatory authorities concludes that the financial relationship may have affected the interpretation of the trial, 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 or rejection of any marketing application we submit by the FDA or any comparable foreign regulatory authority. Any such delay or rejection could prevent us from commercializing our product candidates.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines
or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our products.

We contract with third parties for the manufacturing and supply of product candidates for use in preclinical testing and clinical trials, which supply may become limited or interrupted or may not be of satisfactory quality and quantity.

We do not have any manufacturing facilities. We produce in our laboratory relatively small quantities of compounds for evaluation in our research programs. We rely, and expect to continue to rely, on third parties for the manufacture of our product candidates for preclinical and clinical testing, as well as for commercial manufacture if any of our product candidates are approved. We currently have limited manufacturing arrangements and expect that each of our product candidates will only be covered by single source suppliers for the foreseeable future. This reliance increases the risk that we will not have sufficient quantities of our product candidates or products, if approved, or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.

Furthermore, all entities involved in the preparation of therapeutics for clinical trials or commercial sale, including our existing contract manufacturers for our product candidates, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in clinical trials must be manufactured in accordance with cGMP requirements. These regulations govern manufacturing processes and procedures, including record keeping, and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of contaminants, or to inadvertent changes in the properties or stability of our product candidates that may not be detectable in final product testing. We or our contract manufacturers must supply all necessary documentation in support of a New Drug Application (NDA) or Biologics Licensing Application (BLA) on a timely basis and must adhere to the FDA’s Good Laboratory Practice regulations and cGMP regulations enforced by the FDA through its facilities inspection program. Comparable foreign regulatory authorities may require compliance with similar requirements. The facilities and quality systems of our third-party contractor manufacturers must pass a pre-approval inspection for compliance with the applicable regulations as a condition of marketing approval of our product candidates. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMP regulations.

In the event that any of our manufacturers fails to comply with such requirements or to perform its obligations to us in relation to quality, timing or otherwise, or if our supply of components or other materials becomes limited or interrupted for other reasons, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third party, which we may not be able to do on commercially reasonable terms, if at all. In particular, any replacement of our manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to another third party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.
Our or a third party’s failure to execute on our manufacturing requirements, to do so on commercially reasonable terms and comply with cGMP could adversely affect our business in a number of ways, including:

- an inability to initiate or continue clinical trials of our product candidates under development;
- delay in submitting regulatory applications, or receiving marketing approvals, for our product candidates;
- loss of the cooperation of an existing or future collaborator, including option exercises by Taiho under the Taiho Agreement;
- subjecting third-party manufacturing facilities or our manufacturing facilities to additional inspections by regulatory authorities;
- requirements to cease development or to recall batches of our product candidates; and
- in the event of approval to market and commercialize our product candidates, an inability to meet commercial demands for our product or any other future product candidates.

We, or our third-party manufacturers, may be unable to successfully scale-up manufacturing of our product candidates in sufficient quality and quantity, which would delay or prevent us from conducting clinical trials and developing our product candidates.

In order to conduct clinical trials of our product candidates, we will need to manufacture them in large quantities. We, or our manufacturing partners, may be unable to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities. If we or our manufacturing partners are unable to successfully scale up the manufacture of our product candidates in sufficient quality and quantity, the development, testing and clinical trials of that product candidate may be delayed or become infeasible, and marketing approval or commercial launch of any resulting product may be delayed or not obtained, which could significantly harm our business.

Changes in methods of product candidate manufacturing or formulation may result in additional costs or delay.

As product candidates progress through preclinical to late stage clinical trials to marketing approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods and formulation, are altered along the way in an effort to optimize yield, manufacturing batch size, minimize costs and achieve consistent quality and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidates and jeopardize our ability to commercialize our product candidates and generate revenue.

The manufacture of biologics is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or prevented.

Manufacturing biologics, especially in large quantities, is often complex and may require the use of innovative technologies to handle living cells. Each lot of an approved biologic must undergo thorough testing for identity, strength, quality, purity and potency. Manufacturing biologics requires facilities specifically designed for and validated for this purpose, and sophisticated quality assurance and quality control procedures are necessary. Slight deviations anywhere in the manufacturing process, including filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures, product recalls or spoilage. When changes are
made to the manufacturing process, we may be required to provide preclinical and clinical data showing the comparable identity, strength, quality, purity or potency of the products before and after such changes. If microbial, viral or other contaminations are discovered at the facilities of our manufacturer, such facilities may need to be closed for an extended period of time to investigate and remedy the contamination, which could delay clinical trials and adversely harm our business. The use of biologically derived ingredients can also lead to allegations of harm, including infections or allergic reactions, or closure of product facilities due to possible contamination.

In addition, there are risks associated with large scale manufacturing for clinical trials or commercial scale including, among others, cost overruns, potential problems with process scale-up, process reproducibility, stability issues, compliance with good manufacturing practices, lot consistency and timely availability of raw materials. Even if we obtain marketing approval for any of our product candidates, there is no assurance that our manufacturers will be able to manufacture the approved product to specifications acceptable to the FDA or other comparable foreign regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential commercial launch of the product or to meet potential future demand. If our manufacturers are unable to produce sufficient quantities for clinical trials or for commercialization, our development and commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

Any product candidates for which we intend to seek approval as biologic products may face competition sooner than anticipated.

The Affordable Care Act includes a subtitle called the Biologics Price Competition and Innovation Act of 2009 (BPCIA), which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until twelve years from the date on which the reference product was first licensed. During this twelve-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor’s own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of its product. 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 the processes to implement the BPCIA have not yet been fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

AB122 and AB154 are biological products and we may develop additional biological products in the future. We believe that any of our current and future product candidates approved as a biological product under a BLA should qualify for the twelve-year period of exclusivity. However, 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. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, could be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products will depend on a number of marketplace and regulatory factors that are still developing.

Even if we receive marketing approval, we may not be able to successfully commercialize our product candidates due to unfavorable pricing regulations or third-party coverage and reimbursement policies, which could make it difficult for us to sell our product candidates profitably.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost
effectiveness data for the use of our products to the payor. There may be significant delays in obtaining such coverage and reimbursement for newly approved products, and coverage may be more limited than the purposes for which the product is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a product will be paid for in all cases or at a rate that covers our costs, including research, development, intellectual property, manufacture, sale and distribution expenses. Interim reimbursement levels for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the product and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost products and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors, by any future laws limiting drug prices and by any future relaxation of laws that presently restrict imports of product from countries where they may be sold at lower prices than in the United States.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations.

Coverage and reimbursement by a third-party payor may depend upon a number of factors, including 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.

We cannot be sure that reimbursement will be available for any product that we commercialize and, if coverage and reimbursement are available, what the level of reimbursement will be. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with branded therapeutics and therapeutics administered under the supervision of a physician. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Reimbursement may impact the demand for, and the price of, any product for which we obtain marketing approval. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with those medications. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the cost of our products. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new products when more established or lower cost therapeutic alternatives are already available or subsequently become available.

We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription medicines, medical devices and surgical procedures and other treatments, has become very intense. As a result, increasingly
high barriers are being erected to the successful commercialization of new products. Further, the adoption and implementation of any future governmental cost containment or other health reform initiative may result in additional downward pressure on the price that we may receive for any approved product.

Outside of the United States, many countries require approval of the sale price of a product before it can be marketed and the pricing review period only begins after marketing or product licensing approval is granted. To obtain reimbursement or pricing approval in some of these countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product candidate in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues, if any, we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if such product candidates obtain marketing approval.

If the market opportunities for any product that we or our strategic partners develop are smaller than we believe they are, our revenue may be adversely affected and our business may suffer.

We are focused on the development of treatments for cancer. Our projections of addressable patient populations that have the potential to benefit from treatment with our product candidates are based on estimates. If any of our estimates are inaccurate, the market opportunities for any of our product candidates could be significantly diminished and have an adverse material impact on our business.

Our employees, clinical trial investigators, CROs, consultants, vendors and any potential commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, clinical trial investigators, CROs, consultants, vendors and any potential commercial partners. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) FDA laws and regulations or those of comparable foreign regulatory authorities, including those laws that require the reporting of true, complete and accurate information, (ii) manufacturing standards, (iii) federal and state health and data privacy, security, fraud and abuse, government price reporting, transparency reporting requirements, and other healthcare laws and regulations in the United States and abroad, or (iv) laws that require the true, complete and accurate reporting of financial information or data. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. We intend to adopt a code of conduct applicable to all of our employees prior to completion of this offering, as well as a disclosure program and other applicable policies and procedures, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity 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 comply with these 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 have a significant impact on our business, including the imposition of significant fines or other sanctions.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Because we rely on third parties to research and develop and to manufacture our product candidates, we must share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to beginning
research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor’s independent discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have a material adverse effect on our business.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, although our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with will likely expect to be granted rights to publish data arising out of such collaboration and any joint research and development programs may require us to share trade secrets under the terms of our research and development or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor’s discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

If any of our product candidates are approved for marketing and commercialization and we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, we will be unable to successfully commercialize our product candidates if and when they are approved.

We have no sales, marketing or distribution capabilities or experience. To achieve commercial success for any approved product for which we retain sales and marketing responsibilities, we must either develop a sales and marketing organization, which would be expensive and time consuming, or outsource these functions to other third parties. In the future, we may choose to build a focused sales and marketing infrastructure to sell, or participate in sales activities with our collaborators for, some of our product candidates if and when they are approved.

There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our medicines on our own include:

• our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
• the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future medicines;
• the lack of complementary medicines to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
• unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these product revenues to us are likely to be lower than if we were to market and sell any medicines that we develop ourselves. In addition, we may not be successful in entering into
arrangements with third parties to sell and market our product candidates or may be unable to do so on terms that are favorable to us. In entering into third-party marketing or distribution arrangements, any revenue we receive will depend upon the efforts of the third parties and we cannot assure you that such third parties will establish adequate sales and distribution capabilities or devote the necessary resources and attention to sell and market our medicines effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

Even if we obtain FDA approval of any of our product candidates, we may never obtain approval or commercialize such products outside of the United States, which would limit our ability to realize their full market potential.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approvals could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our ability to realize the full market potential of our products will be harmed.

Risks Related to our In-Licenses and Other Strategic Agreements

We are currently party to several in-license agreements under which we acquired rights to use, develop, manufacture and/or commercialize certain of our product candidates. If we breach our obligations under these agreements, we may be required to pay damages, lose our rights to these product candidates or both, which would adversely affect our business and prospects.

We rely, in part, on license and other strategic agreements, which subject us to various obligations, including diligence obligations with respect to development and commercialization activities, payment obligations for achievement of certain milestones and royalties on product sales, negative covenants and other material obligations. If we fail to comply with the obligations under our license agreements or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and our licensors may have the right to terminate the license. If our license agreements are terminated, we may not be able to develop, manufacture, market or sell the products covered by our agreements and those being tested or approved in combination with such products. Such an occurrence could materially adversely affect the value of the product candidate being developed under any such agreement and any other product candidates being developed or tested in combination. For example, we intend to test many of our small-molecule product candidates with AB122, which we in-licensed from WuXi Biologics. In the event we breach our license agreement with WuXi Biologics, and WuXi Biologics terminates our license agreement, we would be unable to test those combinations, or we would have to negotiate a new or reinstated agreement, which may not be available to us on equally favorable terms, or at all.

In addition, the agreements under which we license intellectual property or technology to or from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our
rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant research program or product candidate and our business, financial condition, results of operations and prospects could suffer.

We may not realize the benefits of any acquisitions, in-license or other collaborations or strategic alliances that we enter into.

We have entered into in-license agreements with multiple licensors and an option agreement to out-license certain of our product candidates in select markets and in the future may seek and form strategic alliances, create joint ventures or collaborations, or enter into acquisitions or 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.

These transactions can entail numerous operational and financial risks, including exposure to unknown liabilities, disruption of our business and diversion of our management’s time and attention in order to manage a collaboration or develop acquired products, product candidates or technologies, incurrence of substantial debt or dilutive issuances of equity securities to pay transaction consideration or costs, higher than expected collaboration, acquisition or integration costs, write-downs of assets or goodwill or impairment charges, increased amortization expenses, difficulty and cost in facilitating the collaboration or combining the operations and personnel of any acquired business, impairment of relationships with key suppliers, manufacturers or customers of any acquired business due to changes in management and ownership and the inability to retain key employees of any acquired business. As a result, if we enter into collaboration agreements, strategic partnerships or license our products, 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, which could delay our timelines or otherwise adversely affect our business.

We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction or such other benefits that led us to enter into the arrangement. For example, the Taiho Agreement provides us with non-dilutive capital to fund our operations and a strategic development and commercialization partner for our product candidates in Japan and certain other territories in Asia (excluding China). If Taiho does not exercise any of its options to our development programs, our capital requirements relating to our development programs will significantly increase and we may need to seek a new partner in order to develop and commercialize our product candidates in the territories optioned by Taiho. Failure to realize the benefits of any collaborations or strategic alliances may further cause us to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any planned sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we will need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.
We may wish to acquire rights to future assets through in-licensing or may attempt to form collaborations in the future with respect to our product candidates, but may not be able to do so, which may cause us to alter or delay our development and commercialization plans.

The development and potential commercialization of our product candidates will require substantial additional capital to fund expenses. We have entered into an option and license agreement with Taiho for the potential development and commercialization of our product candidates in Japan and certain other territories in Asia (excluding China). We may, in the future, decide to collaborate with other biopharmaceutical companies for the development and potential commercialization of those product candidates in other countries or territories of the world. We will face significant competition in seeking appropriate collaborators. 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 and when we collaborate with a third party for development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator’s resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator’s evaluation of a number of factors. Those factors may include the following:

- the design or results of clinical trials;
- the likelihood of approval by the FDA or comparable foreign regulatory authorities;
- the potential market for the product candidate;
- the costs and complexities of manufacturing and delivering such product candidate to patients;
- the potential of competing products;
- the existence of uncertainty with respect to our ownership of technology or other rights, which can exist if there is a challenge to such ownership without regard to the merits of the challenge; and
- industry and market conditions generally.

The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under any license agreements from entering into agreements on certain terms or at all with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators and changes to the strategies of the combined company. As a result, we may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of such product candidate, reduce or delay one or more of our other development programs, delay the potential commercialization or reduce the scope of any planned sales or marketing activities for such product candidate, or increase our expenditures and undertake development, manufacturing or commercialization activities at our own expense. If we elect to increase our expenditures to fund development, manufacturing or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

Managing our obligations under our in-license agreements and our option agreement may divert management time and attention, causing delays or disruptions to our business.

We have entered into and may in the future enter into in-license agreements with multiple licensors and a strategic option agreement, which subject us to various obligations, including diligence obligations, reporting and notification obligations, payment obligations for achievement of certain milestone as well as other material
obligations. We may need to devote substantial time and attention to ensuring that we successfully integrate these transactions into our existing operations and are compliant with our obligations under these agreements, which may divert management’s time and attention away from our research and development programs or other day-to-day activities.

Our in-license and strategic agreements are also complex and certain provisions in those agreements may be susceptible to multiple interpretations. In the event of any disagreement about the interpretation of these provisions, our management may need to devote a disproportionate amount of its attention to resolving these disagreements. Such disruptions may cause delays in our research and development programs and other business objectives.

Our operating activities may be restricted by certain covenants in our license and other strategic agreements, which could limit our development and commercial opportunities.

In connection with certain of our acquisitions, in-license or other collaborations or strategic alliances, we may agree to and be bound by negative covenants which may limit our development and commercial opportunities. For example, pursuant to our in-license of anti-PD-1 antibodies from WuXi Biologics, we made certain covenants to not commercialize any anti-PD-1 antibody licensed or obtained by us after the date of the license agreement with WuXi Biologics other than anti-PD-1 antibodies licensed from WuXi Biologics, subject to certain exceptions as set forth in our license agreement with WuXi Biologics. Furthermore, we agreed in our license agreement that WuXi Biologics would be our exclusive manufacturer of anti-PD-1 antibodies licensed thereunder until a certain number of years has elapsed following commercialization of such an anti-PD-1 antibody and that we would utilize WuXi Biologics as our exclusive provider of CMC development services for our biologic product candidates for three years from the date of our license agreement, subject to certain exceptions in each case. These exclusivity provisions may inhibit our development efforts, prevent us from forming strategic collaborations to develop and potentially commercialize any other anti-PD-1 antibody product candidates and may materially harm our business, financial condition, results of operations and prospects.

Risks Related to Intellectual Property

If we are unable to obtain and maintain sufficient intellectual property protection for our product candidates, or if the scope of the intellectual property protection is not sufficiently broad, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our products may be adversely affected.

Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our product candidates and research programs. We seek to protect our proprietary position by filing patent applications in the United States and abroad related to our novel discoveries and technologies that are important to our business. Our pending and future patent applications may not result in patents being issued which protect our product candidates or their intended uses or which effectively prevent others from commercializing competitive technologies, products or product candidates.

Obtaining and enforcing patents is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications, or maintain and/or enforce patents that may issue based on our patent applications, at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development results before it is too late to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach these agreements and disclose such results before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

The patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation, resulting in court decisions,
including Supreme Court decisions, that have increased uncertainties as to the ability to enforce patent rights in the future. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States, or vice versa.

Further, we may not be aware of all third-party intellectual property rights potentially relating to our product candidates or their intended uses, and as a result the impact of such third-party intellectual property rights upon the patentability of our own patents and patent applications, as well as the impact of such third-party intellectual property upon our freedom to operate, is highly uncertain. 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. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our patents or pending patent applications may be challenged in the courts or patent offices in the United States and abroad. For example, we may be subject to a third party pre-issuance submission of prior art to the U.S. Patent and Trademark Office, or become involved in post-grant review procedures, oppositions, derivations, reexaminations, or inter partes review proceedings, in the United States or elsewhere, challenging our patent rights or the patent rights of others. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated, or held unenforceable, in whole or in part, 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 of our technology and products. In addition, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized.

We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third party patent which might adversely affect our ability to develop and market our products.

We cannot guarantee that any of our patent searches or analyses, including the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete or thorough, nor can we be certain that we have identified each and every third party patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction.

The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent’s prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our products. We may incorrectly determine that our products are not covered by a third party patent or may incorrectly predict whether a third party’s pending application will issue with claims of relevant scope. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, which may negatively impact our ability to develop and market our product candidates. Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our products.

In the future, we may need to obtain additional licenses of third-party technology that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to operate our business in a more costly or otherwise adverse manner that was not anticipated.

From time to time we may be required to license technology from additional third parties to further develop or commercialize our product candidates. Should we be required to obtain licenses to any third-party technology, including any such patents required to manufacture, use or sell our product candidates, such licenses may not be available to us on commercially reasonable terms, or at all. The inability to obtain any third-party license required to develop or commercialize any of our product candidates could cause us to abandon any related efforts, which could seriously harm our business and operations.
We cannot ensure that patent rights relating to inventions described and claimed in our pending patent applications will issue or that patents based on our patent applications will not be challenged and rendered invalid and/or unenforceable.

We have pending U.S. and foreign patent applications in our portfolio, however, we cannot predict:

- if and when patents may issue based on our patent applications;
- the scope of protection of any patent issuing based on our patent applications;
- whether the claims of any patent issuing based on our patent applications will provide protection against competitors;
- whether or not third parties will find ways to invalidate or circumvent our patent rights;
- whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications;
- whether we will need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose; and/or
- whether the patent applications that we own or in-license will result in issued patents with claims that cover our product candidates or uses thereof in the United States or in other foreign countries.

We cannot be certain that the claims in our pending patent applications directed to our product candidates and/or technologies will be considered patentable by the U.S. Patent and Trademark Office (USPTO) or by patent offices in foreign countries. One aspect of the determination of patentability of our inventions depends on the scope and content of the “prior art,” information that was or is deemed available to a person of skill in the relevant art prior to the priority date of the claimed invention. There may be prior art of which we are not aware that may affect the patentability of our patent claims or, if issued, affect the validity or enforceability of a patent claim. Even if the patents do issue based on our patent applications, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, patents in our portfolio may not adequately exclude third parties from practicing relevant technology or prevent others from designing around our claims. If the breadth or strength of our intellectual property position with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop and threaten our ability to commercialize our product candidates. In the event of litigation or administrative proceedings, we cannot be certain that the claims in any of our issued patents will be considered valid by courts in the United States or foreign countries.

**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. For example:

- others may be able to make product candidates that are similar to ours but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we or our licensors or future collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- we or our licensors or future collaborators 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 be held invalid or unenforceable, as a result of legal challenges by our competitors;
• our competitors might conduct research and development activities 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; and
• the patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our product candidates without infringing the intellectual property and other proprietary rights of third parties. Third parties may allege that we have infringed or misappropriated their intellectual property. Litigation or other legal proceedings relating to intellectual property claims, with or without merit, is unpredictable and generally expensive and time consuming and, even if resolved in our favor, is likely to divert significant resources from our core business, including distracting our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our products candidates. Third parties may assert infringement claims against us based on existing or future intellectual property rights. For example, we are aware of certain patents owned or exclusively licensed by Bristol-Myers Squibb (BMS) having claims directed broadly to treating cancer with anti-PD-1 antibodies (the BMS Patents), which expire in 2023 and 2024. The BMS Patents are currently the subject of litigation between BMS and several other parties. If the validity of the BMS Patents is upheld following all such challenges, and if we receive regulatory approval for AB122 prior to expiration of the BMS Patents, then we may need to delay our commercialization of AB122 or we may need to obtain a license from BMS, which license may not be available on commercially reasonable terms, or at all. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity may be difficult. For example, in the United States, proving invalidity in court requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could have a material adverse effect on our business and operations. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.
If we are found to infringe a third party’s intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product candidate or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing product candidate. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In addition, we could be found liable for monetary damages, including treble damages and attorneys’ fees if we are found to have willfully infringed a patent. 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. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent’s claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. 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 litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. 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. Moreover, we cannot assure you that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Because of the expense and uncertainty of litigation, we may not be in a position to enforce our intellectual property rights against third parties.

Because of the expense and uncertainty of litigation, we may conclude that even if a third party is infringing our issued patent, any patents that may be issued as a result of our pending or future patent applications or other intellectual property rights, the risk-adjusted cost of bringing and enforcing such a claim or action may be too high or not in the best interest of our company or our stockholders. In such cases, we may decide that the more
prudent course of action is to simply monitor the situation or initiate or seek some other non-litigious action or solution.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We could in the future be subject to claims that we or our employees have inadvertently or otherwise used or disclosed alleged trade secrets or other confidential information of former employers or competitors. Although we try to ensure that our employees and consultants do not use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may become subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a former employer or competitor.

While we may litigate to defend ourselves against these claims, even if we are successful, litigation could result in substantial costs and could be a distraction to management. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies or features that are essential to our product candidates, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. Moreover, any such litigation or the threat thereof may adversely affect our reputation, our ability to form strategic alliances or sublicense our rights to collaborators, engage with scientific advisors or hire employees or consultants, each of which would have an adverse effect on our business, results of operations and financial condition.

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

Patents are of national or regional effect, and filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive. As such, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Further, 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 pharmaceuticals or biologics, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. In addition, certain developing countries, including China and India, have compulsory licensing laws under which a patent owner may be compelled 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 efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Changes in patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs. Recent patent reform legislation in the United States and other countries, including the Leahy-Smith America Invents Act (the Leahy-Smith Act), signed into law on September 16, 2011, could increase those uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art and provide more
efficient and cost-effective avenues for competitors to challenge the validity of patents. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. After March 2013, under the Leahy-Smith Act, the United States transitioned to a first inventor to file system in which, assuming that the other statutory requirements are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. 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, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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. Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Obtaining and maintaining 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 non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuities fees and various other governmental fees on patents and/or patent applications are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent and/or patent application. The USPTO and various foreign governmental patent agencies also 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. Non-compliance 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 fail to maintain the patents and patent applications covering our product candidates, our competitive position would be adversely affected.

We may rely on trade secret and proprietary know-how which can be difficult to trace and enforce and, if we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patents for some of our technology and product candidates, we may also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. Elements of our product candidate, including processes for their preparation and manufacture, may involve proprietary know-how, information, or technology that is not covered by patents, and thus for these aspects we may consider trade secrets and know-how to be our primary intellectual property. Any disclosure, either intentional or unintentional, by our employees, the employees of third parties with whom we share our facilities or third party consultants and vendors that we engage to perform research, clinical trials or manufacturing activities, or misappropriation by third parties (such as through a cybersecurity breach) of our trade secrets or proprietary information could enable competitors to duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

Trade secrets and know-how can be difficult to protect. We require our employees to enter into written employment agreements containing provisions of confidentiality and obligations to assign to us any inventions
generated in the course of their employment. We and any third parties with whom we share facilities enter into written agreements that include confidentiality and intellectual property obligations to protect each party’s property, potential trade secrets, proprietary know-how, and information. We further seek to protect our potential trade secrets, proprietary know-how, and information in part, by entering into non-disclosure and confidentiality agreements with parties who are given access to them, such as our corporate collaborators, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, advisors and other third parties. With our consultants, contractors, and outside scientific collaborators, these agreements typically include invention assignment obligations. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third party, our competitive position would be harmed.

*We may become subject to claims challenging the inventorship or ownership of our patents and other intellectual property.*

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our product candidates or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be necessary to resolve these and other claims challenging inventorship and/or ownership. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

*Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.*

Patent rights are of limited duration. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from biosimilar or generic products. A patent term extension based on regulatory delay may be available in the United States. However, only a single patent can be extended for each marketing approval, and any patent can be extended only once, for a single product. Moreover, the scope of protection during the period of the patent term extension does not extend to the full scope of the claim, but instead only to the scope of the product as approved. Laws governing analogous patent term extensions in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Additionally, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.
Risks Related to our Business Operations

We are highly dependent on the services of our founders, Terry Rosen, Ph.D., who serves as our Chief Executive Officer, and Juan Jaen, Ph.D., who serves as our President.

We are highly dependent on the services of our founders, Terry Rosen, Ph.D., who serves as our Chief Executive Officer, and Juan Jaen, Ph.D., who serves as our President. Although we have entered into employment agreements with them, they are not for a specific term and each of them may terminate their employment with us at any time, though we are not aware of any present intention of either of these individuals to leave us. We maintain “key person” insurance on each of them, but not for any of our other executives or employees.

Drs. Rosen and Jaen have significant experience identifying and developing biopharmaceuticals. Drs. Rosen and Jaen were previously the founders of Flexus Biosciences, Inc., which was acquired by Bristol-Myers Squibb approximately 18 months after it was founded to access its IDO-1 enzyme inhibitor. Previously, Dr. Rosen was Vice President of Therapeutic Discovery at Amgen, overseeing large and small-molecule drug discovery efforts, and Dr. Jaen was Senior Vice President, Drug Discovery and Chief Scientific Officer at ChemoCentryx, having built a track record of efficiently moving quality product candidates from discovery into clinical development across a wide range of therapeutic areas, including oncology. We believe that their drug discovery and development experience, and overall biopharmaceutical company management experience, would be difficult to replace. However, the historical results, past performance and/or acquisitions of companies with which they were affiliated, including Flexus, do not necessarily predict or guarantee similar results for our company.

Drs. Rosen and Jaen have certain other business and personal commitments outside of serving as the Chief Executive Officer and President of Arcus, including serving on the boards of other companies and foundations. Drs. Rosen and Jaen are defendants in an ongoing litigation with Incyte Corporation related to their previous company, Flexus Biosciences, Inc., alleging misappropriation of trade secrets, which litigation our founders believe has no merit. While such litigation involves no claims against our company, our founders may be required to focus time on the defense of such litigation, and any adverse developments in the litigation could affect our company’s reputation.

We expect to expand our development, regulatory and operational capabilities and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

As of February 1, 2018, we had 83 full-time employees. As we advance our research and development programs, we expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of clinical development, quality, regulatory affairs and, if any of our product candidates receives marketing approval, sales, marketing and distribution. To manage our anticipated future growth, we must:

- identify, recruit integrate, maintain and motivate additional qualified personnel;
- manage our development efforts effectively, including the initiation and conduct of clinical trials for our product candidates, both as monotherapy and in combination with other intra-portfolio product candidates; and
- improve our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to develop, manufacture and 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 financial and other resources, and 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 third party contract organizations, advisors and consultants to provide certain services, including assuming substantial
responsibilities for the conduct of our clinical trials and the manufacture of our product candidates. We cannot assure you that the services of such third party contract 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 our vendors or consultants is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain marketing approval of our product candidates or otherwise advance our business. We cannot assure you that we will be able to properly manage our existing vendors or consultants or find other competent outside vendors 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 future success depends on our ability to retain key employees, consultants and advisors and to attract, retain and motivate qualified personnel.**

Our industry has experienced a high rate of turnover in recent years. Our ability to compete in the highly competitive biopharmaceuticals industry depends upon our ability to attract, retain and motivate highly skilled and experienced personnel with scientific, medical, regulatory, manufacturing and management skills and experience. We conduct our operations in the San Francisco Bay Area, a region that is home to many other biopharmaceutical companies as well as many academic and research institutions, resulting in fierce competition for qualified personnel. We may not be able to attract or retain qualified personnel in the future due to the intense competition for a limited number of qualified personnel among biopharmaceutical companies. Many of the other biopharmaceutical companies against which we compete have greater financial and other resources, different risk profiles and a longer history in the industry than we do. Our competitors may provide higher compensation, more diverse opportunities and/or better opportunities for career advancement. Any or all of these competing factors may limit our ability to continue to attract and retain high quality personnel, which could negatively affect our ability to successfully develop and commercialize our product candidates and to grow our business and operations as currently contemplated.

**Our future growth may depend, in part, on our ability to operate in foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.**

Our future profitability may depend, in part, on our ability to commercialize our product candidates in foreign markets for which we may rely on collaboration with third parties. We are not permitted to market or promote any of our product candidates before we receive marketing approval from the applicable regulatory authority in that foreign market, and we may never receive such marketing approval for any of our product candidates. To obtain marketing approval in many foreign countries, we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of our product candidates, and we cannot predict success in these jurisdictions. If we obtain approval of our product candidates and ultimately commercialize our product candidates in foreign markets, we would be subject to additional risks and uncertainties, including:

- our customers’ ability to obtain reimbursement for our product candidates in foreign markets;
- our inability to directly control commercial activities because we are relying on third parties;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- import or export licensing requirements;
longer accounts receivable collection times;
longer lead times for shipping;
language barriers for technical training;
reduced protection of intellectual property rights in some foreign countries;
the existence of additional potentially relevant third-party intellectual property rights;
foreign currency exchange rate fluctuations; and
the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our product candidates could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs.

We face substantial competition, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their product candidates are shown to be safer or more effective than ours, then our commercial opportunity will be reduced or eliminated.

The development and commercialization of new products is highly competitive. We compete in the segments of the pharmaceutical, biotechnology and other related markets that develop immunotherapies for the treatment of cancer. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any products that we may develop or that would render any products that we may develop obsolete or non-competitive. Our competitors also may obtain marketing approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Other products in the same class as some of our product candidates have already been approved or are further along in development. With respect to our dual adenosine receptor antagonist, AB928, we are aware of several other companies that are developing selective adenosine receptor antagonists, including AstraZeneca/MedImmune, Corvus, iTEOS, Merck and Novartis. For our small-molecule CD73 inhibitor, AB680, we are aware of several pharmaceutical companies developing antibodies against this target, including AstraZeneca/MedImmune, Bristol-Myers Squibb, Corvus, Innate Pharma, Merck and Surface Oncology. Regarding our anti-PD-1 antibody, AB122, multiple large pharmaceutical companies have already received regulatory approvals for their anti-PD-1/PD-L1 antibodies, including AstraZeneca, Bristol-Myers Squibb, Merck, Pfizer in partnership with Merck Kgaa, and Roche/Genentech and there are also many other anti-PD-1 and anti-PD-L1 antibodies in clinical development. With respect to our anti-TIGIT antibody, AB154, we are aware of several pharmaceutical companies developing antibodies against this target including Bristol-Myers Squibb, Genentech, Merck and OncoMed. As more product candidates within a particular class of drugs proceed through clinical development to regulatory review and approval, the amount and type of clinical data that may be required by regulatory authorities may increase or change. Consequently, the results of our clinical trials for product candidates in those class will likely need to show a risk benefit profile that is competitive with or more favorable than those products and product candidates in order to obtain marketing approval or, if approved, a product label that is favorable for commercialization. If the risk benefit profile is not competitive with those products or product candidates, we may have developed a product that is not commercially viable, that we are not able to sell profitably or that is unable to achieve favorable pricing or reimbursement. In such circumstances, our future product revenues and financial condition would be materially and adversely affected.

Many of our competitors, such as large pharmaceutical and biotechnology companies like AstraZeneca/MedImmune, Bristol-Myers Squibb, Merck, Novartis and Roche/Genentech, have longer operating histories and significantly greater financial resources and expertise in research and development, manufacturing, preclinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do.

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Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and subject enrollment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The key competitive factors affecting the success of all of our programs are likely to be their efficacy, safety, convenience, and availability of reimbursement. If we are not successful in developing, commercializing and achieving higher levels of reimbursement than our competitors, we will not be able to compete against them and our business would be materially harmed.

The development and commercialization of AB122 may face strong competition from other anti-PD-1 antibodies that have already received marketing approval by larger companies with substantial resources and more experience developing, manufacturing and commercializing biologic compounds.

As discussed above, some companies, such as AstraZeneca, Bristol-Myers Squibb, Merck, Pfizer in partnership with Merck Kgaa and Roche/Genentech, have anti-PD-1/PD-L1 antibodies that are approved and on the market, and other companies are developing anti-PD-1/PD-L1 antibodies for various oncology indications that are further along in development than AB122. This competitive environment could limit our development opportunities for AB122 or compromise our ability to successfully enroll our ongoing and future clinical trials with AB122 by limiting the availability of clinical trial investigators, sites and/or subjects which could slow, delay or limit the progress of AB122’s development. As a result of these or other problems and risks, we may never receive marketing approval for AB122, may not realize the full commercial potential of AB122 as monotherapy or in combination with our other product candidates, may never recoup our financial investment or may never generate significant value or revenues from this asset.

Our internal information technology systems, or those of our third-party CROs or other contractors or consultants, may fail or suffer security breaches, loss or leakage of data, and other disruptions, which could result in a material disruption of our product candidates’ development programs, compromise sensitive information related to our business or prevent us from accessing critical information, potentially exposing us to liability or otherwise adversely affecting our business.

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit confidential information (including but not limited to intellectual property, proprietary business information and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third party contractors who have access to our confidential information.

Despite the implementation of security measures, given their size and complexity and the increasing amounts of confidential information that they maintain, our internal information technology systems and those of our third-party CROs and other contractors and consultants are potentially vulnerable to breakdown or other damage or interruption from service interruptions, system malfunction, natural disasters, terrorism, war and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our employees, contractors, consultants, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information), which may compromise our system infrastructure or lead to data leakage. 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 reputational damage and the further development and commercialization of our drug candidates could be delayed.
While we have not experienced any such system failure, accident or security breach to date, we cannot assure you that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages, breaches in our systems or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition. For example, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs and the development of our product candidates could be delayed. In addition, the loss of clinical trial data for our product candidates could result in delays in our marketing approval efforts and significantly increase our costs to recover or reproduce the data. Furthermore, significant disruptions of our internal information technology systems or security breaches could result in the loss, misappropriation, and/or unauthorized access, use, or disclosure of, or the prevention of access to, confidential information (including trade secrets or other intellectual property, proprietary business information, and personal information), which could result in financial, legal, business, and reputational harm to us. For example, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding our clinical trial subjects or employees, could harm our reputation directly, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business.

We or the third parties upon whom we depend may be adversely affected by earthquakes, fires or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our headquarters and main research facility are located in the San Francisco Bay Area, which in the past has experienced severe earthquakes and fires. If these earthquakes, fires, other natural disasters, terrorism and similar unforeseen events beyond our control prevented us from using all or a significant portion of our headquarters or research facility, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. We do not have a disaster recovery or business continuity plan in place and may incur substantial expenses as a result of the absence or limited nature of our internal or third party service provider disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business. Furthermore, integral parties in our supply chain are operating from single sites, increasing their vulnerability to natural disasters or other sudden, unforeseen and severe adverse events. If such an event were to affect our supply chain, it could have a material adverse effect on our ability to conduct our clinical trials, our development plans and business.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. We currently conduct both of our clinical trials outside of the United States and unfavorable economic conditions resulting in the weakening of the U.S. dollar would make those clinical trials more costly to operate. Furthermore, the most recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including a reduced ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

We conduct clinical development operations through our Australian wholly-owned subsidiary. If we lose our ability to operate in Australia, our business and results of operations may suffer.

In September 2017, we formed a wholly-owned Australian subsidiary, Arcus Biosciences Australia Pty Ltd, to develop our product candidates in Australia. Due to the geographical distance and lack of employees currently in
Australia, as well as our lack of experience operating in Australia, we may not be able to efficiently or successfully monitor any clinical trials we conduct in Australia nor the development of our product candidates in Australia.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred substantial losses during our history and do not expect to become profitable in the near future, and we may never achieve profitability. Unused losses for the tax year ended December 31, 2017 and prior tax years will carry forward to offset future taxable income, if any, until such unused losses expire. Unused losses generated after December 31, 2017, under new tax legislation will not expire and may be carried forward indefinitely but will be only deductible to the extent of 80% of current year taxable income in any given year. In addition, both our current and our future unused losses may be subject to limitation under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if we undergo an “ownership change,” generally defined as a greater than 50 percentage point change (by value) in our equity ownership by certain stockholders over a three-year period. As a result, if we earn net taxable income our pre-2018 net operating loss carryforwards may expire prior to being used, our net operating loss carryforwards generated in 2018 and thereafter will be subject to a percentage limitation and, if we undergo an ownership change, our ability to use all of our pre-change net operating loss carryforwards (NOLs) and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. As a result, if we earn net taxable income, our ability to use our pre-change NOLs to offset such taxable income may be subject to limitations. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, even if we attain profitability, we may be unable to use all or a material portion of our NOLs and other tax attributes, which could adversely affect our future cash flows.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, President Trump signed into law new legislation that significantly revises the Internal Revenue Code of 1986, as amended. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. We do not expect this tax legislation to have a material impact to our current projection of minimal cash taxes for the near future. However, we continue to examine the impact that this tax legislation may have on our business in the longer term. Accordingly, notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The impact of this tax legislation on holders of our common stock is also uncertain and could be adverse. We urge prospective investors to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

Risks Related to Our Industry

Product liability lawsuits against us could cause us to incur substantial liabilities and could limit our commercialization of any product candidates that we may develop.

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we
cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- delay or termination of clinical trials;
- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial subjects;
- initiation of investigations by regulators;
- significant costs to defend the related litigation and diversion of management’s time and our resources;
- substantial monetary awards to study subjects or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

Although we maintain product liability insurance coverage, it may not be adequate to cover all liabilities that we may incur. We anticipate that we will need to increase our insurance coverage as our product candidates advance through clinical trials and if we successfully commercialize any products. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

**Our industry is highly regulated by the FDA and comparable foreign regulatory agencies. We must comply with extensive, strictly enforced regulatory requirements to develop, obtain, and maintain marketing approval for any of our product candidates.**

Securing FDA or comparable foreign regulatory approval requires the submission of extensive preclinical and clinical data and supporting information for each therapeutic indication to establish the product candidate’s safety and efficacy for its intended use. It takes years to complete the testing of a new drug or biologic and development delays and/or failure can occur at any stage of testing. Any of our present and future clinical trials may be delayed, halted, not authorized, or approval of any of our products may be delayed or may not be obtained due to any of the following:

- any preclinical study or clinical trial may fail to produce safety and efficacy results satisfactory to the FDA or comparable foreign regulatory authorities;
- preclinical and clinical data can be interpreted in different ways, which could delay, limit or prevent marketing approval;
- negative or inconclusive results from a preclinical study or clinical trial or adverse events during a clinical trial could cause a preclinical study or clinical trial to be repeated or a development program to be terminated, even if other studies relating to the development program are ongoing or have been completed and were successful;
- the FDA or comparable foreign regulatory authorities can place a clinical hold on a trial if, among other reasons, it finds that subjects enrolled in the trial are or would be exposed to an unreasonable and significant risk of illness or injury;
- the facilities that we utilize, or the processes or facilities of third party vendors, including without limitation the contract manufacturers who will be manufacturing drug substance and drug product for us or any potential collaborators, may not satisfactorily complete inspections by the FDA or comparable foreign regulatory authorities; and
In addition, information generated during the clinical trial process is susceptible to varying interpretations that could delay, limit, or prevent marketing approval at any stage of the approval process. Moreover, early positive preclinical or clinical trial results may not be replicated in later clinical trials. As more product candidates within a particular class of drugs proceed through clinical development to regulatory review and approval, the amount and type of clinical data that may be required by regulatory authorities may increase or change. Failure to demonstrate adequately the quality, safety and efficacy of any of our product candidates would delay or prevent marketing approval of the applicable product candidate. We cannot assure you that if clinical trials are completed, either we or our potential collaborators will submit applications for required authorizations to manufacture or market potential products or that any such application will be reviewed and approved by appropriate regulatory authorities in a timely manner, if at all.

Even if we receive marketing approval for a product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to restrictions, withdrawal from the market, or penalties if we fail to comply with applicable regulatory requirements or if we experience unanticipated problems with our product candidates, when and if approved.

Once marketing approval has been granted by the FDA and comparable foreign regulatory authorities, the approved product and those entities within the product’s supply chain are subject to continual review by the applicable regulatory authorities. Any marketing approval that we receive for our product candidates may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing follow-up trials or surveillance to monitor the safety and efficacy of the product. In addition, if the FDA and comparable foreign regulatory authorities approve any of our product candidates, we will be subject to extensive and ongoing regulatory requirements with regard to labeling, packaging, adverse event reporting, storage, distribution, advertising, promotion, recordkeeping and submission of safety and other post-market information. Manufacturers of our products and manufacturers’ facilities are required to comply with cGMP regulations, which include requirements related to quality control and quality assurance as well as the corresponding maintenance of records and documentation.

Further, regulatory authorities must approve these manufacturing facilities before they can be used to manufacture our products, and these facilities are subject to continual review and periodic inspections by the FDA and other comparable foreign regulatory authorities for compliance with cGMP regulations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. We will also be required to report certain adverse reactions and production problems, if any, to the FDA and other comparable regulatory authorities and to comply with requirements concerning advertising and promotion for our products. If we, any future collaboration partner or a regulatory authority discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory authority may impose restrictions on that product, the collaboration partner, the manufacturer or us, including requiring withdrawal of the product from the market or suspension of manufacturing.

The FDA as well as other comparable regulatory authorities closely regulate the post-approval marketing and promotion of therapeutic products to ensure they are marketed only for the approved indications and in accordance with the provisions of the approved labeling and regulatory requirements. The FDA and other comparable regulatory authorities also impose stringent restrictions on communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing. If we, our product candidates or the manufacturing facilities for our
product candidates are not found to be in compliance with regulatory requirements of the FDA and comparable foreign regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including:

- warning letters or untitled letters;
- mandated modifications to promotional materials or the required provision of corrective information to healthcare practitioners;
- restrictions imposed on the product or its manufacturers or manufacturing processes;
- restrictions imposed on the labeling or marketing of the product;
- restrictions imposed on product distribution or use;
- requirements for post-marketing clinical trials;
- suspension of any ongoing clinical trials;
- suspension of or withdrawal of marketing approval;
- voluntary or mandatory product recalls and publicity requirements;
- refusal to approve pending applications for marketing approval of new products or supplements to approved applications filed by us;
- restrictions on operations, including costly new manufacturing requirements;
- seizure or detention of our products;
- refusal to permit the import or export of our products;
- required entry into a consent decree, which can include imposition of various fines (including restitution or disgorgement of profits or revenue), reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- civil or criminal penalties; or
- injunctions.

Widely publicized events concerning the safety risk of certain products have resulted in their withdrawal from the market, revisions to product labeling that further limit use of the products and the imposition by the FDA of REMS to ensure that the benefits of the product outweigh its risks. In addition, because of the serious public health risks of high profile adverse safety events with certain products, the FDA may require, as a condition of approval, costly REMS programs.

The regulatory requirements and policies may change and additional government regulations may be enacted for which we may also be required to comply. 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 in other countries. If we or any future collaboration partner are not able to maintain regulatory compliance, we or such collaboration partner, as applicable, will not be permitted to market our future products and our business will suffer.

In the European Union, various penalties and sanctions exist in different EU Member States for non-compliance with the EU marketing authorization procedure. The European Commission may also impose financial penalties on the holders of marketing authorizations if they fail to comply with certain obligations in connection with the authorizations. If we or our potential collaborators fail to comply with applicable EU, or other foreign jurisdictions, 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.
Failure to comply with health and data protection laws and regulations could lead to government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business.

We and any potential collaborators may be subject to federal, state, and foreign data protection laws and regulations (i.e., laws and regulations that address privacy and data security). In the United States, numerous federal and state laws and regulations, including federal health information privacy laws, state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws (e.g., Section 5 of the FTC Act), that govern the collection, use, disclosure, and protection of health-related and other personal information could apply to our operations or the operations of our collaborators. In addition, we may obtain health information from third parties (including research institutions from which we obtain clinical trial data) that are subject to privacy and security requirements under federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (HITECH). Depending on the facts and circumstances, we could be subject to criminal penalties if we knowingly obtain, use, or disclose individually identifiable health information maintained by a HIPAA-covered entity in a manner that is not authorized or permitted by HIPAA.

International data protection laws, including Directive 95/46/EC (EU Data Protection Directive) and EU Member State implementing legislation, may also apply to health-related and other personal information obtained outside of the United States. The EU Data Protection Directive and the national implementing legislation of the individual EU Member States impose strict obligations on the ability to process health-related and other personal information of EU data subjects, including in relation to collection, analysis and transfer. These include several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, notification of data processing obligations to the competent national data protection authorities and the security and confidentiality of the personal data. The EU Data Protection Directive prohibits the transfer of personal data to countries outside of the European Economic Area (EEA) such as the United States, which are not considered by the European Commission to provide an adequate level of data protection. Switzerland has adopted similar restrictions. Although there are legal mechanisms to allow for the transfer of personal data from the EEA and Switzerland to the United States, uncertainty about compliance with EU data protection laws remains and data protection authorities from the different EU Member States may interpret the EU Data Protection Directive and national laws differently, and guidance on implementation and compliance practices are often updated or otherwise revised, which adds to the complexity of processing personal data in the European Union.

Regulation 2016/679 (EU Data Protection Regulation) will replace the EU Data Protection Directive in May 2018. The EU Data Protection Regulation will introduce new data protection requirements in the European Union, as well as substantial fines for breaches of the data protection rules. The EU Data Protection Regulation will increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms to ensure compliance with the new EU data protection rules.

Failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business. Moreover, clinical trial subjects about whom we or our potential collaborators obtain information, as well as the providers who share this information with us, may contractually limit our ability to use and disclose the information. Claims that we have violated individuals’ privacy rights, failed to comply with data protection laws, or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.
Changes in healthcare law and implementing regulations, as well as changes in healthcare policy, may impact our business in ways that we cannot currently predict, and may have a significant adverse effect on our business and results of operations.

In the United States and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of product candidates, restrict or regulate post-approval activities, and affect our ability to profitably sell any product candidates for which we obtain marketing approval. Among policy makers and payors in the United States and elsewhere, including in the European Union, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

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, substantially changed the way healthcare is financed by both the government and private insurers, and significantly impacts the U.S. pharmaceutical industry. The Affordable Care Act, among other things: (i) introduced a new average manufacturer price definition for drugs and biologics that are inhaled, infused, instilled, implanted or injected and not generally dispensed through retail community pharmacies; (ii) increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and expanded rebate liability from fee-for-service Medicaid utilization to include the utilization of Medicaid managed care organizations as well; (iii) established a branded prescription drug fee that pharmaceutical manufacturers of branded prescription drugs must pay to the federal government; (iv) expanded the list of covered entities eligible to participate in the 340B drug pricing program by adding new entities to the program; (v) 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; (vi) extended manufacturers’ Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations; (vii) expanded 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; (viii) created a licensure framework for follow on biologic products; and (ix) established a Center for Medicare Innovation at the Centers for Medicare and Medicaid Services (CMS) to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending that began on January 1, 2011.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the Affordable Care Act. Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of certain provisions of the Affordable Care Act or otherwise circumvent some of the requirements for health insurance mandated by the Affordable Care Act. The Trump administration has also announced that it will discontinue the payment of cost-sharing reduction (CSR) payments to insurance companies until Congress approves the appropriation of funds for the CSR payments. The loss of the CSR payments is expected to increase premiums on certain policies issued by qualified health plans under the Affordable Care Act. A bipartisan bill to appropriate funds for CSR payments has been introduced in the Senate, but the future of that bill is uncertain. In addition, CMS has recently proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the Affordable Care Act for plans sold through such marketplaces. Furthermore, each chamber of Congress has put forth multiple bills designed to repeal or replace portions of the Affordable Care Act. While Congress has not passed repeal legislation, the newly enacted federal income tax law includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the Affordable Care Act on certain individuals who fail to maintain

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qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” Congress may consider other legislation to repeal and replace elements of the Affordable Care Act. We continue to evaluate the effect that the Affordable Care Act and its possible repeal and replacement has on our business. It is uncertain the extent to which any such changes may impact our business or financial condition.

Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year pursuant to the Budget Control Act of 2011 and subsequent laws, which began in 2013 and will remain in effect through 2025 unless additional Congressional action is taken. New laws may result in additional reductions in Medicare and other healthcare funding, which may materially adversely affect customer demand and affordability for our products and, accordingly, the results of our financial operations. Additional changes that may affect our business include the expansion of new programs such as Medicare payment for performance initiatives for physicians under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) which will first affect physician payment in 2019. At this time, it is unclear how the introduction of the Medicare quality payment program will impact overall physician reimbursement.

Also, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which have resulted in several Congressional inquiries and proposed bills, as well as state efforts, designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. Individual states in the United States have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures. For example, in September 2017, the California State Assembly approved SB17, which requires pharmaceutical companies to notify health insurers and government health plans at least 60 days before any scheduled increases in the prices of their products if they exceed 16% over a two-year period, and further requiring pharmaceutical companies to explain the reasons for such increase. Effective in 2016, Vermont passed a law requiring certain manufacturer identified by the state to justify their price increases.

We expect that these and other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded 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 drugs, once marketing approval is obtained.

In the European Union, coverage and reimbursement status of any product candidates for which we obtain regulatory approval are provided for by the national laws of EU Member States. The requirements may differ across the EU Member States. Also at national level, actions have been taken to enact transparency laws regarding payments between pharmaceutical companies and health care professionals.

We will be subject to applicable fraud and abuse, transparency, government price reporting, and other healthcare laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Healthcare providers, physicians and third-party payors will play a primary role in the recommendation and prescription of any future product candidates we may develop and any product candidates for which we obtain marketing approval. Our arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may affect the business or financial arrangements and relationships through which we would market, sell and distribute our products. Even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other

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third-party payors, federal and state healthcare laws and regulations pertaining to fraud and abuse and patients’ rights are and will be applicable to our business. The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits any person or entity from, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. The term “remuneration” has been broadly interpreted to include anything of value. The Anti-Kickback Statute has also been interpreted to apply to arrangements between pharmaceutical manufacturers on the 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;

- federal civil and criminal false claims laws and civil monetary penalty laws, such as the False Claims Act (FCA) which imposes significant penalties and can be enforced by private citizens through civil qui tam actions, prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment of federal funds, and knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. For example, pharmaceutical companies have been prosecuted under the FCA in connection with their alleged off-label promotion of drugs, purportedly concealing price concessions in the pricing information submitted to the government for federal price reporting purposes, and allegedly providing free product to customers with the expectation that the customers would bill federal health care programs for the product. In addition, 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 FCA. 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. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims. Criminal prosecution is also possible for making or presenting a false, fictitious or fraudulent claim to the federal government. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal health care programs for the product, providing consulting fees and other benefits to physicians to induce them to prescribe products, engaging in promotion for “off-label” uses, and submitting inflated best price information to the Medicaid Rebate Program;

- HIPAA, among other things, imposes criminal liability for executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and creates federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services;

- HIPAA, as amended by HITECH and its implementing regulations, which imposes privacy, security and breach reporting obligations with respect to individually identifiable health information upon entities subject to the law, such as health plans, healthcare clearinghouses and healthcare providers and their respective business associates that perform services for them that involve individually identifiable health information. HITECH also created 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 U.S. federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions;

• federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;

• the federal transparency requirements under the Physician Payments Sunshine Act, created under the Affordable Care Act, which requires, among other things, certain manufacturers of drugs, devices, biologics and medical supplies reimbursed under Medicare, Medicaid, or the Children’s Health Insurance Program to report to the Department of Health and Human Services information related to payments and other transfers of value provided to physicians and teaching hospitals and physician ownership and investment interests, including such ownership and investment interests interests held by a physician’s immediate family members;

• state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, that may impose similar or more prohibitive restrictions, and may apply to items or services reimbursed by any non-governmental third-party payors, including private insurers; and

• state and foreign laws that require pharmaceutical companies to implement compliance programs, comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or to track and report gifts, compensation and other remuneration provided to physicians and other health care providers, and other federal, state and foreign laws that govern the privacy and security of health information or personally identifiable information in certain circumstances, including state health information privacy and data breach notification laws which govern the collection, use, disclosure, and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus requiring additional compliance efforts.

We have entered into consulting and scientific advisory board arrangements with physicians and other healthcare providers, including some who could influence the use of our product candidates, if approved. Because of the complex and far-reaching nature of these laws, regulatory agencies may view these transactions as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to other significant penalties. We could be adversely affected if regulatory agencies interpret our financial relationships with providers who may influence the ordering of and use our product candidates, if approved, to be in violation of applicable 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. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. If our operations are found to be in violation of any of these laws or any other current or future governmental laws and regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could substantially disrupt our operations. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be
We are subject to certain U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations. We can face serious consequences for violations.

U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations (collectively, Trade Laws) prohibit, among other things, companies and their employees, agents, clinical research organizations, legal counsel, accountants, consultants, contractors, and other partners from authorizing, promising, offering, providing, soliciting, or receiving directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We also expect our non-U.S. activities to increase over time. We expect to rely on third parties for research, preclinical studies, and clinical trials and/or to obtain necessary permits, licenses, patent registrations, and other marketing approvals. We can be held liable for the corrupt or other illegal activities of our personnel, agents, or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We, and the third parties with whom we share our facilities, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Each of our operations involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Each of our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. We could be held liable for any resulting damages in the event of contamination or injury resulting from the use of hazardous materials by us or the third parties with whom we share our facilities, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers’ compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research and development. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Risks Related to our Common Stock and this Offering

There has been no prior public market for our common stock, the stock price of our common stock may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock will be determined through negotiations between the underwriters and us and may vary from
the market price of our common stock following this offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price. An active or liquid market in our common stock may not develop upon the completion of this offering or, if it does develop, it may not be sustainable. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- results from our ongoing clinical trials and future clinical trials with our current and future product candidates or of our competitors;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- regulatory or legal developments in the United States and other countries;
- the level of expenses related to future product candidates or clinical development programs;
- our failure to achieve product development goals in the timeframe we announce;
- announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the expiration of market standoff or contractual lock-up agreements;
- the size of our market float; and
- any other factors discussed in this prospectus.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many immuno-oncology companies. Stock prices of many immuno-oncology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Substantial amounts of our outstanding shares may be sold into the market when lock-up or market standoff periods end. If there are substantial sales of shares of our common stock, the price of our common stock could decline.

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, or if there is a large number of shares of our common stock available for sale and the market perceives that sales will occur. After this offering, we will have outstanding shares of our common stock, based on the number of shares outstanding as of December 31, 2017. All of the shares of common stock sold in this offering will be available for sale in the public market. Substantially all of our outstanding shares of common stock are currently restricted from resale as a result of market standoff and “lock-up” agreements, as more fully described in “Shares Eligible for Future Sale.” These shares will become available to be sold 181 days after the date of this prospectus. Shares held by directors, executive officers and other affiliates will be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended (Securities Act), and various vesting agreements.
After our initial public offering, certain of our stockholders will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders, subject to market standoff and lockup agreements. We also intend to register shares of common stock that we have issued and may issue under our employee equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to existing market standoff or lock-up agreements.

Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Leerink Partners LLC may, in their discretion, permit our stockholders to sell shares prior to the expiration of the restrictive provisions contained in those lock-up agreements.

The market price of the shares of our common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution in the pro forma net tangible book value per share of $ per share as of December 31, 2017, based on an assumed initial public offering price of our common stock of $ per share, the midpoint of the price range on the cover page of this prospectus, because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our capital stock. You will experience additional dilution upon exercise of options to purchase common stock under our equity incentive plans, upon vesting of options to purchase common stock under our equity incentive plans, if we issue restricted stock to our employees under our equity incentive plans or if we otherwise issue additional shares of our common stock.

We will have broad discretion in the use of the net proceeds of this offering and may not use them effectively or in ways that increase the value of our share price.

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering, but we currently expect such uses will include advancing our clinical product candidates into later-stage clinical trials and combination trials, advancing our research product candidates into clinical development, supporting our ongoing drug discovery efforts and supporting our growing infrastructure and needs in operating as a public company. We will have broad discretion in the application of the net proceeds, including working capital and other general corporate purposes, and you and other stockholders may disagree with how we spend or invest these proceeds. The failure by our management to apply these funds effectively could adversely affect our business and financial condition. Pending their use, we may invest the net proceeds from our initial public offering in a manner that does not produce income or that loses value. These investments may not yield a favorable return to our investors.

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 or only very few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease
coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Requirements associated with being a public company will increase our costs significantly, as well as divert significant company resources and management attention.

After the completion of this offering, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), or the other rules and regulations of the Securities and Exchange Commission (SEC) or any securities exchange relating to public companies. Compliance with the various reporting and other requirements applicable to public companies requires considerable time and attention of management. We cannot assure you that we will satisfy our obligations as a public company on a timely basis.

In addition, as a public company, it may be more difficult or more costly for us to obtain certain types of insurance, including directors’ and officers’ liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified personnel to serve on our board of directors, our board committees or as executive officers.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could result in sanctions or other penalties that would harm our business.

After the completion of this offering, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the New York Stock Exchange. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending the year after this offering is completed, we must perform system and process design evaluation and testing of the effectiveness of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 10-K filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to this offering, we have never been required to test our internal controls within a specified period and, as a result, we may experience difficulty in meeting these reporting requirements in a timely manner.

We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our consolidated financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls over financial reporting, we may not be able to produce timely and accurate financial statements. If that were to happen, our investors could lose confidence in our reported financial information, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Upon the completion of this offering, we will become subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we
must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement causing us to fail to make any related party transaction disclosures. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Future changes in financial accounting standards or practices may cause adverse and unexpected revenue fluctuations and adversely affect our reported results of operations.

Future changes in financial accounting standards may cause adverse, unexpected revenue fluctuations and affect our reported financial position or results of operations. Financial accounting standards in the United States are constantly under review and new pronouncements and varying interpretations of pronouncements have occurred with frequency in the past and are expected to occur again in the future. As a result we may be required to make changes in our accounting policies. Those changes could affect our financial condition and results of operations or the way in which such financial condition and results of operations are reported. Compliance with new accounting standards may also result in additional expenses. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from business activities to compliance activities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recently Adopted Accounting Standards.”

In particular, in May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As an “emerging growth company” the JOBS Act allows us to delay adoption of new or revised accounting standards applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act with respect to ASU 2014-09, which will result in ASU 2014-09 becoming applicable to us on January 1, 2019.

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 Jumpstart Our Business Startups Act of 2012, as amended (the JOBS Act) and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
• reduced disclosure obligations regarding executive compensation; and
• not being required to hold a non-binding advisory vote on executive compensation or obtain stockholder approval of any golden parachute payments not previously approved.

In addition, as an “emerging growth company” the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make comparison of our financials to those of other public companies more difficult.

We cannot predict if investors will find our common stock less attractive because we will 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. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. 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 $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 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.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

The concentration of our stock ownership will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Based upon shares outstanding as of February 1, 2018, prior to this offering, our executive officers, directors and the holders of more than 5% of our outstanding common stock, in the aggregate, beneficially owned approximately 59% of our common stock, and upon the completion of this offering, that same group, in the aggregate, will beneficially own approximately % of our common stock, assuming no exercise by the underwriters of their option to purchase additional shares, no exercise of outstanding options or warrants and after giving effect to the issuance of shares in this offering. As a result, these stockholders, acting together, will have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate actions might be taken even if other stockholders, including those who purchase shares in this offering, oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect at the completion of this offering could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

Following the completion of this offering, our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the
person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect at the completion of this offering will contain provisions that may make the acquisition of our company more difficult, including the following:

• a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;

• the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

• the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

• a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

• the requirement that a special meeting of stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

• the requirement for the affirmative vote of holders of at least 66 2/3 % of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the management of our business or our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt; and

• advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law 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 our then-current board of directors, including delay or impede a merger, tender offer or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction.

For information regarding these and other provisions, see “Description of Capital Stock.”
Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is 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 amended and restated 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 choice of forum 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 and may discourage these types of lawsuits. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.
INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus are forward-looking statements, including statements about:

- our expectations regarding the uses of the net proceeds from this offering;
- our expectations regarding the timing and achievement of our product candidate development activities and ongoing and planned clinical trials;
- our expectations for reporting data from clinical trials in certain timeframes;
- our ability to develop intra-portfolio combinations and highly-differentiated small-molecule candidates, including our ability to create small-molecule product candidates with ideal pharmacological properties and desired clinical effects;
- our expectations regarding the efficiency and speed with which we can create and advance small-molecule product candidates and develop our product candidates and combination therapies;
- our reliance on third parties to conduct our ongoing and future clinical trials and third-party manufacturers to manufacture and supply our product candidates;
- our expectations regarding the nature of the immuno-oncology pathways we are targeting, the size of the potential patient population and the potential market size;
- our ability to obtain and maintain control of our combination products and maximize the commercial potential of our product candidates;
- our ability to obtain and maintain regulatory approvals of our product candidates, the potential market opportunities for commercializing our product candidates;
- our ability to retain and recruit key personnel, estimates of our expenses, future revenue, capital requirements and our needs for additional financing;
- our ability to develop, acquire and advance product candidates into, and successfully complete, clinical trials;
- our initiation, timing, progress and results of future research and development programs, preclinical studies and clinical trials;
- our ability to obtain and maintain intellectual property rights covering our product candidates; and
- our expectations regarding the composition of our board of directors, developments and projections relating to our competitors and our industry, and our expectations regarding the time during which we will be an emerging growth company under the JOBS Act.

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “design,” “intend,” “expect,” “could,” “plan,” “potential,” “predict,” “seek,” “should,” “would” or the negative version of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives and financial needs.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.
You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, advancements, discoveries, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.
MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates, projections and other information concerning our industry, our business and the markets for certain cancers, including data regarding the estimated size of those markets and the incidence and prevalence of certain medical conditions. Information based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by third parties, industry, medical and general publications, government data and similar sources.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock and we do not currently intend to pay any cash dividends on our capital stock for the foreseeable future. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of our board of directors subject to applicable laws and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our capital stock may also be limited by the terms of any future debt or preferred securities or future credit facility.
USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $\_\_\_\_\_\_\_\_ million, or $\_\_\_\_\_\_\_\_ million if the underwriters exercise their option to purchase additional shares in full, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, assuming an initial offering price of $\_\_\_\_\_\_ per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus. Each $1.00 increase (decrease) in the assumed initial public offering price of $\_\_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by $\_\_\_\_\_\_ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions. An increase (decrease) of 1,000,000 shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) our net proceeds from this offering by $\_\_\_\_\_\_ million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions.

The principal purposes of this offering are to increase our financial flexibility and create a public market for our common stock. We intend to use the net proceeds from this offering as follows:

- approximately $\_\_\_\_\_\_ million to fund the clinical development of AB928 (our dual A2aR/A2bR antagonist) and AB122 (our anti-PD-1 antibody); and
- the remaining proceeds to fund the development of other product candidates in our pipeline, including AB680 (our CD73 inhibitor) and AB154 (our anti-TIGIT antibody), our drug discovery and optimization programs, and other general corporate purposes, which may include the hiring of additional personnel, capital expenditures and the costs of operating as a public company.

With the expected net proceeds from this offering, we believe that our current cash, cash equivalents and short-term investments will be sufficient to fund the clinical development of AB928 and AB122, including our cohort expansion studies, into 2020. Accordingly, the expected net proceeds from this offering will not be sufficient for us to fund any of our product candidates through regulatory approval, and we will need to raise substantial additional capital to complete the development and commercialization of our product candidates.

This expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures and the extent of our preclinical, clinical and future development activities may vary significantly depending on numerous factors, including the progress of our development efforts, the status of and results from our ongoing and planned clinical trials, our ability to take advantage of expedited programs or to obtain regulatory approval for product candidates, the timing and costs associated with the manufacture and supply of product candidates for clinical development or commercialization and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

Pending our use of the net proceeds from this offering, we plan to invest the net proceeds in a variety of capital preservation investments, including short-term interest-bearing investment-grade securities, certificates of deposit or government securities.
The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of December 31, 2017:

- on an actual basis;
- on a pro forma basis to reflect: (i) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 120,620,160 shares of common stock; and (ii) the filing and effectiveness of our amended restated certificate of incorporation, each of which will occur immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to give effect to (i) the pro forma adjustments set forth above and (ii) the sale and issuance of shares of our common stock by us in this offering, based upon the receipt by us of the estimated net proceeds from this offering at the assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this information together with our consolidated financial statements and related notes appearing elsewhere in this prospectus and the information set forth in “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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<th>(in thousands, except for share and per share data)</th>
<th>Actual</th>
<th>Pro Forma</th>
<th>Pro Forma As Adjusted (1)</th>
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<td>authorized, issued, and outstanding, pro forma</td>
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<td>and pro forma as adjusted</td>
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<td>actual, pro forma, or pro forma as adjusted</td>
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<td>136,820,355 shares issued and outstanding, pro</td>
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<td>forma; 400,000,000 shares authorized, shares issued</td>
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<td>and outstanding, pro forma as adjusted</td>
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<td>Additional paid-in capital</td>
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<td>947</td>
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<td>Accumulated other comprehensive loss</td>
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<td>Accumulated deficit</td>
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<td>Total capitalization</td>
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</tbody>
</table>

(1) Each $1.00 increase (decrease) in the assumed initial offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) each of cash, cash equivalents and short-term investments, additional paid-in-capital, total stockholders’ (deficit) equity and total capitalization by approximately $ , 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 estimated underwriting discounts and commissions. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) each of cash, cash equivalents and short-term investments, additional paid-in-capital, total stockholders’ (deficit) equity and total capitalization by approximately $ , assuming that the initial public offering price to the public remains the same, and after deducting the estimated underwriting discounts and commissions. The pro forma
The number of shares of common stock to be outstanding after this offering is based on 136,820,355 shares of common stock outstanding as of December 31, 2017, and excludes the following:

- 2,154,741 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2017 with a weighted-average exercise price of $0.43 per share;
- 4,440,000 shares of common stock issuable upon the exercise of options granted after December 31, 2017 with a weighted-average exercise price of $1.36 per share; and
- shares of common stock reserved for future issuance under our equity compensation plans, consisting of 7,346,508 shares of common stock that were reserved for issuance under our 2015 Stock Plan as of December 31, 2017, shares of common stock reserved for issuance under our 2018 Equity Incentive Plan, which will become effective in connection with the completion of this offering, and shares of common stock reserved for issuance under our 2018 Employee Stock Purchase Plan, which will become effective in connection with the completion of this offering. We expect that the number of shares reserved for issuance under each of our 2018 Equity Incentive Plan and 2018 Employee Stock Purchase Plan will be increased automatically on the first business day of each of our fiscal years by a number equal to the smallest of (i) shares, (ii) % of the shares of common stock outstanding on the last business day of the prior fiscal year or (iii) the number of shares determined by our board of directors. On the date immediately prior to the date of this prospectus, we expect that any remaining shares available for issuance under our 2015 Stock Plan will be added to the shares reserved under our 2018 Equity Incentive Plan in effect following the completion of this offering and we will cease granting awards under our 2015 Stock Plan.
If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the assumed initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Historical net tangible book value (deficit) per share represents our total tangible assets less our liabilities and preferred stock that is not included in equity divided by the total number of shares outstanding. As of December 31, 2017, our historical net tangible book value (deficit) was approximately $(73.6) million, or $(4.54) per share. Our pro forma net tangible book value as of December 31, 2017, was approximately $152.6 million, or $1.12 per share, after giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 120,620,160 shares of common stock immediately prior to the completion of this offering.

After giving further effect to receipt of the net proceeds of our sale of shares of common stock at an assumed initial offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of December 31, 2017 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing common stock in this offering.

The following table illustrates this dilution to new investors on a per share basis:

| Assumed initial public offering price per share | $1.00 |
| Pro forma net tangible book value per share as of December 31, 2017 | $1.12 |
| Increase in pro forma net tangible book value per share attributable to new investors in this offering | $0.12 |
| Pro forma as adjusted net tangible book value per share immediately after this offering | $1.24 |
| Dilution per share to new investors in this offering | $0.12 |

If the underwriters’ option to purchase additional shares in this offering is exercised in full, the pro forma as adjusted net tangible book value would be $ per share, the increase in the pro forma net tangible book value per share for existing stockholders would be $ per share and the dilution to new investors participating in this offering would be $ per share.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value, by $ per share and the dilution per share to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions 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 we are offering would increase (decrease) our pro forma as adjusted net tangible book value by approximately $ million, or $ per share, and the pro forma dilution per share to investors in this offering by $ per share, assuming that the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma information discussed above is illustrative only and will change based on the actual initial public offering price, number of shares and other terms of this offering determined at pricing.

The table below summarizes, as of December 31, 2017, on the pro forma basis described above, the number of shares of our common stock, the total consideration, and the average price per share (i) paid to us by our existing

70
stockholders and (ii) to be paid by new investors participating in this offering at an assumed initial public offering price of $\_\_\_\_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

<table>
<thead>
<tr>
<th>Shares Purchased</th>
<th>Total Consideration</th>
<th>Average Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Percent</td>
<td>Amount</td>
</tr>
<tr>
<td>(dollar amounts in thousands, except per share data)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Existing stockholders  136,820,355  %  $227,963  %  $ 1.67
New investors
Total

100%  100%

In addition, if the underwriters’ option to purchase additional shares is exercised in full, the number of shares held by existing stockholders will be reduced to % of the total number of shares of common stock to be outstanding upon completion of this offering, and the number of shares of common stock held by new investors participating in this offering will be further increased to % of the total number of shares of common stock to be outstanding upon completion of the offering.

Each $1.00 increase (decrease) in the assumed initial public offering price of $\_\_\_\_\_\_\_\_ per share would increase (decrease) total consideration paid by new investors by $\_\_\_\_\_\_\_\_ and increase (decrease) the percent of total consideration paid by new investors by %, assuming the number of shares we are offering, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions. 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 offered by us would increase (decrease) total consideration paid by new investors by $\_\_\_\_\_\_\_\_, assuming that the assumed initial price to the public remains the same, and after deducting the estimated underwriting discounts and commissions.

The number of shares of common stock to be outstanding after this offering is based on 136,820,355 shares of common stock outstanding as of December 31, 2017, and excludes the following:

- 2,154,741 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2017 with a weighted-average exercise price of $0.43 per share;
- 4,440,000 shares of common stock issuable upon the exercise of options granted after December 31, 2017 with a weighted-average exercise price of $1.36 per share; and
- shares of common stock reserved for future issuance under our equity compensation plans, consisting of 7,346,508 shares of common stock that were reserved for issuance under our 2015 Stock Plan as of December 31, 2017, shares of common stock reserved for issuance under our 2018 Equity Incentive Plan, which will become effective in connection with the completion of this offering, and shares of common stock reserved for issuance under our 2018 Employee Stock Purchase Plan, which will become effective in connection with the completion of this offering. We expect that the number of shares reserved for issuance under each of our 2018 Equity Incentive Plan and 2018 Employee Stock Purchase Plan will be increased automatically on the first business day of each of our fiscal years by a number equal to the smallest of (i) shares, (ii) % of the shares of common stock outstanding on the last business day of the prior fiscal year or (iii) the number of shares determined by our board of directors. On the date immediately prior to the date of this prospectus, we expect that any remaining shares available for issuance under our 2015 Stock Plan will be added to the shares reserved under our 2018 Equity Incentive Plan in effect following the completion of this offering and we will cease granting awards under our 2015 Stock Plan.

To the extent that any outstanding options are exercised or new awards are granted under our equity compensation plans, new investors will experience further dilution.
SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this prospectus.

The consolidated statements of operations data for the years ended December 31, 2016 and 2017, and the consolidated balance sheet data as of December 31, 2016 and 2017, are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

### Consolidated Statements of Operations Data:

<table>
<thead>
<tr>
<th>(in thousands, except share and per share data)</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Collaboration and license revenue</td>
<td>$ —</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>14,247</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,935</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>18,182</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(18,182)</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>212</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (17,970)</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted (2)</td>
<td>$ (5.25)</td>
</tr>
<tr>
<td>Weighted-average number of shares used to compute basic and diluted net loss per common share</td>
<td>3,421,370</td>
</tr>
<tr>
<td>Pro forma net loss per share, basic and diluted (unaudited) (2)</td>
<td></td>
</tr>
<tr>
<td>Weighted-average number of shares used to compute pro forma basic and diluted net loss per share (unaudited)</td>
<td>97,236,597</td>
</tr>
</tbody>
</table>

(1) $18.5 million of the 2017 research and development expenses related to licensing payments to WuXi Biologics. Please see Note 6 of our consolidated financial statements for further information on our licensing agreements.

(2) See Note 10 to our audited consolidated financial statements for an explanation of the calculation of our historical and pro forma basic and diluted net loss per share.

### Consolidated Balance Sheet Data:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Cash, cash equivalents and short-term investments</td>
<td>$ 98,896</td>
</tr>
<tr>
<td>Working capital (1)</td>
<td>94,145</td>
</tr>
<tr>
<td>Total assets</td>
<td>109,702</td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>119,454</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(20,152)</td>
</tr>
<tr>
<td>Total stockholders’ deficit</td>
<td>(19,994)</td>
</tr>
</tbody>
</table>

(1) We define working capital as current assets less current liabilities. See our audited consolidated financial statements for further details regarding our current assets and current liabilities.
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 entitled “Selected Consolidated Financial Data” and our consolidated financial statements and related notes 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. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this prospectus entitled “Risk Factors.”

Overview
We are a clinical-stage biopharmaceutical company focused on creating innovative cancer immunotherapies by leveraging underexploited biological opportunities. Specifically, we target well-characterized biological pathways with significant scientific data supporting their importance in regulating the immune response against cancer and for which either there are no molecules in development or those that exist have suboptimal profiles. To exploit these pathways, we have built a robust and highly efficient discovery capability to create and optimize highly differentiated small-molecule immuno-oncology product candidates. Since our inception in 2015, we have built a broad portfolio of small-molecule and antibody product candidates that we plan to develop together as intra-portfolio combinations. We have initiated clinical trials for our two most advanced product candidates, both of which are expected to generate data in 2018, and we expect clinical data from our first intra-portfolio combinations in the first half of 2019. We plan to advance two additional product candidates into clinical trials by the end of 2018.

Members of the Arcus team have worked together for more than 10 years discovering innovative small-molecule product candidates while at companies such as Tularik Inc., Amgen, Inc. and Flexus Biosciences, Inc.

Financial Overview
Since commencing operations in 2015, we have devoted substantially all of our efforts and financial resources to building our research and development capabilities and establishing our corporate infrastructure.

To date, all of our revenue has been derived from non-refundable payments we received under the option and license agreement (the Taiho Agreement) we entered into in September 2017 with Taiho Pharmaceutical Co., Ltd. (Taiho). We have not generated any revenue from product sales and we have never been profitable. We have incurred net losses since the commencement of our operations. As of December 31, 2017, we had an accumulated deficit of $73.2 million. We incurred a net loss of $53.1 million in the year ended December 31, 2017. We do not expect to generate product revenue unless and until we obtain marketing approval for and commercialize a product candidate, and we cannot assure you that we will ever generate significant revenue or profits.

To date, we have financed our operations primarily through private placements of convertible preferred stock and payments from the Taiho Agreement. From inception through December 31, 2017, we received net proceeds of $226.3 million through private placements of convertible preferred stock. As of December 31, 2017, we had cash, cash equivalents and short-term investments of $175.7 million. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our planned operations for at least the next 12 months without the proceeds from this offering. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect.

We expect to incur substantial expenditures in the foreseeable future as we expand our pipeline and advance our product candidates through clinical development, the regulatory approval process and, if approved, commercial launch activities. Specifically, in the near term we expect to incur substantial expenses relating to our ongoing
Phase 1 and planned Phase 1/2 clinical trials, the development and validation of our manufacturing processes, and other development activities. Furthermore, upon the completion of this offering, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

We will need substantial additional funding to support our continuing operations and pursue our development strategy. Until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including potential collaborations with other companies or other strategic transactions. Adequate funding may not be available to us on acceptable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back, or discontinue the development and commercialization of our product candidates or delay our efforts to expand our product pipeline.

**Taiho Option and License Agreement**

In September 2017, we and Taiho entered into the Taiho Agreement to collaborate on the potential development and commercialization of certain product candidates from our portfolio in Japan and certain other territories in Asia (excluding China) (the Taiho Territory). The Taiho Agreement provides Taiho with exclusive options, over a five-year period (the Option Period), to obtain an exclusive development and commercialization license to clinical stage product candidates from our programs (each, an Arcus Program).

In consideration for the exclusive options and other rights contained in the Taiho Agreement, Taiho will make non-refundable, non-creditable cash payments to us totaling $35.0 million, of which we received $25.0 million during 2017. We are due an additional $5.0 million of non-refundable and non-creditable payments in both 2018 and 2019.

In the event that we do not initiate IND enabling studies for at least five Arcus Programs prior to the expiration of the Option Period, Taiho may elect to extend the Option Period, up to a maximum of seven years for the Option Period, subject to an extension fee. If Taiho elects to exercise an option they will be obligated to make an exercise option payment for each option exercise of between $3.0 million to $15.0 million, dependent on the development stage of the applicable Arcus Program for which the option is exercised. In addition, under the Taiho Agreement, we are eligible to receive additional clinical and regulatory milestones totaling up to $130.0 million per Arcus Program, and we will be eligible to receive contingent payments of up to $145.0 million per Arcus Program associated with the achievement of specified levels of Taiho net sales in the Taiho Territory.

In addition, we will receive royalties ranging from high single-digits to mid-teens on net sales of licensed products in the Taiho Territory. Royalties will be payable on a licensed product-by-licensed product and country-by-country basis during the period of time commencing on the first commercial sale of a licensed product in a country and ending upon the later of: (a) ten (10) years from the date of first commercial sale of such licensed product in such country; and (b) expiration of the last-to-expire valid claim of our patents covering the manufacture, use or sale or exploitation of such licensed product in such country.

**WuXi Biologics License Agreement**

In August 2017, we entered into a license agreement (the WuXi Agreement) with WuXi Biologics (Cayman) Inc. (Wuxi Biologics) for an exclusive license to develop, use, manufacture, and commercialize products including AB122. Under the WuXi Agreement, we have made upfront and milestone payments of $18.5 million as of December 31, 2017 and we may be required to make additional clinical and regulatory milestone payments, commercialization milestone payments up to $375.0 million, and royalty payments that range from high single-digits to low teens of net sales. However, because the achievement of these milestones is not fixed and determinable, such commitments have not been included on our consolidated balance sheet or under
Abmuno License Agreement

In December 2016, we entered into a license agreement (the Abmuno Agreement) with Abmuno Therapeutics LLC (Abmuno) for a worldwide exclusive license to develop, use, manufacture, and commercialize products including AB154. Under the Abmuno Agreement, we made upfront and milestone payments of $3.8 million as of December 31, 2017 and we may be required to make additional clinical, regulatory and commercialization milestone payments up to $103.8 million. However, because the achievement of these milestones is not fixed and determinable, such commitments have not been included on our consolidated balance sheet or under “—Contractual Obligations and Commitments” below. For additional information regarding future payments to third parties, including milestone payments to Abmuno, please see “Business—License Agreements.”

Components of Operating Results

Collaboration and License Revenue

We recognize revenue from the Taiho Agreement for research and development services provided pursuant to our collaboration with Taiho on the development of certain product candidates.

Operating Expenses

Research and Development Expenses

Our research and development expenses consist of expenses incurred in connection with the research and development of our research programs. These expenses include payroll and personnel expenses including stock-based compensation for our research and product development employees, laboratory supplies, product licenses, consulting costs, contract research, pre-clinical and clinical expenses, and depreciation. We expense both internal and external research and development costs as they are incurred. Non-refundable advance payments for services that will be used or rendered for future research and development activities are recorded as prepaid expenses and recognized as an expense as the related services are performed.

We do not allocate our costs by product candidates, as a significant amount of research and development expenses include internal costs, such as payroll and other personnel expenses, and external costs neither of which are tracked by product candidate. In particular, with respect to internal costs several of our departments support multiple product candidate research and development programs, and we do not allocate those costs by product candidate.

We expect our research and development expenses to increase substantially during the next few years as we seek to complete existing and initiate additional clinical trials, pursue regulatory approval of AB928 and AB122, and advance other programs including AB154 and AB680 into the clinic. Over the next few years, we expect our preclinical, clinical, and contract manufacturing expenses to increase significantly relative to what we have incurred to date. In addition, under the WuXi Agreement entered into in August 2017, we made upfront and milestone payments of $18.5 million, all of which was recorded as research and development expense, and we may be required to pay additional clinical and regulatory milestone payments based on the development progress of AB122. Predicting the timing or the final cost to complete our clinical program or validation of our manufacturing and supply processes is difficult and delays may occur because of many factors.

General and Administrative Expenses

General and administrative expenses consist principally of personnel-related costs including payroll and stock-based compensation for personnel in executive, finance, human resources, business and corporate development,
and other administrative functions, professional fees for legal, consulting, and accounting services, rent and other facilities costs, depreciation, and other general operating expenses not otherwise classified as research and development expenses.

We anticipate that our general and administrative expenses will increase substantially during the next few years as a result of staff expansion and additional occupancy costs, as well as costs associated with being a public company, including higher legal and accounting fees, investor relations costs, higher insurance premiums and other compliance costs associated with being a public company.

Interest and Other Income, Net

Interest and other income, net consists primarily of interest earned on our short-term investments in corporate notes and government agency notes, and our share of losses recorded relating to our equity method investment in PACT Pharma, Inc. (PACT Pharma).

Critical Accounting Policies, Significant Judgments and Use of Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (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 consolidated financial statements, as well as the reported revenues 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.

While our significant accounting policies are described in the notes to our consolidated financial statements, we believe that the following critical accounting policies are most important to understanding and evaluating our reported financial results.

Revenue Recognition

We generate revenue from our option and license agreement for the development and commercialization of our product candidates. Option and license agreements may include non-refundable upfront research and development fees, option fees to obtain development and commercialization licenses for our products, milestone payments based on the achievement of defined development, regulatory and sales targets, and royalties on sales of commercialized products. To date, we have not recognized revenue from sales of our products.

We recognize revenue when all four of the following criteria have been met: (i) collectability is reasonably assured; (ii) delivery has occurred or services have been rendered; (iii) persuasive evidence of an arrangement exists; and (iv) the fee is fixed or determinable. Revenue under option and license arrangements is recognized based on evaluation of the performance obligations of the contract. Collectability is assessed based on evaluation of payment criteria as stated in the contract as well as the creditworthiness of the customer. Determination of whether delivery has occurred or services rendered are based on management’s evaluation of the performance obligations as stated in the contract and progress made against those obligations. Evidence of arrangement is deemed to exist upon execution of the contract. Fees are considered fixed and determinable when the amount payable to us is no longer subject to any acceptance, refund rights or other contingencies that would alter the fixed nature of the fees charged for the deliverables.

Option and license agreements may contain multiple elements as evaluated under Accounting Standards Codification (ASC) 605-25, Revenue Recognition-Multiple-Element Arrangements, including agreements to
provide research and development services, participation in development and/or steering committees, manufacturing services, sharing of know-how and other information, and grants of licenses to develop and commercialize product candidates. Each deliverable under the agreement is evaluated to determine whether it qualifies as a separate unit of accounting based on whether the deliverable has standalone value to the customer. The arrangement’s consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the following hierarchy: (i) vendor-specific objective evidence of the fair value of the deliverable, if it exists; (ii) third-party evidence of selling price, if vendor-specific objective evidence is not available; or (iii) the best estimate of selling price if neither vendor-specific objective evidence or third-party evidence is available.

A delivered item or items that do not qualify as a separate unit of accounting within the arrangement are combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue is then determined for those combined deliverables as a single unit of accounting. For a combined unit of accounting, non-refundable upfront fees are recognized as performance obligations related to the final deliverable are completed. In the case of research and development services, performance would generally be expected to be performed ratably over the estimated performance period unless we determine there is a discernible pattern of performance other than straight-line, in which case we use a proportionate performance method to recognize the revenue over the estimated performance period. Amounts received in advance of performance are recorded as deferred revenue. If any of the initial deliverables are determined to have standalone value separate from the research and development services, then the allocated consideration is recorded as revenue when those items are delivered.

Option and license agreements may also contain milestone payments that become due upon the achievement of certain milestones. We apply ASC 605-28, Revenue Recognition—Milestone Method. Under the milestone method, payments that are contingent upon achievement of a substantive milestone are recognized in the period in which the milestone is achieved. Milestones are defined as an event that can only be achieved based on our performance and there is substantive uncertainty about whether the event will be achieved at the inception of the arrangement. Events that are contingent only on the passage of time or only on counterparty performance are not considered milestones subject to this guidance. Further, for the milestone to be considered substantive, the amounts received must relate solely to prior performance, be reasonable relative to all of the deliverables, and the consideration must be commensurate with our performance to achieve the milestone. Non-substantive milestone payments are recognized as revenue over the estimated period of any remaining performance obligations.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses consist primarily of personnel costs for our research and product development employees. Also included are non-personnel costs such as professional fees payable to third parties for preclinical and clinical studies and research services, laboratory supplies and equipment maintenance, product licenses, and other consulting costs.

We estimate preclinical and clinical study and research expenses based on the services performed, pursuant to contracts with research institutions that conduct and manage preclinical and clinical studies and research services on its behalf. We estimate these expenses based on discussions with internal management personnel and external service providers as to the progress or stage of completion of services and the contracted fees to be paid for such services. If the actual timing of the performance of services or the level of effort varies from the original estimates, we will adjust the accrual accordingly. Payments associated with licensing agreements to acquire exclusive licenses to develop, use, manufacture and commercialize products that have not reached technological feasibility and do not have alternate commercial use are expensed as incurred. Payments made to third parties under these arrangements in advance of the performance of the related services by the third parties are recorded as prepaid expenses until the services are rendered.
Stock-Based Compensation Expense

We account for stock-based compensation arrangements with employees in accordance with ASC 718, *Stock Compensation*. Stock-based awards granted include stock options with time-based vesting. ASC 718 requires the recognition of compensation expense, using a fair value-based method, for costs related to all stock-based payments. Our determination of the fair value of stock options with time-based vesting on the date of grant utilizes the Black-Scholes option-pricing model, and is impacted by our common stock price as well as other variables including, but not limited to, expected term that options will remain outstanding, expected common stock price volatility over the term of the option awards, risk-free interest rates and expected dividends.

The fair value of a stock-based award is recognized over the period during which an optionee is required to provide services in exchange for the option award, known as the requisite service period (usually the vesting period) on a straight-line basis. Stock-based compensation expense is recognized based on the fair value determined on the date of grant and is reduced for forfeitures as they occur.

Equity instruments issued to non-employees are accounted for in accordance with ASC 505-50 *Equity Based Payments to Non-Employees* and are recorded at their fair value on the measurement date and are subject to periodic adjustments as the underlying equity instruments vest. The fair value of options granted to consultants is expensed when vested. Non-employee stock-based compensation expense was not material for all periods presented.

Estimating the fair value of equity-settled awards as of the grant date using valuation models, such as the Black-Scholes option pricing model, is affected by assumptions regarding a number of complex variables. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop.

**Expected Term** — We have opted to use the “simplified method” for estimating the expected term of options, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option (generally 10 years).

**Expected Volatility** — Due to our limited operating history and a lack of company specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility data was computed using the daily closing prices for the selected companies’ shares during the equivalent period of the calculated expected term of the stock-based awards.

**Risk-Free Interest Rate** — The risk-free rate assumption is based on the U.S. Treasury instruments with maturities similar to the expected term of our stock options.

**Expected Dividend** — We have not issued any dividends in our history and do not expect to issue dividends over the life of the options and therefore have estimated the dividend yield to be zero.

The following assumptions were used to calculate the fair value of awards granted to employees, non-employees and directors during the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.2% - 2.45%</td>
<td>1.66% - 2.20%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.25 - 9.84</td>
<td>5.95-9.99</td>
</tr>
<tr>
<td>Volatility</td>
<td>67.0% - 77.8%</td>
<td>67.0%-71.7%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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We will continue to use judgment in evaluating the expected volatility, expected terms, and interest rates utilized for our stock-based compensation expense calculations on a prospective basis.

Stock-based compensation expense, net of forfeitures, is reflected in the consolidated statements of operations and comprehensive loss as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$67</td>
<td>$222</td>
</tr>
<tr>
<td>General and administrative</td>
<td>23</td>
<td>273</td>
</tr>
<tr>
<td>Total stock-based compensation</td>
<td>$90</td>
<td>$495</td>
</tr>
</tbody>
</table>

As of December 31, 2017, total unamortized stock-based compensation was $1.9 million.

The intrinsic value of all outstanding stock options as of December 31, 2017 was approximately $ million based on a hypothetical common stock fair value of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus.

Common Stock Valuations

The estimated fair value of the common stock underlying our stock options was determined at each grant date by our board of directors, with input from management. All options to purchase shares of our common stock are intended to be exercisable at a price per share not less than the per-share fair value of our common stock underlying those options on the date of grant.

In the absence of a public trading market for our common stock, on each grant date, our board of directors made a reasonable determination of the fair value of our common stock based on the information known to us on the date of grant, upon a review of any recent events and their potential impact on the estimated fair value per share of the common stock, and timely valuations from an independent third-party valuation in accordance with guidance provided by the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the Practice Aid). The methodology to determine the fair value of our common stock included estimating the fair value of the enterprise using a market approach, which estimates the fair value of the company by including an estimation of the value of the business based on guideline public companies under a number of different scenarios. The assumptions used to determine the estimated fair value of our common stock are based on numerous objective and subjective factors, combined with management judgment, including external market conditions affecting the pharmaceutical and biotechnology industry and trends within the industry; our stage of development; the rights, preferences and privileges of our convertible preferred stock relative to those of our common stock; the prices at which we sold shares of our convertible preferred stock; our financial condition and operating results, including our levels of available capital resources; the progress of our research and development efforts, our stage of development and business strategy; equity market conditions affecting comparable public companies; general U.S. market conditions and the lack of marketability of our common stock.

The Practice Aid identifies various available methods for allocating enterprise value across classes and series of capital stock to determine the estimated fair value of common stock at each valuation date. In accordance with the Practice Aid, we considered the following methods:

- **Option Pricing Method.** Under the option pricing method (OPM), shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The estimated fair values of the preferred and common stock are inferred by analyzing these options.
• **Probability-Weighted Expected Return Method**. The probability-weighted expected return method (PWERM) is a scenario-based analysis that estimates value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each share class.

Based on our early stage of development and other relevant factors, we determined that an OPM was the most appropriate method for allocating our enterprise value to determine the estimated fair value of our common stock for valuations performed during August 2016 and May 2017. For the valuation that we performed in November 2017, we began using a hybrid approach of the OPM and the PWERM methods to determine the estimated fair value of our common stock. In determining the estimated fair value of our common stock, our board of directors also considered the fact that our stockholders could not freely trade our common stock in the public markets. Accordingly, we applied discounts to reflect the lack of marketability of our common stock based on the weighted-average expected time to liquidity.

Following the completion of this offering, our board of directors intends to determine the fair value of our common stock based on the closing price of our common stock on the date of grant.

**Income Taxes**

We provide for income taxes under the asset and liability method. Current income tax expense or benefit represents the amount of income taxes expected to be payable or refundable for the current year. Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and net operating loss and credit carryforwards, and are measured using the enacted tax rates and laws that will be in effect when such items are expected to reverse. Deferred income tax assets are reduced, as necessary, by a valuation allowance when management determines it is more likely than not that some or all of the tax benefits will not be realized.

We account for uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position’s sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

As of December 31, 2017, our total deferred tax assets were $18.6 million. Due to our lack of earnings history and uncertainties surrounding our ability to generate future taxable income, the net deferred tax assets have been fully offset by a valuation allowance. The deferred tax assets were primarily comprised of federal and state tax net operating losses (NOLs). Utilization of NOLs may be limited by the “ownership change” rules, as defined in Section 382 of the Code. Similar rules may apply under state tax laws. Our ability to use our remaining NOLs may be further limited if we experience an ownership change in connection with this offering, future offerings or as a result of future changes in our stock ownership.
Results of Operations

Comparison of the Years Ended December 31, 2016 and 2017

The following table summarizes our results of operations for the periods indicated (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration and license revenue</td>
<td>$ —</td>
<td>$ 1,413</td>
<td>$ 1,413</td>
<td>*</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>14,247</td>
<td>47,218</td>
<td>32,971</td>
<td>231%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,935</td>
<td>7,636</td>
<td>3,701</td>
<td>94%</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(18,182)</td>
<td>(53,441)</td>
<td>(35,259)</td>
<td>194%</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>212</td>
<td>359</td>
<td>147</td>
<td>69%</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,970)</td>
<td>$(53,082)</td>
<td>$(35,112)</td>
<td>195%</td>
</tr>
</tbody>
</table>

* Not meaningful

Collaboration and License Revenue

Collaboration and license revenue of $1.4 million for the year ended December 31, 2017 was entirely due to the revenue we recognized during the period from the Taiho Agreement we entered into in September 2017. We had no collaboration and license revenue for the year ended December 31, 2016.

Research and Development Expenses

Research and development expenses increased $33.0 million, or 231%, from $14.2 million for the year ended December 31, 2016 to $47.2 million for the year ended December 31, 2017. The increase in research and development expenses was primarily due to upfront and milestone payments of $18.5 million made to WuXi Biologics, an increase of $6.4 million in clinical, pre-clinical, and manufacturing costs related to the initiation of our clinical trials for AB928 and AB122 during the year ended December 31, 2017, an increase of $4.8 million in personnel costs as a result of an increase in our employee headcount, an increase of $2.2 million in lab supplies and non-capitalized equipment, and an increase of $0.5 million in depreciation.

General and Administrative Expenses

General and administrative expenses increased $3.7 million, or 94%, from $3.9 million for the year ended December 31, 2016 to $7.6 million for the year ended December 31, 2017. The increase in general and administrative expenses was primarily due to an increase of $1.6 million in personnel costs as a result of an increase in our employee headcount, an increase of $0.7 million in depreciation, an increase of $0.4 million in office related expenses, and an increase of $0.4 million in legal and accounting fees.

Interest and Other Income, Net

Interest and other income, net increased $0.1 million, or 69%, from $0.2 million for the year ended December 31, 2016 to $0.4 million for the year ended December 31, 2017. The increase was primarily due to an increase in interest income of $0.7 million, partially offset by our share of losses from PACT Pharma of $0.4 million.

Liquidity and Capital Resources

To date, we have financed our operations primarily through private placements of convertible preferred stock and proceeds from the Taiho Agreement. We received net proceeds of $49.6 million from the sale and issuance of
shares of our Series A convertible preferred stock in the year ended December 31, 2015, net proceeds of $69.8 million from the sale and issuance of shares of our Series B convertible preferred stock in the year ended December 31, 2016 and net proceeds of $106.9 million from the sale and issuance of our Series C convertible preferred stock in the year ended December 31, 2017 (an estimated $0.1 million of accrued financing costs are expected to be paid in the year ending December 31, 2018). In the year ended December 31, 2017, we received upfront, non-refundable payments from Taiho under the Taiho Agreement of $25.0 million.

In December 2016, we entered into the Abmuno Agreement for an exclusive license to anti-TIGIT antibodies, for which we made upfront and milestone payments in 2017 of $3.8 million. In 2017 we made upfront and milestone payments of $18.5 million under the Wuxi Agreement.

Our cash, cash investments, and short-term investments are held in money market funds, and investments in corporate securities and government agency obligations.

Based on our existing business plan, we believe that our existing cash, cash investments, and short-term investments will be sufficient to fund our anticipated level of operations through at least the next 12 months without the proceeds from this offering.

We will continue to require additional capital to develop our product candidates and fund operations for the foreseeable future. We may seek to raise capital through private or public equity or debt financings, collaborative or other arrangements with other companies, or through other sources of financing. Adequate additional funding may not be available to us on acceptable terms or at all. Our failure to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. We anticipate that we will need to raise substantial additional capital, the requirements of which will depend on many factors, including:

- the scope, rate of progress and costs of our drug discovery, preclinical development activities, laboratory testing and clinical trials for our product candidates;
- the number and scope of clinical programs we decide to pursue;
- the scope and costs of manufacturing development and commercial manufacturing activities;
- the timing and amount of milestone payments, if any, we receive under the Taiho Agreement;
- the extent to which we acquire or in-license other product candidates and technologies;
- the cost, timing and outcome of regulatory review of our product candidates;
- the cost and timing of establishing sales and marketing capabilities, if any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- our efforts to enhance operational systems and our ability to attract, hire and retain qualified personnel, including personnel to support the development of our product candidates;
- the costs associated with being a public company; and
- the cost associated with commercializing our product candidates, if they receive marketing approval.

If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Any future debt financing into which we enter may impose upon us additional covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, repurchase our common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions. Any debt
financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. If we are unable to raise additional funds when needed, we may be required to delay, reduce, or terminate some or all of our development programs and clinical trials. We may also be required to sell or license to others rights to our product candidates in certain territories or indications that we would prefer to develop and commercialize ourselves.

See “Risk Factors” for additional risks associated with our substantial capital requirements.

**Summary Consolidated Statement of Cash Flows**

The following table sets forth the primary sources and uses of cash and cash equivalents for each of the periods presented below (in thousands):

<table>
<thead>
<tr>
<th>Net cash (used in) provided by:</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Operating activities</td>
<td>$(12,944)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(38,861)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>70,100</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$ 18,295</td>
</tr>
</tbody>
</table>

**Cash Used in Operating Activities**

Net cash used in operating activities was $25.1 million for the year ended December 31, 2017 and $12.9 million for the year ended December 31, 2016.

Cash used in operating activities in the year ended December 31, 2017 was primarily due to our net loss for the period of $53.1 million, and was also affected by changes in operating assets and liabilities, including an increase in deferred revenue of $23.6 million, an increase in accounts payable and accrued liabilities of $1.3 million, and non-cash charges relating to depreciation and amortization and stock-based compensation expense of $3.1 million.

Cash used in operating activities in the year ended December 31, 2016 was primarily due to our net loss for the period of $18.0 million, and was also affected by changes in operating assets and liabilities, including an increase in prepaid expenses, other current assets and long-term assets that totaled $0.8 million, an increase in accounts payable and accrued liabilities of $4.4 million, and non-cash depreciation and amortization expense of $1.3 million.

**Cash Used in Investing Activities**

Cash used in investing activities was $49.1 million in the year ended December 31, 2017, primarily related to the purchase of investments of $43.6 million, and purchases of property and equipment of $5.5 million.

Cash used in investing activities was $38.9 million in the year ended December 31, 2016, primarily related to the purchase of investments of $33.8 million, purchases of property and equipment of $4.1 million, and our $1.0 million equity investment in PACT Pharma, a related party.

**Cash Provided by Financing Activities**

Cash provided by financing activities was $107.4 million in the year ended December 31, 2017, which consisted primarily of net proceeds of $106.9 million from the issuance and sale of shares of our Series C convertible preferred stock (an estimated $0.1 million of accrued financing costs will be paid in the year ending December 31, 2018).
Cash provided by financing activities was $70.1 million in the year ended December 31, 2016, which consisted primarily of net proceeds of $69.8 million from the issuance and sale of shares of our Series B convertible preferred stock.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of December 31, 2017 (in thousands):

<table>
<thead>
<tr>
<th>Payments due by period</th>
<th>Less than 1 year</th>
<th>2 to 3 years</th>
<th>4 to 5 years</th>
<th>After 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease obligations</td>
<td>$1,952</td>
<td>$4,146</td>
<td>$4,460</td>
<td>$6,826</td>
<td>$17,384</td>
</tr>
</tbody>
</table>

As of December 31, 2017, we had obligations consisting of operating leases for our operating facilities for approximately 70,100 square feet. Under the terms of the agreements, we will have lease obligations consisting of $17.4 million in payments from 2018 through 2025.

We enter into contracts in the normal course of business with third party contract organizations for clinical trials, non-clinical studies and testing, manufacturing, and other services and products for operating purposes. These contracts generally provide for termination following a certain period after notice, and therefore we believe that our non-cancelable obligations under these agreements are not material and they are not included in the table above.

We have not included milestone or royalty payments or other contractual payment obligations in the table above if the timing and amount of such obligations are unknown or uncertain.

### Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

### Agreements with PACT Pharma

In September 2016, we purchased approximately 3.6 million shares of common stock of PACT Pharma, a privately funded, early-stage biopharmaceutical company focused on adoptive cell therapy. We determined the fair value of such investment to be insignificant given the start-up nature of PACT Pharma’s operations, and it was recorded at a nominal amount. In December 2016, we and PACT Pharma entered into a Master Services Agreement (the PACT Agreement) under which we provide PACT Pharma with general administrative support, including finance, human resources, legal, and other operational support. We also received certain warrants to purchase PACT Pharma common stock exercisable upon PACT Pharma’s achievement of certain valuation thresholds pursuant to the PACT Agreement. The PACT Agreement will terminate no later than December 31, 2018. Also in December 2016, we purchased 1.0 million shares of Series A preferred stock of PACT Pharma for $1.0 million. Our investment in PACT Pharma is accounted for as an equity method investment, and as a result we record our share of PACT Pharma’s operating results in our consolidated statements of operations and comprehensive loss. For the year ended December 31, 2017, we recorded $0.4 million relating to our share of PACT Pharma’s operating loss. For the year ended December 31, 2016, our share of PACT Pharma’s operating results was not significant. We monitor the investment for events or circumstances indicative of potential other-than-temporary impairment, and make appropriate reductions in carrying values if we determine that an impairment charge is required. For the years ended December 31, 2017 and 2016, no impairment charge was recorded. See Note 5 to our consolidated financial statements included elsewhere in this prospectus for further discussion of our equity investment in PACT Pharma.

### Indemnification

As permitted under Delaware law and in accordance with our bylaws, we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. We are also party to
indemnification agreements with our officers and directors. We believe the fair value of the indemnification rights and agreements is minimal. Accordingly, we have not recorded any liabilities for these indemnification rights and agreements as of December 31, 2017 and December 31, 2016.

**JOBS Act Accounting Election**

The Jumpstart Our Business Startups Act of 2012 (the JOBS Act), permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to elect the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (1) the last day of our first fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenues of at least $1.07 billion, or (ii) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million of the prior June 30th and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

**Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

**Recent Adopted Accounting Standards Updates**

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17 (Topic 740), Balance Sheet Classification of Deferred Taxes. ASU 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheets. For public entities, the standard will be effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted for financial statements that have not been previously issued. The ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We early adopted this ASU during 2016 on a retrospective basis and the adoption had no impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02 (Topic 810), Consolidation, Amendments to the Consolidations Analysis, which amends the consolidation requirements in ASC 810. The ASU modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and significantly amends the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. For public business entities, the guidance is effective for annual periods and interim periods beginning after December 15, 2015. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. We adopted the ASU in 2016 and the adoption did not have a material impact on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern. The new standard provides guidance around management’s responsibility to
evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for all entities for annual periods ending after December 15, 2016, and interim periods with annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard in 2016 did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718),” which simplifies the accounting for employee share-based transactions. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the consolidated statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification, and the classification of those taxes paid on the consolidated statement of cash flows. For public entities, ASU 2016-09 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. We adopted ASU 2016-09 in 2017 and the adoption did not have any impact to our consolidated financial statements.

Recently Issued Accounting Standards or Updates Not Yet Effective

In November 2016, the FASB issued ASU No. 2016-18 (Topic 230), “Restricted Cash, Statement of Cash Flows.” ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019. Early adoption is permitted. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, becomes effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019. Early adoption is permitted. ASU 2014-09 also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method).

The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. generally accepted accounting pronouncements. We are still in the process of evaluating the effect that this guidance will have on revenue recognition for our Taiho Agreement, specifically as it pertains to the non-refundable, non-creditable cash payments to us totaling $35.0 million and the future contingent payments we may become entitled to. We expect our evaluation to be completed in 2018.

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), “Leases.” ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. The ASU will also
require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early adoption is permitted. We have not yet determined the potential effects of this ASU on its consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in our financial instruments and in our financial position represents the potential loss arising from adverse changes in interest rates or exchange rates. As of December 31, 2017, we had cash, cash equivalents, and short-term investments of $175.7 million, consisting of interest-bearing money market accounts, and investments in corporate notes and government agency securities, for which the fair market value would be affected by changes in the general level of United States interest rates. However, due to the short-term maturities and the low-risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our cash, cash equivalents and investments.

We do not believe that inflation, interest rate changes, or exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.
BUSINESS

Company Overview
We are a clinical-stage biopharmaceutical company focused on creating innovative cancer immunotherapies by leveraging underexploited biological opportunities. Specifically, we target well-characterized biological pathways with significant scientific data supporting their importance in regulating the immune response against cancer and for which either there are no molecules in development or those that exist have suboptimal profiles. To exploit these pathways, we have built a robust and highly efficient discovery capability to create and optimize highly differentiated small-molecule immuno-oncology product candidates. Since our inception in 2015, we have built a broad portfolio of small-molecule and antibody product candidates that we plan to develop together as intra-portfolio combinations. We have initiated clinical trials for our two most advanced product candidates, both of which are expected to generate data in 2018, and we expect clinical data from our first intra-portfolio combinations in the first half of 2019. We plan to advance two additional product candidates into clinical trials by the end of 2018. Members of the Arcus team have worked together for more than 10 years discovering innovative small-molecule product candidates while at companies such as Tularik Inc., Amgen, Inc. and Flexus Biosciences, Inc.

Our initial focus is on the ATP-adenosine pathway, a key driver of immunosuppression in the tumor microenvironment. Decades of scientific research have demonstrated that extracellular adenosine, generated by the CD73 enzyme, acts as a powerful inhibitor of immune cell activity. The compelling therapeutic rationale for inhibition of the ATP-adenosine pathway has led several companies to repurpose for oncology existing adenosine A2aR receptor antagonists that were originally designed for the treatment of central nervous system (CNS) indications. We believe that our lead product candidate, AB928, which we designed using our small-molecule discovery capability, is the first adenosine receptor antagonist that effectively blocks the adenosine receptor in the tumor microenvironment and potently inhibits both the adenosine 2a receptor (A2aR) and the adenosine 2b receptor (A2bR). Our in vitro studies have demonstrated that AB928 reverses adenosine-induced immunosuppression and inhibits the A2aR and A2bR receptors more potently and effectively than the other adenosine receptor antagonists in clinical development. In addition to AB928, we have created a small-molecule inhibitor of CD73, AB680, which could represent another powerful approach to inhibiting the ATP-adenosine pathway, and have generated additional potential product candidates against ATP-adenosine and other important immuno-oncology pathways using our internal discovery capability.

As the immuno-oncology market evolves toward the use of combination therapies, a key element of our strategy is to build a broad portfolio of product candidates that target a wide range of immune mechanisms, which will enable us to pursue multiple intra-portfolio combinations. Consistent with this strategy, we are developing antibody drug candidates that are currently considered the foundation for combination therapies in immuno-oncology, or backbone therapy, or that have the potential to be future backbone therapies, such as our in-licensed antibodies targeting the immune checkpoint receptors PD-1 and TIGIT. Our strategy is to create differentiated combination products by combining these antibodies with our internally discovered small-molecule product candidates.
Our Product Portfolio

The following chart summarizes our product pipeline and our upcoming milestones. We currently hold world-wide rights to all of our product candidates other than the rights to AB122 in China and five other countries that are outside of the United States, Europe and Japan. In addition, Taiho Pharmaceutical Co., Ltd. (Taiho) has an option to exclusively license the development and commercialization rights to each of our programs for Japan and certain other territories in Asia (excluding China).

* For more details on the solid tumor types that we plan to pursue in our Phase 1/2 trials for AB928 + AB122 and AB928 + chemotherapy, please see “Business—Our Clinical Development Strategy for AB928.”

In addition to the above product candidates, we expect to identify a lead oral CD73 inhibitor in 2018. We have initiated several other programs against promising immuno-oncology targets such as arginase, and we expect to select a development candidate in 2018 and file an IND or foreign regulatory application for the first development candidate from one of these programs by early 2019.

We are rapidly advancing our two lead, internally discovered small-molecule product candidates, the profiles of which are summarized below.

- **AB928.** Our lead adenosine receptor antagonist, AB928, is an orally bioavailable, highly potent, reversible antagonist of the A$_{2A}$R and A$_{2B}$R receptors. We believe that AB928 is the first adenosine receptor antagonist in clinical development to be designed specifically for the biology of the tumor microenvironment and has multiple advantages over other adenosine receptor antagonists in clinical development, including: (i) significantly greater potency under conditions that closely resemble the tumor microenvironment, for example, high concentrations of adenosine and albumin, (ii) inhibition of both the A$_{2A}$R and A$_{2B}$R receptors, (iii) low penetration through the blood-brain barrier, (iv) high penetration of tumor tissue and (v) attractive pharmacokinetics, with high oral bioavailability and a human half-life that enables once-daily dosing.

AB928 is currently in a Phase 1 trial in healthy volunteers. This trial will provide us with significant insights into the safety, pharmacokinetic and pharmacodynamic profiles of AB928, which could allow us to initiate the dose-escalation portions of our planned Phase 1/2 combination trials in cancer patients at a higher dose than would otherwise be possible. To date, we have administered single doses up to 150 mg, which we believe is sufficient to inhibit 90% of A$_{2A}$R activation, and have observed no safety issues. We expect to report final safety, pharmacokinetic and pharmacodynamic data from this trial and to initiate dose-escalation trials in cancer patients of AB928 in combination with AB122, our anti-PD-1 antibody, and in combination with chemotherapy in the second quarter of 2018. We are planning to explore AB928 in a variety of solid tumors supported by biological and commercial rationale, as described in more detail in “—Our Clinical Development Strategy for AB928.” We are also focused on the identification of additional molecules that block adenosine 2 receptor signaling and have identified a second dual A$_{2A}$ R/A$_{2B}$ R antagonist (A003105) as well as a selective A$_{2A}$ R antagonist (A002926).
**AB680.** Our lead CD73 inhibitor, AB680, is a highly potent, reversible and selective inhibitor of the CD73 enzyme and is expected to be the first small-molecule inhibitor of CD73 to enter clinical development. As CD73 plays a critical role in the extracellular generation of adenosine, AB680 may provide a highly effective approach to preventing adenosine-mediated immune suppression. We plan to submit our first regulatory application for AB680 in the middle of 2018 and expect to initiate our first clinical trial for AB680 in the second half of 2018. Similar to AB928, we plan to follow this trial with Phase 1/2 dose escalation trials which will explore AB680 in combination with other agents in multiple solid tumor types where we believe the ATP-adenosine pathway plays an important role. Based upon its projected pharmacokinetic profile, AB680 has the potential to be administered on the same dosing schedule as our anti-PD-1 antibody, AB122, and various chemotherapeutic agents, which would be attractive from a patient compliance and commercial perspective. We also plan to advance into preclinical development a small-molecule CD73 inhibitor that can be dosed orally, and expect to select such oral development candidate in 2018.

We have in-licensed two antibody drug candidates that represent current or potential backbone therapies, the profiles of which are summarized below:

- **AB122.** Our anti-PD-1 antibody, AB122, is a fully human antibody with similar binding affinity and other characteristics to the marketed anti-PD-1 antibodies, pembrolizumab and nivolumab. AB122 is currently in a Phase 1 dose-escalation trial in cancer patients in Australia. We expect to initiate a Phase 1/2 trial of AB122 in combination with AB928 in cancer patients during the second quarter of 2018 and to report safety, pharmacokinetic and pharmacodynamic data from our ongoing Phase 1 trial of AB122 in cancer patients in the third quarter of 2018. We expect to initiate an expansion cohort to evaluate AB122 as a single agent in tumor types known to be responsive to an anti-PD-1 therapy in the second half of 2018. We also plan to develop AB122 in combination with our other small-molecule and antibody product candidates.

- **AB154.** Our anti-TIGIT antibody, AB154, is a humanized antibody that inhibits a unique immune checkpoint target involved in a pathway that plays both inhibitory and stimulatory roles in the immune system. We plan to submit our first regulatory application for AB154 in the middle of 2018 and expect to initiate a Phase 1 dose escalation trial to evaluate AB154 as a single agent and in combination with AB122 in the second half of 2018. A variety of tumor types associated with high expression of CD155 and TIGIT will be explored.

While we plan to retain significant economic and commercial rights to our portfolio, we may out-license the rights to our product candidates in certain regions where we are unlikely to pursue commercialization on our own. In September 2017, we entered into an option and license agreement with Taiho for the potential development and commercialization of our product candidates in Japan and certain other territories in Asia (excluding China). Under the terms of the agreement, we will receive a non-refundable and non-creditable upfront payment and research payments totaling $35.0 million during the first three years of the agreement. For any program for which Taiho exercises its option for an exclusive license, we will receive an option payment and will be eligible to receive up to $275.0 million in development, regulatory, and commercial milestone payments arising from such program, as well as royalties, ranging from high single digits to mid-teens, on net sales in Taiho’s territories.

**Our Internal Discovery Capability and Team**

Our discovery capability and organization have enabled the rapid and efficient generation of small-molecule immuno-oncology drug candidates. In the case of our A2R antagonist program, we identified the first compounds in February 2016, synthesized AB928 for the first time in December 2016, and initiated our first clinical trial of AB928 in November 2017, essentially progressing from program initiation to first subject dosed within 21 months. We believe that our discovery capability and our expertise and efficiency will allow us to replicate the rapid timeline that we achieved with AB928.
We have assembled a management team with highly relevant experience in immuno-oncology, small-molecule drug discovery and clinical development. Members of our scientific and senior management team, including our founders, Dr. Terry Rosen and Dr. Juan Jaen, have demonstrated their ability to rapidly discover product candidates, most recently at Flexus Biosciences, Inc., which was acquired by Bristol-Myers Squibb in 2015 for its preclinical-stage IDO-1 enzyme inhibitor, now called BMS-986205, approximately 18 months after the company’s formation. Prior to Flexus, several members of our senior management team worked together at Amgen, Inc. and prior to that at Tularik Inc. (which was acquired by Amgen). While we believe that our experienced management team represents an important competitive advantage, the historical results, past performance and/or acquisition of companies with which members of our management team have been affiliated, including Flexus, do not necessarily predict or guarantee similar results for our company.

Our Scientific Advisory Board includes several thought leaders in the immuno-oncology field, including Jeffrey A. Bluestone, Ph.D., the CEO of the Parker Institute for Cancer Immunotherapy and the A.W. and Mary Margaret Clausen Distinguished Professor Director, Hormone Research Institute University of California, San Francisco; Antoni Ribas, M.D. Ph.D., Professor of Medicine of Hematology / Oncology and the Director of JCCC Tumor Immunology at UCLA; David Lacey, M.D. Ph.D., former Senior Vice President of Discovery Research at Amgen; Jonathan Yingling, Ph.D., Senior Vice President of Early Development at Idera Pharmaceuticals and former Vice President, Oncology Discovery and Translational Research at Bristol-Myers Squibb; Ramy Ibrahim, M.D., Vice President, Clinical Development at the Parker Institute for Cancer Immunotherapy and previously Clinical Vice President, Immuno-Oncology at AstraZeneca; and Chris Garcia, Ph.D., Professor of Molecular & Cellular Physiology and Structural Biology at Stanford University.

As of February 1, 2018, we had 83 employees, including 50 holding Ph.D. or M.D. degrees and 68 in R&D, and have established internal expertise in chemistry, immunology, biochemistry, pharmacology, structural biology, translational medicine, and preclinical and clinical development. An important element of our strategy is to build and maintain significant internal capabilities in the areas, such as medicinal chemistry, that we believe are critical for the discovery of highly differentiated small-molecule compounds.

Since our inception in 2015, we have raised approximately $227 million in equity capital from investors that have significant life sciences experience and that share our vision to create a leading company in the immuno-oncology field, including: GV (formerly Google Ventures), The Column Group, Foresite Capital, Wellington Management Company LLP, EcoR1 Capital, BVF Partners L.P., Decheng Capital, Invus Opportunities, Hillhouse, Aisling Capital, Novartis Institute for BioMedical Research, Inc., Celgene Corporation, Stanford University, Taiho Ventures and DROIA Oncology Ventures. This equity capital includes approximately $22 million in investments made by our founders and management.

Background on the Immuno-Oncology Market

For decades, it has been understood that the immune system can be harnessed to eradicate and prevent the proliferation of cancer cells. Unfortunately, multiple early clinical trial failures discouraged the biopharmaceutical industry from making a significant investment in immuno-oncology. However, when the immune checkpoint inhibitor ipilimumab generated positive Phase 3 data in melanoma in 2010, demonstrating a longer survival rate, in patients with very advanced disease, the biopharmaceutical industry’s view of the importance of immuno-oncology changed significantly. Ipilimumab acts by blocking the function of a receptor called CTLA-4, which is found primarily on T cells. While ipilimumab has yet to demonstrate meaningful activity in other tumor types as a single agent, the melanoma data catalyzed a massive increase in investment in the immuno-oncology field at biopharmaceutical companies.

Following the ipilimumab data, biopharmaceutical companies focused their development efforts on another class of immune checkpoint inhibitors that includes anti-PD-1 antibodies, which block the PD-1 receptor found on T cells, B cells and myeloid cells, and anti-PD-L1 antibodies, which block the PD-L1 ligand on cancer cells. Collectively, anti-CTLA-4, anti-PD-1 and anti-PD-L1 antibodies represent the first generation of immune...
checkpoint inhibitors. These drugs all act to release the “brakes” on the immune system by activating T cells and enabling them to recognize and eradicate cancer cells. Compared to ipilimumab, anti-PD-1/PD-L1 antibodies have demonstrated higher clinical response rates, higher response rates and/or longer overall survival, activity in a broader range of tumors and a better safety profile. Currently, this class of molecules is approved in at least six tumor types, including non-small cell lung carcinoma, melanoma, squamous cell head and neck cancer, bladder cancer, renal cell carcinoma and Hodgkin’s Lymphoma. According to EvaluatePharma, a life sciences market intelligence firm, by 2022, these antibody products are expected to generate revenues of approximately $30 billion globally.

**Opportunities for Combination Therapies**

Despite the success of the first generation of immune checkpoint inhibitors, patient response rates for single-agent therapy are relatively low. For example, the two approved anti-PD-1 antibodies, when administered as single agents, have only demonstrated response rates of approximately 30% in melanoma patients, and the majority of these patients see their disease ultimately progress. The response rates in other tumor types are even lower. In addition, these therapies have not demonstrated meaningful single-agent activity in many of the most prevalent types of cancer, such as breast, prostate, pancreatic, ovarian and colorectal.

To address the limitations of single-agent immuno-oncology therapy, efforts are now focused on combining anti-PD-1/PD-L1 antibodies with other types of drugs. These combination efforts are designed to address the multiple mechanisms that likely prevent effective anti-tumor immunity and are based on the understanding that several immune processes may need to be modulated concurrently to overcome the adaptations that tumors use to escape immunity. For example, in addition to T cells, there are several other types of immune cells that are critical to an effective anti-tumor immune response, which can be dysregulated in cancer. In addition, tumors can affect their microenvironment in ways that suppress effective immune function, thereby creating favorable conditions for tumor growth and proliferation.

The first combination of immuno-oncology agents to be approved by the FDA was the combination of two immune checkpoint inhibitors, the anti-PD-1 antibody nivolumab and the anti-CTLA-4 antibody ipilimumab, for the treatment of advanced metastatic melanoma. While this combination improved survival rates relative to either agent alone, it also resulted in increased toxicities. Regardless, this therapy demonstrates the opportunity for combinations of drugs that target multiple immune mechanisms.

A significant academic and industry effort is now underway to evaluate combinations of anti-PD-1/PD-L1 antibodies with other agents in order to achieve higher response rates and longer overall survival. Despite recent clinical successes with combination therapy, such as the growing body of data supporting combining inhibitors of an enzyme known as IDO-1 with anti-PD-1 antibodies in a number of tumor types, the challenge remains to identify and develop combinations that will ultimately succeed in important clinical settings. We believe that we are uniquely positioned to address this opportunity by pursuing mechanisms and combinations supported by strong biological rationale derived from existing and evolving scientific data sets.

**Our Unique Approach to Immuno-Oncology**

**Our Focus on Scientifically Validated Immuno-Oncology Pathways**

To exploit the significant opportunity in the immuno-oncology market in the most efficient manner and to maximize the addressable patient population for our portfolio, we focus on the following:

- **Scientifically Validated Pathways.** Academia has spent decades elucidating the biology behind the immune system’s role in cancer, generating a large amount of information on pathways and potential therapeutic targets. However, much of this information has yet to be translated into the discovery of high-quality product candidates. We are focusing on biological pathways for which we can leverage this body of existing scientific knowledge to rapidly generate highly differentiated, small-molecule drug candidates and to identify promising combination therapies and clinical settings in which to
pursue them. We believe that this approach mitigates our risk and allows us to create and develop high-quality drug candidates targeting critical immune pathways more quickly and efficiently than would otherwise be possible.

- **Broad Range of Mechanisms.** We are focused on developing product candidates that act against a broad range of mechanisms that enable tumors to evade eradication by the immune system. The following graphic illustrates the diverse set of opportunities for therapeutic intervention, as well as the pathways in which we are currently conducting research. In the first row of the graphic, *Eliminate Immune Suppression* refers to opportunities to reverse mechanisms that actively suppress the immune response against cancer cells. *Enhance APC Function* refers to the stimulation of dendritic cells to effectively present tumor antigens for recognition by T cells. *Enhance Effector Activity* refers to the opportunity to enhance the activity of certain immune cells that are critical to generating a successful immune response against tumors.

As shown below, the approved checkpoint inhibitors only relieve T cell suppression and do not directly impact other immune cells nor directly enhance immune system function. Collectively, the Arcus small molecules and antibodies in the box below illustrate the breadth of the mechanisms that we are currently pursuing with our portfolio and where they fall in the spectrum of anti-tumor immune mechanisms.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Eliminate Immune Suppression</th>
<th>Enhance APC Function</th>
<th>Enhance Effector Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cytotoxic T cells</td>
<td>Anti-CD73</td>
<td>CD73</td>
<td>CD73</td>
</tr>
<tr>
<td>NK cells</td>
<td>anti-NK</td>
<td>CD73</td>
<td>CD73</td>
</tr>
<tr>
<td>Treg</td>
<td>PD-1</td>
<td>PD-1</td>
<td>PD-1</td>
</tr>
</tbody>
</table>
| APC: antigen-presenting cells; NK cells: natural killer cells; Treg: regulatory T cells; MDSC: myeloid-derived suppressor cells; M2: anti-inflammatory macrophages; DC: dendritic cells; Effector Activity: the ability of immune cells to attack target cells by various mechanisms, depending on the cell type.

- **Ubiquitously Important Targets.** We focus on targets that are ubiquitous, meaning that they are believed to play an important role in a broad range of human cancer types and settings. For example, CD73, the key enzyme responsible for the generation of extracellular adenosine, has been found to be over-expressed in many tumor types, including non-small cell lung cancer, colorectal cancer, gastroesophageal cancer, breast cancer (particularly triple-negative breast cancer), ovarian cancer, and others, suggesting that it plays a broad immuno-protective role in tumor survival. In fact, high levels of CD73 expression have been shown to correlate with reduced survival rates in cancer patients. Given the broad applicability of our targets, we expect to pursue the development of AB928, AB680, and our other product candidates in multiple tumor types, utilizing an adaptive trial design that will allow us to explore several combination settings in parallel, starting with relatively small patient cohorts. We expect that our focus on targets and pathways that are ubiquitously involved in cancer will enable our product candidates to address broad patient populations and significant market opportunities.

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Our Approach to Building a Broad and Differentiated Portfolio

To exploit the potential of these scientifically well understood immuno-oncology pathways and targets, we are focusing our internal discovery effort on novel small-molecule product candidates. While all immuno-oncology agents approved to date are large molecules, such as the anti-PD-1, anti-PD-L1 and anti-CTLA-4 antibodies, we believe that both small and large molecule modalities will be critical in addressing the many different immune-mediated pathways that may be dysregulated in a patient’s tumor. As many immuno-oncology pathways are not amenable to intervention by antibodies or protein therapeutics, we expect that small-molecule approaches will allow us to access a significantly greater number of potential targets, including intracellular and extracellular enzymes, G-protein coupled receptors (GPCRs), and kinases. In addition, in some cases, small molecules may prove superior to large-molecule approaches against the same target. For example, we have shown in *in vitro* studies that our small-molecule CD73 inhibitors can achieve a greater degree of CD73 inhibition than certain antibodies against this target that are in clinical development.

Our internal discovery effort is designed to create and advance small-molecule product candidates with the ideal pharmacological properties for the tumor micro-environment and the target of interest. Small-molecule drugs against the same biological target can be highly differentiated from each other based on their respective pharmacokinetic, pharmacodynamic and biophysical properties. For example, many small-molecule drugs are potent when tested in buffer solution but lose a significant amount of this potency in physiologically relevant media such as blood or tumor tissue, due to a phenomenon known as “plasma protein binding” in which compounds bind non-specifically to albumin and other abundant proteins found in such tissues. We rigorously test our molecules in whole blood or other physiologically relevant systems and only advance molecules that retain a high degree of activity when tested under such “real world” conditions. We also design our molecules to have the ideal pharmacological properties for the targeted pathway and the desired clinical effect. For example, we specifically designed our A2R antagonist AB928 to have a greatly reduced ability to cross the blood brain barrier, as we believe that this attribute will allow us to dose the compound at higher levels before the appearance of any potential adverse events associated with inhibition of the A2aR receptor in the brain. We also designed our A2R antagonist AB928 to inhibit both the A2aR and A2bR receptors, as we believe a “dual A2R antagonist” will have broader immunological and anti-tumor activity than a “selective A2aR antagonist.”

To support our strategy of pursuing multiple intra-portfolio combinations, we are building a diverse portfolio of product candidates that target different immune mechanisms. In addition to small molecules, we are also developing antibody product candidates that target what we believe are some of the most important immune checkpoint receptors, including PD-1 and TIGIT, and that we expect to be critical components of our future intra-portfolio combinations. By combining these antibody candidates with our internally discovered small-molecule product candidates, we believe we can create highly differentiated combination products. We also plan to fully explore potential synergies between our molecules and standard-of-care treatments, such as chemotherapy, when there is a strong biological rationale, such as the case of combining our ATP-adenosine pathway inhibitors AB928 and AB680 with certain chemotherapeutic agents.

Given that the treatment of cancer continues to evolve towards the use of agents that are specific for particular tumor profiles, we intend to explore biomarkers that may predict a patient’s response to treatment. Patients’ tumors being considered for immune-based therapies are already routinely tested for certain markers, such as PD-L1 expression or the absence of mutation-repair mechanisms, to determine whether they are appropriate candidates for anti-PD-1 or PD-L1 therapy. In certain settings, we may incorporate biomarker screening into our clinical trials to increase the likelihood of success by focusing on patients that are most likely to respond to our product candidates. For example, we will measure CD73 levels in patients during our early clinical trials with our ATP-adenosine pathway inhibitors AB928 and AB680 in order to determine the value of incorporating screening for CD73 expression into our future clinical trials.

Our Small-Molecule Discovery Capability

We leverage existing chemical and structural knowledge about the pathway or target to identify chemical starting points for our drug discovery programs. We then conduct extensive optimization of the biological and
pharmacological properties of those leads guided by structure-activity relationship (SAR) knowledge generated under the direction of our experienced drug discovery scientists. In some cases, we utilize structural biology (x-ray crystallography) to improve the way in which our compounds bind to their target. For example, we had a collaboration with Professor Norbert Stratter at the University of Leipzig in Germany for the elucidation, using x-ray crystallography, of the structures of more than 15 of our internally discovered CD73 inhibitors bound to human CD73; this effort contributed in a meaningful way to the identification of our lead development candidate AB680.

We determine upfront the properties that we believe are critical to effectively modulate the target pathway of interest. These properties include high potency under physiologically relevant conditions, e.g., blood; selectivity against the target; lack of drug-drug interactions; high penetration of tumor tissue; optimal pharmacokinetic properties; and good safety profile. We conduct in our laboratories those activities that we consider to be critical for creating a molecule with optimal properties. These activities include medicinal chemistry, assay development, assessment of compound potency and selectivity, in vitro and in vivo pharmacokinetic profile evaluation, in vivo pharmacology, and exploratory safety evaluation, among others. Having these capabilities and expertise in-house allows us to iterate on the design of our product candidates, until we achieve the predefined optimal properties.

We have utilized our drug discovery capability to create several product candidates, including our dual adenosine receptor antagonist AB928 and our small-molecule CD73 inhibitor AB680. The robustness and integrated nature of our drug discovery capability have also enabled rapid advancement of our programs. For example, in our A2A receptor program, we progressed from lead identification to first synthesis of AB928 in 10 months, and to the start of our first clinical trial in another 11 months. We believe that we can consistently take molecules from lead identification to IND or foreign regulatory application in about 18 months. Our plan is to advance into clinical development at least one new product candidate generated by our internal discovery effort each year for the next several years.

Our Approach to Clinical Development

Our approach to clinical development is to pursue strategies that allow us to generate meaningful data on our product candidates in the most efficient manner possible, which should allow us to rapidly advance our product candidates through clinical trials. Some of the key elements of our approach include:

• **Focus our development efforts on combination products, particularly those that are intra-portfolio.** To maximize the potential of our small-molecule product candidates, we will focus our development efforts on combining them with other agents which we expect to be synergistic with our small molecules. We have in-licensed two antibody product candidates, both of which we expect to be synergistic with our small molecule product candidates, which will allow us to pursue multiple intra-portfolio combinations incorporating our internally discovered small-molecule product candidates. While we initially plan to focus on the development of doublet therapies, such as the combination of AB928 and AB122, we also plan to pursue triplet therapies, which would incorporate two or three of our product candidates. The table below summarizes some of the combination studies we could pursue with our existing portfolio.

<table>
<thead>
<tr>
<th>Arcus Product Candidate</th>
<th>Potential Doublet Partner</th>
<th>Potential Triplet Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB928 (A2a R/A2b R)</td>
<td>+ AB122 (anti-PD-1)</td>
<td>+ AB122 (anti-PD-1) + AB154 (anti-TIGIT)</td>
</tr>
<tr>
<td></td>
<td>+ Chemotherapy</td>
<td>+ AB122 (anti-PD-1) + Chemotherapy</td>
</tr>
<tr>
<td></td>
<td>+ AB154 (anti-TIGIT)</td>
<td>+ AB122 (anti-PD-1) + Radiation</td>
</tr>
<tr>
<td>AB680 (CD73)</td>
<td>+ AB122 (anti-PD-1)</td>
<td>+ AB122 (anti-PD-1) + AB154 (anti-TIGIT)</td>
</tr>
<tr>
<td></td>
<td>+ Chemotherapy</td>
<td>+ AB122 (anti-PD-1) + Chemotherapy</td>
</tr>
<tr>
<td></td>
<td>+ AB154 (anti-TIGIT)</td>
<td>+ AB122 (anti-PD-1) + Chemotherapy</td>
</tr>
<tr>
<td>AB154 (anti-TIGIT)</td>
<td>+ AB122 (anti-PD-1)</td>
<td>See above</td>
</tr>
</tbody>
</table>

• **Design our clinical trials to advance our compounds as quickly and efficiently as possible.** Following the identification of our recommended dose from our dose escalation trials, we plan to initiate the
enrollment of expansion cohorts in multiple tumor types using an adaptive trial design. Adaptive trial designs give us the ability to quickly close or increase the size of our expansion cohorts based on initial tumor response data generated in that cohort, which we believe is an efficient way to study our product candidates in multiple tumor types. Each cohort will enroll 15-30 patients, which we believe is sufficient in size to allow us to determine whether the response rate would be clinically meaningful, or an improvement over the response rates observed with the current standard of care. We could increase the size of any expansion cohort in which we observe a promising initial response rate, in order to generate a sufficient amount of information to support the advancement of the product candidate or combination product into a potentially registrational trial.

For some of our small-molecule product candidates, we may choose to initiate clinical testing in healthy volunteers, as we have done with AB928. Because AB928 has been shown to have a fairly benign safety profile in our animal toxicology studies, particularly relative to other oncology agents, we were able to start clinical testing of AB928 in healthy volunteers. A healthy volunteer trial allows us to evaluate our product candidates in a relatively large number of subjects over a relatively short time period and to study the behavior of our product candidates in a more controlled setting than is possible in a clinical trial with cancer patients. These trials should allow us to generate significant data on the safety, pharmacodynamic and pharmacokinetic profiles of our product candidates, providing meaningful information on receptor coverage, half-life, optimal dosing regimen and consistency of the product candidate’s activity across human subjects. This should allow us to initiate dosing in cancer patients at a higher dose and with a better understanding of the product candidate’s biological profile and therefore accelerate the dose escalation portion of our trials. We will only pursue this approach when we believe that it could accelerate our overall clinical development timelines and meaningfully de-risk our future trials.

We may also initiate clinical trials for our product candidates in certain regions outside the United States, which may allow us to accelerate our enrollment times. For example, we initiated our first clinical trial for AB122 in Australia, which we believe allowed us to accelerate the time from regulatory submission to the initiation of dosing in patients relative to what would have been possible in the United States. We also believe that we can enroll patients into this trial faster in Australia than in the United States. We currently plan to also initiate clinical testing of our first intra-portfolio combination, AB928 + AB122, in Australia.

- Select tumor types and settings based on biological and commercial rationale. In selecting tumor types to pursue, we will focus on those types that are most dependent on the pathways targeted by our agents, such as tumors with high levels of CD73 expression for ATP-adenosine inhibitors. We will also focus on patient populations and settings where we believe there is still considerable unmet need. As an example, for our AB122 combinations, we will focus on anti-PD-1 relapsed/refractory patients in indications like non-small cell lung cancer where anti-PD-1 therapy is currently considered the standard of care. In the case of our chemotherapy combinations, we will focus on tumor types in which that particular chemotherapy is already considered the standard of care, such as the case of oxaliplatin-containing regimens in the treatment of colorectal cancer. In addition, we are pursuing settings where significant clinical data already exist for the agent that will be evaluated in combination with our product candidates. We believe that this will allow us to determine whether the data we generate in our expansion cohorts are clinically meaningful and differentiated from the current standard of care.

Our Strategy

Our objective is to transform the treatment of cancer by creating a broad portfolio of innovative immuno-oncology therapeutics and developing combinations that offer significant improvement over current treatment options. To achieve this objective, we are pursuing the following strategies:

- Rapidly advance our lead product candidates and combinations through clinical development in multiple tumor types. We have initiated Phase 1 trials for our two lead product candidates, AB928 and
AB122. Leveraging the benign safety profile of AB928 observed in extensive preclinical toxicology studies, we are conducting our initial trial of this product candidate in healthy human volunteers. Data from this trial should support selection of a higher starting dose and more rapid dose escalation in our first AB928 clinical trial in cancer patients, which will be a Phase 1/2 combination trial with AB122. For this trial, we will utilize an adaptive trial design where our goal is to generate sufficiently robust data in certain tumor types to allow us to advance the AB928+AB122 combination into a large, randomized trial that could potentially support regulatory approval. Concurrently with the AB928+AB122 combination, we intend to evaluate the clinical activity of AB928 in combination with certain forms of chemotherapy, which will implement an adaptive trial design similar to that of the AB928+AB122 trial. We plan to pursue similar adaptive trial designs for our other product candidates, including AB680 and AB154. The objective of our adaptive trial designs is to rapidly generate meaningful clinical data that potentially supports the initiation of a registrational trial.

• Pursue combinations and tumor types based on strong biological rationales. We are pursuing therapeutic combinations supported by strong biological rationales that suggest synergy between the agents. For example, activation of A2aR receptors on T cells has been shown to impair the ability of anti-PD-1 antibodies to enhance activation of those T cells, providing a strong rationale for combining anti-PD-1 therapy with our agents that target the ATP-adenosine pathway. We are also selecting tumor types that we believe will be most sensitive to our product candidates’ mechanisms of action, such as those that have high CD73 expression and T cell infiltration in the cases of AB928 and AB680. In our later-stage trials, we will likely screen for patients with certain tumor profiles, such as high CD73 expression, which should enhance the likelihood of success of these product candidates. In combination trials that involve AB122, we will determine whether expression level of PD-L1 influences the response rate in a particular tumor type.

• Control, or otherwise secure access to, all the components of our desired therapeutic combinations. As anti-PD-1/PD-L1 antibodies are currently considered the backbone therapy of immuno-oncology treatment, we believed that it was critical to ensure access to this type of molecule to pursue and control the development of multiple intra-portfolio combinations. In September 2017, we in-licensed an IND-ready anti-PD-1 antibody from WuXi Biologics. We have also in-licensed a preclinical-stage anti-TIGIT antibody that we believe has the potential to become a backbone therapy in the future, and we will continue to evaluate and pursue other molecules that we believe will be critical elements of our combination strategy. By having these antibody product candidates in our portfolio, we can better control the clinical trial design and timelines and retain much of the economics of any resulting products that receive regulatory approval.

• Continue to expand our pipeline of novel small-molecule product candidates. More than 80% of our workforce is dedicated to research and development, and we plan to continue to invest in our discovery capability and to expand our pipeline. By the end of 2018, we expect to have filed at least four regulatory applications to initiate clinical trials in the United States or other countries, including two for product candidates that we discovered and developed in-house. We have initiated several other drug discovery programs that target promising immuno-oncology pathways, such as arginase, and expect to file our first IND or foreign regulatory application from one of these programs by early 2019. A key element of our portfolio strategy is to create second-generation molecules for our small-molecule programs; these compounds may possess differentiated pharmacological profiles and are generally derived from chemical scaffolds distinct from the one from which the first generation product candidate was selected. We have active second-generation programs in place for AB928 and AB680.

• Retain significant economic and commercial rights to our programs in key geographic areas. We plan to retain significant economic and commercial rights to our portfolio in the United States and certain other regions. We have pursued and will continue to evaluate opportunities to out-license rights to our product candidates in regions in which we are unlikely to pursue development and commercialization on our own, as was the case with our option and license agreement with Taiho for Japan and certain other territories in Asia (excluding China). In the future, we may enter into strategic
collaborations with pharmaceutical companies in the United States or Europe if we believe the partnership enables us to accelerate the development and commercialization of our programs while allowing us to retain meaningful rights to our product candidates.

Our ATP-Adenosine Programs

**The ATP-Adenosine Pathway and Its Relevance in Cancer**

Our initial focus is on the ATP-adenosine pathway, which, when activated, has potent immuno-suppressive effects in the tumor microenvironment, thereby preventing the immune system from recognizing and destroying cancer cells. The activation of this pathway begins with the release from cells of adenosine triphosphate (ATP), a nucleotide that is the primary source of cellular energy. Under normal conditions, ATP is found primarily intracellularly; however, under conditions of cellular damage or cell death, large amounts of ATP are released extracellularly. On its own, ATP acts as a “danger signal” to alert and activate the innate immune system. However, an enzyme known as CD39 converts the extracellular ATP into adenosine monophosphate (AMP), and another enzyme known as CD73 subsequently converts AMP into adenosine, which has profound immunosuppressive properties. This process, which results in the generation of large amounts of extracellular adenosine, evolved to protect human tissue from excessive inflammation by counteracting the pro-inflammatory effects of ATP. However, cancer cells have hijacked this mechanism to prevent the immune system from efficiently recognizing and eradicating them.

Once generated, adenosine can bind to and activate four different G-protein coupled receptors: A1R, A2aR, A2bR, and A3R. Of these, only the A2aR and A2bR receptors are believed to play a role in intra-tumoral immune suppression as described below:

- **A2aR.** The binding of adenosine to the A2aR receptor, which is expressed on T cells, natural killer (NK) cells and myeloid cells such as dendritic cells, leads to increased intracellular levels of cyclic AMP (cAMP) and the impairment of maturation and/or activation of T cells, NK cells and dendritic cells. This process significantly impairs the activation of the immune system against cancer cells.

  In addition, the relationship between A2aR, PD-1, and T cell receptor (TCR) activation on T cells is becoming increasingly elucidated. Increased cAMP levels induce specific biochemical and transcriptional changes in T cells that interfere with TCR activation, decrease the levels of certain proteins (such as CD28) necessary for optimal T cell activation and elevate the levels of certain proteins (such as PD-1) that inhibit T cell activation. As a result, A2aR receptor signaling may play a role in development of resistance to anti-PD-1 therapy.

- **A2bR.** The binding of adenosine to the A2bR receptor, which is primarily expressed on myeloid cells, further contributes to the impaired maturation/activation of dendritic cells, a process that is critical for the generation of an adaptive immune response against tumor antigens. Activation of the A2bR receptor by adenosine also enhances the tumor-protective effects of myeloid-derived suppressor cells (MDSC) and anti-inflammatory macrophages (M2). Therefore, adenosine binding to A2bR results in further impairment of the maturation/activation of these myeloid cells and activates a distinct process that protects tumor cells from the immune system.

One of the significant consequences of A2aR and A2bR activation on tumor-infiltrating immune cells is a decrease in effector T cell (Teff) numbers and activity, as well as simultaneous increases in regulatory T cell (Treg) numbers and activity and decreases in inflammatory cytokine production. Teff and Treg play opposite roles in their attack and protection, respectively, of cancer cells. Their numbers and, more importantly, their ratio is frequently indicative of a cancer patient’s likely prognosis; specifically, a higher Teff to Treg ratio is generally correlated with a better prognosis.

The enzymes CD39 and CD73 are upregulated in response to various stimuli, such as the hypoxic tumor microenvironment and certain growth factors and cytokines. In addition, the commonly prescribed

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chemotherapeutic agents oxaliplatin and doxorubicin also induce elevated CD39 and CD73 levels, which may result in an immunosuppressive response that counteracts some of the potentially beneficial effects of these chemotherapies. Consistent with the relationship between hypoxia and elevated CD73 expression, several studies, including those published by Gao et al. (BioMed. Res. Intl. (2014) i.d. 460654; see Table 2), Loi et al. (Proc. Natl. Acad. Sci. (2013) 110(27): 11091-11096), and Inoue et al. (Oncotarget, January 2017), as well as public databases, such as the National Institutes of Health’s The Cancer Genome Atlas database, have shown that CD73 is overexpressed in multiple tumor types and that high CD73 expression is correlated with a poor prognosis in many types of cancer. These include non-small-cell lung carcinoma, colorectal cancer, head and neck squamous cell carcinoma, ovarian cancer, triple-negative breast cancer, renal cell carcinoma, prostate cancer and gastroesophageal cancer. These studies demonstrate the broad potential of CD73 inhibition in many oncology settings.

Our Product Candidates Targeting the ATP-Adenosine Pathway

We are pursuing what we consider to be the two most critical targets within the ATP-adenosine pathway: the A2a R/A2b R receptors and the enzyme CD73. Due to the significant and growing amount of scientific literature, including papers by Vijayan et al. (Nat. Rev. Cancer (2017) 17: 709-724); Ohta (Front. Immunol. (2016) 7: article 109); and Allard et al. (Curr. Opin. Pharmacol. (2016) 29: 7-16), supporting the critical role of the ATP-adenosine pathway in cancer, several companies have recently repurposed for oncology A2a R receptor-selective antagonists that were originally developed for Parkinson’s disease and other CNS disorders. These repurposed molecules were originally developed to inhibit the effects of adenosine in the brain, where adenosine is present in much smaller quantities than in the tumor microenvironment. These molecules were also specifically designed to cross the blood-brain barrier, which could limit the use of higher doses in other settings, like oncology, because of the potential for CNS-mediated adverse events.

Our Dual Adenosine Receptor Antagonist, AB928

Our most advanced small molecule targeting the ATP-adenosine pathway, AB928, is an orally bioavailable, highly potent, reversible antagonist of the A2a R and A2b R receptors. AB928 is currently in a Phase 1 trial in healthy volunteers. We will initiate clinical testing of AB928 in cancer patients in the second quarter of 2018. We plan to develop AB928 in combination with AB122, our anti-PD-1 antibody, and other agents for which a strong biological rationale exists supporting their synergy with A2 R antagonism.

We believe that AB928 is the first A2 R antagonist in clinical development that inhibits both the A2a R and A2b R receptors and which was designed specifically for the oncology setting. As a result, AB928 has several attributes that differentiate it from the other A2 R antagonists in clinical development, including:

- **High potency and low plasma protein binding**. We have shown that AB928 is more potent against A2a R in buffer than the A2a R antagonists currently in clinical development. More importantly, AB928 is significantly more potent than these A2a R antagonists when we evaluated them under conditions that more closely resemble the tumor microenvironment. In these studies, we evaluated AB928 in an assay using whole blood, instead of buffer, and in the presence of high levels of NECA (a synthetic analogue of adenosine). Blood, like tumors, contains much higher concentrations of albumin than the brain. As albumin non-specifically binds to many small-molecule drugs, resulting in a dramatic loss of effective potency, blood represents a more representative biological medium for the evaluation of the potency of small-molecule drugs. The high levels of NECA used in this experiment are representative of the high concentrations of adenosine that have been measured in many solid tumors; these levels can be as much as 100 times higher than those found in the brain. Because the other A2a R antagonists in clinical development were developed with a focus on activity in the brain, they were not necessarily designed to work in the presence of the much higher levels of adenosine that are found in tumors.

  When we evaluated AB928 under these conditions, AB928 was significantly more potent at inhibiting A2a R activation, as measured by phosphorylation CREB (pRCEB), than the A2a R antagonists in clinical development, as shown in the graph below. CREB is a transcription factor that becomes phosphorylated.
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when A<sub>2a</sub> R is activated; thus, the level of pCREB inhibition is a measure of an A<sub>2a</sub> R antagonist’s ability to inhibit A<sub>2a</sub> R. The table below on the right shows the calculated IC<sub>50</sub> values for the various compounds in this experiment. The IC<sub>50</sub> values indicate the concentration of each compound necessary to achieve 50% inhibition of pCREB formation. Therefore, lower values reflect greater compound potency.

### Dual antagonism of the A<sub>2a</sub> R and A<sub>2b</sub> R receptors.

Unlike the repurposed A<sub>2a</sub> R receptor-selective molecules that were initially developed for CNS indications, we designed our A<sub>2</sub> R antagonist to optimize its properties for use in immuno-oncology. As such, we designed AB928 to inhibit both the A<sub>2a</sub> R and A<sub>2b</sub> R receptors, since the binding of adenosine to A<sub>2b</sub> R receptors on myeloid cells contributes to adenosine-mediated immune suppression. Therefore, we expect that AB928 could have broader immunological activity than the selective A<sub>2a</sub> R antagonists. The scientific literature also supports the role of A<sub>2b</sub> R receptors in different types of cancer, such as triple-negative breast and ovarian cancers.

The following table summarizes data we have generated in our cell-based assays conducted in buffer evaluating the potency of AB928 against A<sub>2a</sub> R and A<sub>2b</sub> R, relative to the selective A<sub>2a</sub> R antagonists. As shown below, AB928 is the most potent inhibitor of A<sub>2a</sub> R receptors and is the only compound that meaningfully inhibits A<sub>2b</sub> R receptors.

<table>
<thead>
<tr>
<th>Compound</th>
<th>IC&lt;sub&gt;50&lt;/sub&gt; (nM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB928</td>
<td>80</td>
</tr>
<tr>
<td>CPI-444&lt;sup&gt;a&lt;/sup&gt;</td>
<td>~10,000</td>
</tr>
<tr>
<td>AZD 4635&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2,600</td>
</tr>
<tr>
<td>PBF-509&lt;sup&gt;a&lt;/sup&gt;</td>
<td>~10,000</td>
</tr>
<tr>
<td>Preladenant&lt;sup&gt;a&lt;/sup&gt;</td>
<td>785</td>
</tr>
</tbody>
</table>

<sup>a</sup> Phosphorylation of CREB on human blood CD8<sup>+</sup> T cells using 5 µM NECA

<sup>b</sup> CPI-444: Compound synthesized by Arcus based on structure from AACR, April 2017 (#CT119)

<sup>c</sup> AZD4635: Compound synthesized by Arcus based on structure from AACR, April 2017 (#2641)

<sup>d</sup> PBF509: Compound synthesized by Arcus that is believed to be either PBF-509 or a close analogue (based on Pat. Appl. WO2017025918)

<sup>e</sup> Preladenant was purchased from Ark Pharma (AK-43905); Preladenant was run on a different donor and date than the remaining compounds.

A<sub>2</sub> R Antagonist | A<sub>2a</sub> R (K<sub>B</sub>, nM) | A<sub>2b</sub> R (K<sub>B</sub>, nM) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AB928 (Dual A&lt;sub&gt;2a&lt;/sub&gt; R/A&lt;sub&gt;2b&lt;/sub&gt; R Antagonist)</td>
<td>1.4</td>
<td>2.4</td>
</tr>
<tr>
<td>CPI-444&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>5.4</td>
<td>493</td>
</tr>
<tr>
<td>AZD 4635&lt;sup&gt;a&lt;/sup&gt;</td>
<td>1.7</td>
<td>64</td>
</tr>
<tr>
<td>PBF-509&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>58</td>
<td>189</td>
</tr>
<tr>
<td>Preladenant&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>3.3</td>
<td>3,121</td>
</tr>
</tbody>
</table>

<sup>a</sup> Arcus data generated with compound samples synthesized or purchased by Arcus.

<sup>b</sup> CPI-444: Structure from AACR, April 2017 (#CT119), synthesized by Arcus; AZD4635: Structure from AACR, April 2017 (#2641), synthesized by Arcus; PBF509: believed to be PBF-509 or a close analogue (based on Pat Appl WO2017025918), synthesized by Arcus; Preladenant was purchased from Ark Pharma (AK-43905).

<sup>c</sup> K<sub>B</sub> is a measure of a compound’s thermodynamic ability to bind/block its target receptor; lower K<sub>B</sub> values reflect greater potency for a given receptor.
- **Low penetration across the blood brain barrier.** Unlike the other A\textsubscript{2a} R antagonists that were specifically designed to penetrate and act in the brain, we have designed AB928 to minimize penetration of the blood-brain barrier. We have shown in animal studies that the concentration of AB928 measured in brain corresponds to approximately 1% of the concentration found in blood. We believe that this characteristic could allow us to dose at levels necessary to achieve high receptor coverage of AB928 in the tumor microenvironment while avoiding the potential for CNS-related toxicities.

- **High tumor/plasma ratio.** Another rationale for selecting AB928 as our lead A\textsubscript{2a} R/A\textsubscript{2b} R antagonist development candidate is that a relatively high level of the compound penetrates the tumor. The blood vessels that provide nutrients to tumors are poorly organized and may represent an obstacle against deep penetration of the tumor tissue by drugs arriving from the blood. The graph below shows the concentration of AB928 in the tumor and plasma over time in tumor-bearing mice and demonstrates that AB928 achieves significant tumor penetration.

<table>
<thead>
<tr>
<th>Compound</th>
<th>Tumor/Plasma Ratio</th>
<th>Brain/Plasma Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB928</td>
<td>&gt;0.60</td>
<td>0.01</td>
</tr>
</tbody>
</table>

- **Attractive pharmacokinetics.** We designed AB928 to have high oral bioavailability and a human half-life to support once-daily dosing. Other A\textsubscript{2a} R antagonists in clinical development are being dosed to patients twice per day, presumably reflecting their relatively low oral bioavailability and/or short half-life in humans. Molecules with good oral bioavailability and long half-lives that can be dosed only once per day generally have lower “peak-to-trough” fluctuations in plasma levels between doses. This is important in cases in which the dose-limiting toxicities of the drugs are associated with high peak plasma levels; in these cases, higher overall drug exposures are possible when those drugs have longer half-lives, such as is the case with AB928. Preliminary data from our ongoing Phase 1 trial in healthy volunteers shows an excellent half-life of approximately 20 hours, which allows for once-daily dosing.

Based on the important differentiated characteristics summarized above, we believe that AB928 could prove to have more robust anti-tumor effects and activity in a broader range of tumor types than the A\textsubscript{2a} R antagonists in clinical development.
In Vitro and In Vivo Data Supporting the Selection of AB928 as our Development Candidate

The objective of our in vitro and in vivo studies is to characterize the effect of our molecules on immune function in systems that we believe are representative of human and cancer biology. Our highly comprehensive in vitro and in vivo work has helped to elucidate the immune biology behind the pathways we pursue, demonstrate the differentiation of our product candidates relative to other agents in their classes, identify a likely effective dose for human studies and determine potential combinations to explore in clinical development.

Since AB928 was first synthesized at Arcus in December 2016, we have conducted multiple in vitro studies to assess the ability of AB928 to reverse the immuno-suppressive activity of adenosine. In these studies, we measure readouts such as secretion of IFN-γ and IL-2, which are cytokines released upon T cell activation and that have potent effects on anti-tumor immunity. For our assays, we typically use primary immune cells isolated from human blood, including CD4⁺ T cells (also known as T helper cells because they activate other immune cells), CD8⁺ T cells (also known as cytotoxic T cells for their ability to directly kill cancer cells), dendritic cells and natural killer (NK) cells. The table below summarizes some of the key in vitro studies that we have conducted to date and shows that AB928 consistently reversed adenosine-mediated immune suppression in multiple cell types and under various experimental conditions.

<table>
<thead>
<tr>
<th>System</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human CD8⁺ T cells</td>
<td>AB928 inhibited A\textsubscript{2a} R receptor-mediated cAMP accumulation, in a dose-dependent manner, demonstrating that AB928 effectively blocks the activation of A\textsubscript{2a} R</td>
</tr>
<tr>
<td>Human CD8⁺ T cells</td>
<td>▪ Measured AB928 potency: K\textsubscript{B} = 540 pM; IC\textsubscript{50} = 940 pM</td>
</tr>
<tr>
<td>Human CD4⁺ T cells</td>
<td>AB928 blocked the adenosine-dependent inhibition of IFN-γ and granzyme B production, in a dose-dependent manner</td>
</tr>
<tr>
<td>Mixed lymphocyte reaction (MLR) between human dendritic cells and T cells</td>
<td>AB928 blocked the adenosine-dependent inhibition of anti-PD-1-induced IFN-γ production, in a dose-dependent manner</td>
</tr>
<tr>
<td>Mouse NK cells</td>
<td>AB928 blocked the adenosine-dependent inhibition of NK cell cytotoxicity, in a dose dependent manner</td>
</tr>
<tr>
<td>Maturation/Activation of monocyte-derived dendritic cells</td>
<td>AB928 inhibited the suppressive effects of adenosine on the maturation and activation of dendritic cells, as measured by the impaired performance of these dendritic cells in an MLR assay. These results are consistent with the hypothesis that a dual A\textsubscript{2a} R/A\textsubscript{2b} R antagonist may have a broader immune-activation profile than selective A\textsubscript{2a} R antagonists</td>
</tr>
</tbody>
</table>
An example of one of many studies that we have performed in-house to demonstrate the ability of AB928 to block adenosine-mediated impairment of T cell activation is illustrated in the figure below. In this study, activation of human CD8+ T cells leads to a profound release of IFN-γ. This assay recapitulates certain elements of the process by which T cells recognize their target. Introduction of adenosine (6 µM) into this assay induced a profound inhibition of IFN-γ production, as demonstrated by the second bar. When we also introduced increasing concentrations of AB928, in addition to adenosine, we demonstrated that AB928, at concentrations as low as 5 nM, was able to completely block the inhibitory effects of adenosine on IFN-γ production.

In another study aimed at understanding the role of the A_2aR receptor on NK cell activation, we isolated NK cells from mouse spleen and cultured them together with labeled LLC cells (a common test system to measure the cell-killing activity of NK cells). In this experiment, we used various concentrations of the synthetic adenosine receptor agonist NECA to inhibit the cytotoxic activity of the NK cells. As shown in the figure below, AB928 was very effective at blocking the inhibitory effects of NECA in this assay system, restoring the NK cells' killing activity in a dose-dependent manner. In this figure, the Y axis (% Cell Killing) reflects the percentage of the target cells that were killed as a result of being co-cultured with the NK cells.

We have also conducted several in vivo studies of AB928 in mouse tumor models to assess the compound's pharmacokinetics, anti-tumor activity and the degree of target inhibition necessary for anti-tumor activity and effects on tumor-infiltrating lymphocytes (TIL), a generic term for the immune cells that can be retrieved from tumor tissue. We are particularly interested in the latter assessment and the way in which AB928 alters the size and composition of the TIL, such as the ratio between CD8+ T cells and T_reg cells, towards a more favorable anti-tumor profile.

Our in vivo experiments have evaluated AB928 in combination with anti-PD-1/PD-L1 antibodies as well as with certain chemotherapies, both of which are believed to be synergistic with A_2aR antagonism. In the case of anti-PD-1/PD-L1 antibody combinations, previous studies conducted by others have demonstrated that higher CD73 expression limits the efficacy of anti-PD-1/PD-L1 antibodies and, therefore, A_2aR inhibition (which prevents the downstream effects of CD73 expression and activity) could increase the effectiveness of anti-PD-1/PD-L1 antibodies. In addition, certain chemotherapies, specifically anthracyclines and platinum-based agents, are known to induce immunogenic cell death (ICD), which results in the extracellular release of...
significant amounts of ATP, which is converted into adenosine by the sequential actions of CD39 and CD73. As a result, we expect that A<sub>2</sub>R antagonists, like AB928, will be synergistic with ICD-inducing chemotherapies. We have demonstrated this synergy in our in vivo studies as discussed below.

In one experiment in the MC38 mouse colon adenocarcinoma tumor model, we evaluated the combination of AB928 and an anti-PD-L1 antibody. Despite the fact that the tumors in this highly variable mouse model do not express CD73, and therefore would not be expected to respond to adenosine inhibition, and only the TIL do, we observed a reduction in tumor volumes, as well as an improvement in survival, for the AB928 and anti-PD-L1 antibody combination compared to the anti-PD-L1 antibody alone, as summarized in the graph below. It should be noted that human tumors are very different from mouse tumors in that, in the former, cancer cells are often found to express significant levels of CD73; based on this difference, we believe that human tumors may be more dependent than mouse tumors on adenosine for their protection against the immune system.

In another study, in the AT-3 OVA mouse breast tumor model, we evaluated the combination of AB928 with ICD-inducing chemotherapies such as doxorubicin and oxaliplatin. Again, despite the fact that tumors in this mouse model do not express CD73 and only the TIL do, we observed a significant reduction in tumor volume with the AB928 + oxaliplatin combination, compared to either agent alone, as shown in the figure below. We observed similar results when evaluating AB928 in combination with doxorubicin in this same mouse model.
Our clinical development strategy for AB928 is designed to achieve rapid proof-of-concept in one or more tumor types and to advance AB928 into a registrational trial as quickly as possible. As we expect that the anti-tumor activity of AB928 will result primarily from combination with other agents, we will focus our development efforts on combination trials of AB928 with other mechanisms that are expected to be synergistic with inhibition of the ATP-adenosine pathway, such as anti-PD-1 antibodies and ICD-inducing chemotherapies. In our combination trials, we will focus on tumor types for which there is substantial evidence that they may rely on the immune-suppressive effects of adenosine. These tumor types share the following characteristics:

- Infiltration with T cells (as T cells need to be present in the tumor for an adenosine receptor antagonist to have an effect).
- Tumors characterized by high CD73 expression, as evidence that the tumor has the ability to produce adenosine (examples, based on published literature, include non-small-cell lung carcinoma, colorectal cancer, head and neck squamous cell carcinoma, ovarian cancer, triple-negative breast cancer, renal cell carcinoma, prostate cancer and gastroesophageal cancer).
- Anti-PD-1/PD-L1 antibodies or ICD-inducing chemotherapy are currently considered or expected to become the standard of care. Examples include the use of oxaliplatin-containing chemotherapy in colorectal cancer and gastroesophageal cancer; carboplatin in the treatment of non-small cell lung cancer; or the use of anti-PD-1/PD-L1 antibodies in non-small cell lung cancer and renal cell carcinoma.

We initiated a Phase 1 trial of AB928 in healthy volunteers in November 2017. This trial will enroll up to 80 subjects at a single site in the Netherlands and will include parallel single-ascending-dose and multiple-ascending-dose escalation cohorts. Study subjects are being randomized 3:1 to either AB928 or placebo. This trial will provide us with significant insights into the safety, pharmacokinetic and pharmacodynamic profiles of AB928, which could allow us to start the dose-escalation portion of our planned Phase 1/2 combination trials in cancer patients at a higher dose than would otherwise be possible.
To date, we have administered single doses of AB928 up to 150 mg in healthy volunteers. We have demonstrated that the pharmacokinetics of AB928 support once daily dosing, AB928 achieved over 90% inhibition of the A<sub>2a</sub> R receptor and we have not observed any safety issues with AB928. As shown in the following graph, increasing doses of AB928 resulted in dose proportional increases in plasma levels of AB928. The plasma half life of AB928 following a single dose has been shown to be approximately 20 hours.

![Graph showing concentration of AB928 over time.](image)

We have developed a pCREB assay to study the pharmacodynamics of AB928, or the degree to which AB928 inhibits pCREB formation (a marker for A<sub>2a</sub> R inhibition), at each dose level administered in our Phase 1 trial. We collected blood samples from the healthy volunteers at time points corresponding to pre-dose, 2 hours post dose, and 24 hours post dose, incubated these blood samples with 5 µM NECA ex vivo and analyzed the samples as described in our earlier pCREB study. The following graph shows data for the 150 mg AB928 cohort and specifically the mean pCREB activation signal for the pooled placebo group (6 subjects) and for the healthy volunteers receiving 150 mg of AB928 (6 subjects) over the timepoints indicated. Prior to dosing, all subjects responded to 5 µM NECA by increasing the levels of pCREB in their blood CD8<sup>+</sup> T cells. As shown in the graph below, two hours after dosing, the placebo group maintained their pCREB activation signal in response to NECA stimulation while the 150 mg AB928 group had no detectable pCREB signal, demonstrating that AB928 was able to completely block the activation of A<sub>2a</sub> R by NECA. Twenty-four hours after dosing, the placebo group maintained a response similar to their pre-dose level, while the 150 mg AB928 group only showed approximately 10% of the response seen pre-dose, indicating that the levels of AB928 remaining at 24 hours were still sufficient to inhibit approximately 90% of the NECA-mediated activation of A<sub>2a</sub> R.

![Graph showing pCREB signal over time.](image)
In addition, the following graph describes the expected steady-state plasma levels of AB928, generated using the pharmacokinetic parameters obtained from the single-dose pharmacokinetic profiles. According to these anticipated levels of AB928 concentrations we expect that 75 mg AB928 once daily should be sufficient to inhibit 90% of A2R activation in the presence of 5 µM of NECA.

Complete results from this healthy volunteer trial will be available in the second quarter of 2018. Also in the second quarter of 2018, we expect to submit a regulatory filing in Australia for a Phase 1/2 dose-escalation trial of AB928 + AB122 in cancer patients. Conducting this trial in Australia will enable us to accelerate the clinical development timeline for this combination. The goal of this dose-escalation trial will be to assess the safety profile of increasing dose levels of AB928 when combined with a fixed dose of AB122 and to identify the recommended dose of AB928 + AB122 for future trials. We also expect to file an IND for AB928 in the second quarter of 2018.

Once we have determined the recommended dose of AB928 + AB122, we will initiate up to 6 expansion cohorts to evaluate this combination in multiple cancer types and we expect to initiate our first expansion cohorts in the first half of 2019. Tumor selection will be based on the criteria expressed earlier in this section, namely, tumor types that are known to be responsive to anti-PD-1/PD-L1 therapy, are associated with high expression of CD73, and are generally known to be accessible to T cell infiltration. For tumor types in which patients are likely to have already been treated with anti-PD-1/PD-L1 antibodies, we will recruit patients that are either refractory or relapsed after initial response to this type of therapy.

Each cohort will include approximately 15-30 patients, a number that we believe will be sufficient to establish evidence of anti-tumor activity. We plan to utilize an adaptive trial design that will allow us to review data from initial patients and expand only those cohorts in which signs of clinical benefit are detected.

In parallel with our AB928 + AB122 combination Phase 1/2 trial, we plan to initiate another Phase 1/2 trial to evaluate AB928 in combination with three different types of ICD-inducing chemotherapies (generally referred to here as chemotherapy), specifically platinum-based therapy and anthracycline-based therapy. We plan to file an IND for this trial in the second quarter of 2018. Following IND clearance, we will initiate enrollment for the three dose-escalation cohorts of AB928 and chemotherapy. Once the recommended dose is determined for each AB928 and chemotherapy combination, we will advance these combinations into selected expansion cohorts, currently anticipated in the first half of 2019. We have selected tumor types in which to evaluate these combinations based on considerations consistent with those outlined above, namely, tumor types that are associated with high expression of CD73, that are generally known to be accessible to T cell infiltration, and for which one of the chemotherapies of interest are already considered standard of care.

In the graphic below, the shaded boxes represent the combinations and tumor types that we plan to explore for AB928 in our expansion cohorts. Where chemotherapy is the combination agent, we will use the chemotherapy-containing regimen that is considered the standard of care for that indication, such as the oxaliplatin-containing
regimen FOLFOX in the case of colorectal cancer. For these cohorts, there already exists significant historical response data for anti-PD-1 therapy or ICD-inducing chemotherapy alone. This will enable us to better quantify the potential clinical benefits of our combination therapies in comparison to these standards of care.

### AB928 Combination Agents

<table>
<thead>
<tr>
<th>Tumor Type</th>
<th>AB122 (PD-1)</th>
<th>Carboplatin Containing Regimen</th>
<th>Oxaliplatin Containing Regimen</th>
<th>Liposomal Doxorubicin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Small Cell Lung</td>
<td>PD-1 Naïve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorectal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Triple Negative Breast</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renal</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gastroesophageal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ovarian</td>
<td></td>
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</tr>
</tbody>
</table>

An important component of our development program will be the incorporation of a biomarker strategy to identify patients most likely to benefit from AB928. In our Phase 1/2 trial of AB928, we will test patients’ tumors for CD73 expression and expect to use CD73 expression as a tool to select patients in future trials. We will also evaluate other tumor and blood markers designed to establish the extent of in vivo inhibition of the adenosine system, assess the effects of AB928 on the anti-tumor immune response, and identify additional biomarkers that are potentially predictive of response to AB928 and that could be used to screen patients in our future clinical trials.

#### Our Second-Generation A2 R Antagonist Strategy

We have an active discovery program focused on the identification of additional molecules that block adenosine 2 receptor signaling. We have identified a second dual A2a R/A2b R antagonist (A003105) as well as a selective A2a R antagonist (A002926), both of which are derived from a chemical scaffold different from that of AB928. In the design of these candidates, our focus has been on retaining or improving on the potency of AB928 for the A2a R receptor, while potentially increasing the selectivity of the compounds. We expect to take at least one of these development candidates through non-GLP toxicology studies in the near-term, so that it could be advanced into clinical development within 6-9 months of making such decision.

#### Our CD73 Inhibitor Program

Our next most advanced program in the adenosine pathway targets the CD73 enzyme, which plays a critical role in the last step of the process of extracellular ATP conversion into adenosine. CD73 inhibition should therefore be a highly effective approach to inhibiting the activation of adenosine-mediated immune suppression, as it could significantly suppress adenosine generation.

We are currently pursuing two structurally distinct chemical series of small-molecule CD73 inhibitors. Optimization of our first series was facilitated through a collaboration with Professor Norbert Stratter (University of Leipzig), a structural biologist who has solved the structure of multiple complexes of CD73 bound to our compounds. We have utilized this information in a structure-based drug design effort to create small-molecule inhibitors of CD73 with extraordinary potency in the picomolar range. This series includes compounds with extremely long half-lives, such as our lead development candidate, AB680, which we believe could be dosed intravenously or subcutaneously in the clinic every two or three weeks at the same time that a patient receives
anti-PD1 therapy or chemotherapy. This series also includes compounds that could be dosed orally. We have also identified a second chemical series, and we are evaluating compounds from this series that could be orally administered. We expect to nominate an oral development candidate from one of our two series in 2018.

We expect that AB680 will be the first small-molecule CD73 inhibitor to enter clinical development, and we are not aware of any other small-molecule CD73 inhibitors in preclinical development. While there are several anti-CD73 antibodies in development, we believe that a small-molecule approach to CD73 inhibition could offer several advantages, including:

- **More complete inhibition of CD73 enzymatic activity.** As illustrated in the graph below, we have shown in our assays that our small-molecule CD73 inhibitor, AB680, inhibits CD73 more potently and effectively than one of the CD73 antibodies in clinical development, MEDI9447. One explanation for this difference in potency is that our small-molecule CD73 inhibitors bind in the active site of the CD73 enzyme and they do so with an affinity about ten million times greater than the affinity of its substrate, AMP, for CD73. In contrast, many CD73 antibodies were not designed to inhibit the enzymatic activity of CD73 but to instead induce internalization of CD73 from the cell surface and therefore will be less effective at inhibiting soluble forms of CD73. There are significant levels of soluble CD73 that have been shed from the cell surface. Our small-molecule inhibitors display comparable potency and effectiveness against soluble as well as membrane-bound forms of CD73, while at least some of the CD73 antibodies in development are unable to completely inhibit the enzymatic action of soluble CD73.

- **Deeper tumor penetration.** As small molecules, we expect that our CD73 inhibitors should be able to achieve better penetration of tumor tissue relative to the CD73 antibodies which are much larger molecules. We have shown, in tumor-bearing mice, that the concentrations of our inhibitors in the tumor tissue are approximately 15-20% of those in the blood, demonstrating their ability to permeate well beyond the tumor micro-vasculature. It is well accepted that monoclonal antibodies, because of their molecular size and properties, cannot diffuse further than a few microns from the blood vessel that delivers them to the tumor.

- **Potential for both intravenous and oral delivery.** We are developing both oral and injectable formulations of our CD73 inhibitors, which could provide flexibility on dosing regimens. We expect that AB680 dosed once every two or three weeks, on the same schedule as an anti-PD-1 antibody or a chemotherapeutic agent, would be very convenient for patients and also be very attractive commercially. An orally formulated CD73 inhibitor would be highly convenient for patients not undergoing regular infusions.
Similar to our work with AB928, our *in vitro* and *in vivo* work with AB680 and our other small-molecule CD73 inhibitors has focused on characterizing the effects of these compounds on human immune cells, in assays that we believe are relevant to the biology of human tumors. The table below summarizes some of the key studies that we have performed with AB680 and demonstrates that our CD73 inhibitors effectively and consistently reverse CD73-adenosine mediated immune suppression. We have used variations of the assay systems described earlier for our AB928 program, with the main difference being that we suppress immune cell activation by introducing AMP (which is converted to adenosine by CD73) into the assay instead of introducing adenosine or a synthetic adenosine analogue for this purpose.

<table>
<thead>
<tr>
<th>Assay</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human CD8⁺ T cells</td>
<td>• AB680 reversed the AMP-dependent inhibition of T cell activation, proliferation and IFN-γ and granzyme B production, in a dose-dependent manner</td>
</tr>
<tr>
<td>Human CD4⁺ T cells</td>
<td>• AB680 reversed the AMP-dependent inhibition of T cell activation, proliferation, IFN-γ and IL-2 production, in a dose-dependent manner</td>
</tr>
<tr>
<td>Mixed lymphocyte reaction (MLR) between allogeneic peripheral blood mononuclear cells from two different donors</td>
<td>• AB680 blocked the AMP-dependent inhibition of anti-PD-1-enhanced IFN-γ production, in a dose-dependent manner</td>
</tr>
<tr>
<td>MLR between human dendritic cells and T cells from two different donors</td>
<td>• AB680 blocked the AMP-dependent inhibition of anti-PD-1-enhanced IFN-γ and IL-2 production, in a dose-dependent manner</td>
</tr>
</tbody>
</table>

The last experiment summarized in the table above is illustrated in the figure below and demonstrates the ability of AB680 to block the AMP-dependent inhibition of IFN-γ production by CD4⁺ T cells in a mixed lymphocyte reaction (MLR) assay with allogeneic dendritic cells. In this study, the activity of the T cells was boosted by the introduction of our anti-PD-1 antibody (AB122). Despite the high level of T cell stimulation induced by the combination of allogeneic reaction and PD-1 inhibition, introduction of a high concentration of AMP (100 µM) almost completely inhibited IFN-γ production. An anti-PD-1 antibody (AB122) was introduced to induce T-cell activation, which was then suppressed by the introduction of AMP. This effect was potently reversed by AB680, in a dose-dependent fashion.
established tumors when dosing was initiated after the tumors were palpable. An analysis of the tumor-infiltrating-lymphocyte (TIL) population in these tumors at the end of the study demonstrated that CD73 inhibition resulted in increased TIL infiltration (as measured by the CD45+ to CD45- cell ratio), as well as increased ratios of cytotoxic T cells (CD8) relative to immunosuppressive TIL (regulatory T cells (T_{reg}) and myeloid-derived suppressor cells (MDSC)). The changes of these ratios are indicative of a more productive anti-tumor immune response. We are currently evaluating our other CD73 inhibitors, including AB680, in this and other tumor models.

** Statistically significant (p<0.01)

**Our Clinical Development Strategy for AB680**

We expect to submit a regulatory filing for AB680 in the middle of 2018 to enable us to initiate clinical trials in the second half of 2018. We currently plan to model the early development program for AB680 after our development strategy for AB928 and expect that we could initiate dose-escalation trials of AB680 in combination with AB122 and with chemotherapy by the first half of 2019. The selection of tumor types in which to evaluate the clinical effects of AB680 will be influenced by any emerging efficacy data from the AB928 clinical trial. It is possible that response rates and/or duration of response of a particular tumor type might be different for AB928 versus AB680 treatment.

**Our Second-Generation CD73 Strategy**

In addition to the chemical series from which AB680 was derived, we are evaluating another chemical series of CD73 inhibitors. We have an active effort to identify a CD73 inhibitor to be developed as an orally administered agent from one of these chemical series. We anticipate selecting a preclinical development candidate from one of these chemical series in 2018. In addition to our efforts to advance a CD73 inhibitor that can be administered orally, we are also identifying other potential back-up compounds to AB680.
Our Antibody Programs

In addition to our small-molecule programs, we are developing antibody drug candidates that are currently considered to be backbone therapy in immunoncology or that have the potential to be backbone therapies in the future, such as our in-licensed anti-PD-1 and anti-TIGIT antibodies. Our strategy is to create differentiated combination products by combining these antibodies with our internally discovered small-molecule product candidates. In addition, by having these antibodies in our portfolio, we can better control the combinations that we pursue, as well as potentially capture a greater share of the value of the combination products. As a result, we have established capabilities at Arcus that allow us to evaluate and develop antibody drug candidates and will continue to explore opportunities to create or in-license antibodies that we believe will be critical to our intra-portfolio combination development strategy.

Our Anti-PD-1 Antibody, AB122

In August 2017, we in-licensed our anti-PD-1 antibody, which we refer to as AB122, from WuXi Biologics. AB122 is a fully human IgG4 antibody that was generated by WuXi Biologics using the transgenic rat platform from Open Monoclonal Technology. The biochemical, biological and preclinical properties of AB122 have been shown by WuXi Biologics and Arcus to be comparable to those of the marketed anti-PD-1 antibodies nivolumab and pembrolizumab. We are currently evaluating AB122 in cancer patients in a Phase 1 dose-escalation trial being conducted in Australia.

In Vivo and In Vitro Data Supporting AB122

Arcus and WuXi Biologics have completed multiple in vitro and in vivo studies to assess the binding, ligand-blocking (PD-L1 and PD-L2), immune cell activation and in vivo properties of AB122. In these studies, we and WuXi Biologics have demonstrated that AB122 has very similar binding properties and similar in vivo efficacy to those of nivolumab. Among the most important of these properties is that AB122 binds to human PD-1 (equilibrium binding constant, K_D, of 1.75x10^-10 M), with greater affinity than that of nivolumab (K_D = 1.16x10^-9 M), as determined by surface plasmon resonance. The K_D reflects the ratio between the on rate (rate at which the antibody binds to its target) and the off rate (rate at which the antibody becomes detached from its target); a lower K_D value reflects greater binding affinity for its target. As shown in the table below, the lower K_D value of AB122 relative to that of nivolumab reflects a greater on rate (k_a) and a slower off rate (K_d).

<table>
<thead>
<tr>
<th>Ligand</th>
<th>k_a (1/Ms)</th>
<th>k_d (1/s)</th>
<th>K_D (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB122</td>
<td>1.12×10^6</td>
<td>1.96×10^-4</td>
<td>1.75×10^-10</td>
</tr>
<tr>
<td>Nivolumab*</td>
<td>7.76×10^5</td>
<td>8.97×10^-4</td>
<td>1.16×10^-9</td>
</tr>
</tbody>
</table>

* CAS 946414-94-4
An important feature for any antibody is the ability to block the interaction between its target (PD-1, in this case) and the target’s ligands (PD-L1 and PD-L2, in this case). As shown in the figure below, AB122 is able to potently and completely block the interaction between PD-1 and PD-L1. Similar results were obtained for the blockade of binding of PD-1 to PD-L2.

Another important objective of our in vitro studies was to assess the ability of AB122 to potently and effectively relieve the PD-L1-mediated inhibition of T-cell receptor (TCR) activation on T cells. As illustrated in the figure below, AB122, pembrolizumab and nivolumab were assayed side-by-side in an assay in which the extent of TCR activation was determined in a reporter gene assay. AB122 demonstrated very similar potency to those of both nivolumab and pembrolizumab in this measure of functional inhibition.
AB122 was also evaluated in tumor models performed with human PD-1 transgenic mice. AB122 was shown to possess similar and maximal \textit{in vivo} anti-tumor activity to that of pembrolizumab. The graph below shows the effect on tumor size of two different dose levels of AB122 administered every three weeks compared to that of pembrolizumab administered 20 mg/kg every three weeks.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{tumor_volume_graph.png}
\caption{Tumor Volume (mm$^3$) vs. Days After the Start of Treatment}
\end{figure}

* CAS 1374853-91-4
** Statistically significant (p<0.01)

\textbf{Our Clinical Development Strategy for AB122}

In November 2017, we initiated dosing in Australia for our Phase 1 trial of AB122 in cancer patients. We decided to start our clinical testing of AB122 in Australia, because we were able to proceed from regulatory filing to dosing of the first patient much more quickly than would have been the case in the United States. We also believe that we may be able to enroll patients more quickly in Australia than in the United States, because we are more likely to identify patients that have not received anti-PD-1 therapy. The first portion of this dose-escalation trial will evaluate fixed doses of 80 mg, 240 mg and potentially higher doses of AB122 as monotherapy administered every two weeks. Once we identify our recommended dose for future trials of AB122, we will initiate the second portion of this dose-escalation trial, which will evaluate AB122 in combination with our A$\_2\alpha$R/A$\_2\beta$R antagonist, AB928. As discussed above under the section titled “Business—Our Clinical Development Strategy for AB928”, this will be followed by various dose-expansion cohorts that will evaluate the combination in carefully chosen tumor types. We expect to file an IND for AB122 in the United States in the third quarter of 2018.

We are evaluating various strategies to demonstrate the clinical benefit of AB122 monotherapy, given its role as a cornerstone of our combination strategy. Following the identification of the recommended monotherapy dose and regimen for AB122, we are planning to initiate a dose expansion cohort which would evaluate AB122 in approximately 30-40 cancer patients in tumor types known to be responsive to anti-PD-1/PD-L1 therapy, such as non-small-cell lung cancer.

\textbf{Our Anti-TIGIT Antibody, AB154}

Our second antibody program targets TIGIT (T-cell immunoreceptor with Ig and ITIM domains), a unique immune checkpoint target, because its primary ligand, CD155, plays both inhibitory and stimulatory roles in regulating the activity of effector immune cells such as T and NK cells. TIGIT is an inhibitory receptor highly
expressed on T cells displaying an exhausted phenotype, tumor-infiltrating Treg, and NK cells. The ligands for TIGIT are expressed on a large number of cancer cells and on other immune cells such as dendritic cells, and their binding to TIGIT results in inhibition of immune cells.

In addition to TIGIT, CD155 binds, with lower affinity, to DNAM-1 (also known as CD226), a stimulatory receptor also expressed on T cells and NK cells. As a result, when anti-TIGIT antibodies bind to TIGIT, thereby blocking the TIGIT:CD155 interaction, they not only block an inhibitory signal on T cells and NK cells but also free up CD155 to bind to and activate DNAM-1, leading to increased activation of T cells and NK cells. The graphic below further illustrates the TIGIT:CD155 interaction and consequences of inhibiting TIGIT.

Concurrent blockade of TIGIT and PD-1 has been shown to be more effective than PD-1 blockade alone in both in vitro and in vivo models. Importantly, high TIGIT expression at initial cancer diagnosis is associated with CD8+ T cell exhaustion and poor clinical outcomes.

AB154 is our humanized anti-TIGIT IgG1 monoclonal antibody engineered to lack FcγR binding and effector function (that is, it will not trigger antibody-dependent cellular cytotoxicity—ADCC—or complement-dependent cytotoxicity—CDC). We in-licensed AB154 in December 2016. Since that time, we have initiated cell line development and other chemistry, manufacturing and controls, or CMC activities and preclinical safety assessment studies and expect to initiate clinical trials for AB154 in cancer subjects in 2018.
Preclinical Data Supporting the Benefits of TIGIT Blockade and AB154

We have demonstrated that AB154 binds with high affinity and selectively to human (IC$_{50}$ = 0.3 nM) and cynomolgus monkey TIGIT. This affinity for TIGIT allows AB154 to block TIGIT-CD155 binding with great potency (IC$_{50}$ = 0.4 nM). We have demonstrated that blocking TIGIT in vitro enhances the activation and function of human T cells and NK cells and also synergizes with PD-1 inhibition in vitro. The table below provides a summary of the key preclinical immune function data generated for this molecule.

<table>
<thead>
<tr>
<th>Assay</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jurkat T cell stably expressing TIGIT (reporter gene assay)</td>
<td>AB154 reversed TIGIT-mediated inhibition of T cell receptor activation, in a dose-dependent manner</td>
</tr>
<tr>
<td>Polyclonal activation of human T cells by staphylococcal enterotoxin B (SEB)</td>
<td>AB154 produced robust enhancement of effector cytokines production by human T cells; effects similar to those obtained with an anti-PD-1 antibody</td>
</tr>
<tr>
<td>Antigen-specific T cell activation</td>
<td>AB154 induced robust IL-2 secretion and proliferation of T cells in response to Tetanus Toxin recall antigen; effects similar to those obtained with an anti-PD-1 antibody</td>
</tr>
<tr>
<td>Antigen-dependent T cell cytotoxicity</td>
<td>AB154 enhanced CD8+ T cell killing of target cells in an antigen-dependent manner</td>
</tr>
<tr>
<td>Natural killer (NK) cell natural cytotoxicity</td>
<td>AB154 enhanced NK cell-mediated natural cytotoxicity of target K562 cells</td>
</tr>
<tr>
<td>Mixed lymphocyte reaction (MLR) between human dendritic cells and T cells</td>
<td>AB154 enhanced the production of effector cytokines (e.g., IFN-γ) by CD4+ T cells co-cultured with allogeneic dendritic cells. AB154 was able to enhance the effects of an anti-PD-1 antibody in this assay.</td>
</tr>
</tbody>
</table>

The figure below illustrates the ability of AB154 to enhance the production of IFN-γ in a mixed lymphocyte reaction assay (allogeneic co-culture of dendritic cells and CD4+ T cells) in combination with AB122.

* Statistically significantly (p<0.05)

Development Status of AB154

To support our clinical development activities, GLP toxicology studies are ongoing and we plan to submit our first regulatory application to initiate clinical trials for AB154 in mid-2018. Following this regulatory submission, our plan is to initiate a dose-escalation trial investigating both AB154 as monotherapy and in combination with AB122 in cancer patients. We estimate that safety and initial efficacy data will be available from this dose-escalation trial in 2019; once the recommended Phase 2 dosing regimen (as monotherapy and in the combination) has been established, we will evaluate these therapies in selected tumor types, which will be based on results from our work to identify those tumor types with the highest expression levels of CD155 and
TIGIT. Leading clinical settings at this time include the following types of cancer: colorectal, head and neck, triple-negative breast and lung (both non-small cell lung cancer and small cell lung cancer).

**Our Early-Stage Drug Discovery Programs**

**Arginase Program**

We have an active research effort directed at the discovery of novel inhibitors of arginase-1 (ARG-1), another immuno-suppressive enzyme. ARG-1 is highly expressed by various elements in the tumor microenvironment, including cancer cells and myeloid-derived immune cells. ARG-1 depletes arginine from the tumor microenvironment, which creates a shortage of a key building block for the efficient activation and proliferation of both T cells and NK cells. Addition of recombinant ARG-1 or extracts of myeloid cells to *in vitro* T cell cultures results in reduced proliferation and cytokine secretion. This effect is blocked by inhibition of ARG-1 activity. Arginase levels in blood are elevated in multiple tumor types, including gastric, renal and lung, and this elevation is correspondingly associated with reduced arginine levels.

We are currently optimizing small-molecule inhibitors of ARG-1 with the goal of creating a leading arginase inhibitor. As of today, we are only aware of one ARG-1 inhibitor in clinical development. We plan to select a lead candidate in 2018 and to initiate a Phase 1 clinical trial for this compound in 2019. Preclinical studies by third parties suggest that ARG-1 inhibitors could work synergistically with anti-PD-1 antibodies. Additionally, ARG-1 inhibitors may work well in combination with our adenosine pathway inhibitors, allowing us to reverse inhibition by two immunosuppressive pathways in the tumor microenvironment.

**Rationale for the Development of Triplet Combinations Involving our Development Candidates**

In addition to evaluating multiple doublet combinations with our product candidates, we plan to explore triplet combinations and have already demonstrated the potential of at least one novel triplet combination involving three of our product candidates. For example, there is a strong rationale for developing a doublet combination of AB154 (our anti-TIGIT antibody) and AB122 (our anti-PD-1 antibody) in certain settings. However, we have shown in cell-based studies that the profound T cell activation that results from the combination of anti-TIGIT and anti-PD-1 antibodies can be almost completely blocked by the introduction of adenosine monophosphate (AMP), which is converted by CD73 into adenosine, as illustrated in the figure below. This experiment demonstrates how powerfully adenosine suppresses T cell function, even in the presence of two highly potent immune checkpoint inhibitors. However, when we introduced our CD73 inhibitor AB680 into the assay, it completely reversed the AMP-induced immune suppression as shown in the last bar. This experiment demonstrates how triplet combination therapy has the potential to overcome adenosine-induced immune suppression. Hence, it is likely that there could be value in exploring a triplet combination involving either AB928 or AB680 together with AB154 and AB122.

* Statistically significant (p<0.05)
** Statistically significant (p<0.01)
The experiment referenced above was conducted in a mixed lymphocyte reaction (MLR) assay, in which human CD4+ T cells are stimulated to produce IFN-γ by co-culturing them with allogeneic dendritic cells. The first two bars in this figure are controls that reflect the amount of IFN-γ production in the absence of any immune checkpoint blockade. The third bar illustrates the pronounced enhancement of IFN-γ production as a result of PD-1 inhibition. The fourth bar illustrates the additional increase in IFN-γ production that results from combining PD-1 inhibition with TIGIT inhibition. Importantly, as seen in the fifth column, introduction of AMP into the experiment resulted in very pronounced reduction in the extent of stimulation obtained from combined PD-1 and TIGIT inhibition. We believe that AMP is converted into adenosine by the CD73 expressed on the immune cells used for the assay. In the last column, on the right side of the figure, we show that the profound immunosuppression produced by AMP was reversed by our CD73 inhibitor, AB680.

Commercialization Plans

We intend to retain significant development and commercial rights to our product candidates and, if marketing approval is obtained, to commercialize our product candidates on our own, or potentially with a partner, in the United States and other regions. We currently have no sales, marketing or commercial product distribution capabilities and have no experience as a company commercializing products. We intend to build the necessary infrastructure and capabilities over time for the United States, and potentially other regions, following further advancement of our product candidates. Clinical data, the size of the addressable patient population, the size of the commercial infrastructure and manufacturing needs may all influence or alter our commercialization plans.

License Agreements

Abmuno Therapeutics LLC License Agreement

In December 2016, we entered into a license agreement (the Abmuno Agreement) with Abmuno Therapeutics LLC (Abmuno) for a worldwide exclusive license to develop, use, manufacture, and commercialize products that include an anti-TIGIT antibody. We license AB154 under the Abmuno Agreement. Under the Abmuno Agreement, we have made upfront and milestone payments of $3.8 million as of December 31, 2017 and we may be required to make additional clinical, regulatory and commercialization milestone payments up to $103.8 million.

The Abmuno Agreement terminates on the latest of (i) the expiry of the last-to-expire Abmuno licensed patent that covers a product that contains an anti-TIGIT antibody, (ii) the date on which there is no longer an Abmuno licensed patent application that is still pending and has been pending for a certain period of time that covers a product that contains an anti-TIGIT antibody and (iii) 10 years from the date of first commercial sale.

WuXi Biologics (Cayman) Inc. License Agreement

In August 2017, we entered into a license agreement (the WuXi Agreement) with WuXi Biologics (Cayman) Inc. (WuXi Biologics) for an exclusive license to develop, use, manufacture, and commercialize products that include an anti-PD-1 antibody throughout the world except for China and five other countries outside of the United States, Europe and Japan. We license AB122 under the WuXi Agreement. Under the WuXi Agreement, we have made upfront and milestone payments of $18.5 million as of December 31, 2017 and we may be required to make additional clinical and regulatory milestone payments, commercialization milestone payments up to $375.0 million, and royalty payments that range from high single-digits to low teens of net sales beginning on the first commercial sale and ending on the later of (i) ten (10) years following such first commercial sale and (ii) the expiry of all patents that may subsequently be issued or granted that cover the product in such country, hereafter referred to as the royalty term. We are also required to pay WuXi Biologics a percentage in the low double digits of certain sublicense income that we receive from our sublicensees in direct connection with our sublicensees’ rights to use WuXi Biologics’s patents, patent applications and know-how.

We are obligated to appoint WuXi Biologics as our exclusive manufacturer of such licensed products for a certain period of time subject to certain exceptions. Our sublicensees, however, may manufacture, at any time,
certain portions of their requirements for such product subject to certain conditions. We made certain covenants not to commercialize any anti-PD-1 antibody licensed or obtained by us after the date of the license agreement with WuXi Biologics other than anti-PD-1 antibodies licensed from WuXi Biologics, subject to certain exceptions as set forth in the WuXi Agreement.

This agreement terminates, on a licensed product-by-licensed product and country-by-country basis, on expiration of the royalty term for such licensed product for the applicable country.

**Taiho Pharmaceutical Co., Ltd. Option and License Agreement**

In September 2017, we entered into an option and license agreement (the Taiho Agreement) with Taiho Pharmaceutical Co., Ltd. (Taiho) pursuant to which Taiho will provide $35.0 million of non-refundable, non-creditable cash payments to us during the first three years of the agreement in exchange for an exclusive option, over a five-year period (the Option Period), to in-license the development and commercialization rights to clinical stage product candidates from our portfolio (each, an Arcus Program) for Japan and certain other territories in Asia (excluding China). We received $25.0 million in 2017 and we are due an additional $5.0 million of non-refundable and non-creditable payments in both 2018 and 2019. If we do not initiate IND-enabling studies for at least five Arcus Programs prior to the expiration of the Option Period, Taiho may elect to extend the Option Period, up to a maximum of seven years for the Option Period, subject to an extension fee. If Taiho elects to exercise any such options, the license described above will be granted under terms and conditions set forth in the agreement. Under such terms, Taiho is obligated to pay an option exercise payment for each option exercise of between $3.0 million to $15.0 million, with the amount dependent on the development stage of the applicable Arcus Program for which the option is exercised. In addition, Taiho is obligated to pay to us clinical, regulatory and commercialization milestones up to $275.0 million with respect to each program for which Taiho exercises the option and been granted the applicable license, as well as royalties ranging from high single digits to mid-teens, on net sales in Taiho’s territories. Royalties will be payable on a licensed product-by-licensed product and country-by-country basis during the period of time commencing on the first commercial sale of a licensed product in a country and ending upon the later of: (i) ten (10) years from the date of first commercial sale of such licensed product in such country; and (ii) expiration of the last-to-expire valid claim of our patents covering the manufacture, use or sale or exploitation of such licensed product in such country.

This agreement will remain in effect until (i) expiration of the last option exercise period if Taiho has not exercised any of its options or (ii) if Taiho has exercised any of its options, expiry of all royalty terms for the licensed products.

**Manufacturing and Supply**

We do not own or operate, and currently have no plans to establish, any manufacturing facilities. We rely, and expect to continue to rely, on third parties for the manufacture of our product candidates for preclinical and clinical testing, as well as for commercial manufacture if any of our product candidates obtain marketing approval. We also rely, and expect to continue to rely, on third parties to package, label, store and distribute our investigational product candidates, as well as for our commercial products if marketing approval is obtained. We believe that this strategy allows us to maintain a more efficient infrastructure by eliminating the need for us to invest in our own manufacturing facilities, equipment and personnel while also enabling us to focus our expertise and resources on the development of our product candidates.

To date, we have obtained active pharmaceutical ingredients (API) and drug product for our product candidates from single-source third party contract manufacturers. We are in the process of developing our supply chain for each of our product candidates and intend to put in place framework agreements under which third-party contract manufacturers will generally provide us with necessary quantities of API and drug product on a project-by-project basis based on our development needs. With respect to AB122, we agreed, as part of our license agreement with WuXi Biologics, that WuXi Biologics would be our exclusive manufacturer of AB122.
with respect to clinical and commercial supplies until a certain number of years after marketing approval for AB122, subject to certain exceptions.

As we advance our product candidates through development, we will consider our lack of redundant supply for the API and drug product for each of our product candidates to protect against any potential supply disruptions.

We generally expect to rely on third parties for the manufacture of any companion diagnostics we may develop.

**Competition**

The pharmaceutical and biotechnology industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technology, development experience and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources, including large pharmaceutical and biotechnology companies, academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for the research, development, manufacturing and commercialization of cancer immunotherapies. Any product candidates that we successfully develop and commercialize will compete with new immunotherapies that may become available in the future.

We compete in the segments of the pharmaceutical, biotechnology and other related markets that develop immuno-oncology treatments. There are many other companies that have commercialized and/or are developing immuno-oncology treatments for cancer including large pharmaceutical and biotechnology companies, such as AstraZeneca/MedImmune, Bristol-Myers Squibb, Merck, Novartis, Pfizer and Roche/Genentech.

For our dual adenosine receptor antagonist, AB928, we are aware of several other companies that are developing selective adenosine A\(_2\)a R antagonists, including AstraZeneca/MedImmune, Corvus, iTEOS, Merck and Novartis. To our knowledge, there are no adenosine receptor antagonists approved for the treatment of cancer and the most advanced such selective A\(_2\)a R antagonists are in Phase 1/2 clinical trials.

For our small molecule CD73 inhibitor, AB680, we are aware of several pharmaceutical companies developing antibodies against this target, including AstraZeneca/MedImmune, Bristol-Myers Squibb, Corvus, Innate Pharma, Merck and Surface Oncology. To our knowledge, only AstraZeneca and Bristol-Myers Squibb have advanced their CD73 antibodies into clinical development. We believe that AB680 will be the first small molecule CD73 inhibitor to enter clinical development.

For our anti-PD-1 antibody, AB122, multiple large pharmaceutical companies have already received regulatory approvals for their anti-PD-1/PD-L1 antibodies, including AstraZeneca, Bristol-Myers Squibb, Merck, Pfizer in partnership with Merck Kgaa, and Roche/Genentech. There are also many other anti-PD-1 and anti-PD-L1 antibodies in clinical development.

For our anti-TIGIT antibody, AB154, we are aware of several pharmaceutical companies developing antibodies against this target including Bristol-Myers Squibb, Merck, OncoMed and Genentech. To our knowledge, there are no approved anti-TIGIT antibodies and the most advanced antibodies are in Phase 1 clinical trials.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and enrolling subjects for our clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.
We could see a reduction or elimination of our commercial opportunity if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we or our collaborators may develop. Our competitors also may obtain FDA or foreign regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we or our collaborators are able to enter the market. The key competitive factors affecting the success of all of our product candidates, if approved, are likely to be their efficacy, safety, convenience, price, the effectiveness of companion diagnostics (if required), the level of biosimilar or generic competition and the availability of reimbursement from government and other third-party payors.

**Intellectual Property**

Our commercial success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries for our product candidates, to operate without infringing valid and enforceable patents and proprietary rights of others, and to prevent others from infringing on our proprietary or intellectual property rights. We seek to protect our proprietary position by filing, in the United States and other foreign jurisdictions, patent applications intended to cover the composition of matter of our product candidates, their methods of use, and related discoveries, technologies, inventions and improvements that may be commercially important to our business. We may also rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. We also intend to take advantage of regulatory protection afforded through data exclusivity, market exclusivity and patent term extensions where available.

We do not yet own or license any issued patents relating to our product candidates. As of February 1, 2018, we own or have in-licensed 9 pending U.S. patent applications, 8 pending Patent Cooperation Treaty (PCT) patent applications, and 9 pending foreign patent applications. A PCT patent application is an international patent application that allows an applicant to simultaneously file in more than 150 contracting states via a single patent application. The PCT application can be converted into a “national phase” application in any such contracting state, at which point substantive examination will be performed by the patent office in the jurisdiction (i.e. country or region) in which the national phase application has been filed. As of February 1, 2018, with respect to our adenosine receptor antagonist program, we own 5 U.S. patent applications, 1 PCT patent application and 1 foreign patent application in each of Argentina, Taiwan and Uruguay that are directed to compositions of matter and methods of use. As of February 1, 2018, with respect to our CD73 inhibitor program, we own 1 U.S. patent application, 3 PCT patent applications and 3 foreign patent applications in Taiwan that are directed to compositions of matter and methods of use. As of February 1, 2018, with respect to our anti-PD-1 antibody program, we in-license 2 PCT applications and we own 1 U.S. provisional application that are directed to compositions of matter and methods of use. As of February 1, 2018, with respect to our anti-TIGIT antibody program, we in-license 1 U.S. patent application, 1 PCT patent application and 1 foreign patent application in each of Argentina, Taiwan and Uruguay that are directed to compositions of matter and methods of use. The term of any patents that may issue will vary in accordance with the laws of each jurisdiction, but is typically 20 years from the earliest effective filing date. Any patents that may issue from our company-owned or licensed pending applications are projected to expire between 2035 and 2038, absent any patent term adjustments or extensions.

The patent positions for biotechnology and pharmaceutical companies like us are generally uncertain and can involve complex legal, scientific and factual issues. Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our product candidates and enforce the patent rights that we own or license, and could affect the value of such intellectual property. With respect to both company-owned and licensed intellectual property, we cannot guarantee that the patent applications we are currently pursuing or may file in the future will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Our competitors may independently develop similar product candidates or technologies that are outside the scope of the rights granted under any issued patents that we own or exclusively in-license. We cannot be sure that any patents that may be granted to us in the future will be commercially useful in protecting our products or their methods of use.
or manufacture. Moreover, even issued patents do not guarantee us the right to commercialize our products. For example, third parties may have blocking patents that could be used to prevent us from commercializing or manufacturing our product candidates.

Because of the extensive time required for development, testing and regulatory review of a product candidate, it is possible that, before a product can be commercialized, any patent protection for such product may expire or remain in force for only a short period following commercialization, thereby reducing the commercial advantage the patent provides. In the United States, the term of a patent covering an FDA-approved product may, in certain cases, be eligible for a patent term extension under the Hatch-Waxman Act as compensation for the loss of patent term during the FDA regulatory review process. The period of extension may be up to five years, but cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. Only one patent among those eligible for an extension and only those claims covering the approved product, a method for using it, or a method for manufacturing it may be extended. Similar provisions are available in Europe and in certain other jurisdictions to extend the term of a patent that covers an approved product. While we intend to seek patent term extensions in any jurisdictions where they are available, there is no guarantee that the applicable authorities, including the FDA, will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions.

**Government Regulation**

**Government Regulation and Product Approval**

Government authorities in the United States, at the federal, state and local level, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of therapeutic products. The processes for obtaining regulatory approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

**FDA Approval Process**

In the United States, the Food and Drug Administration (FDA) regulates drugs and biological products under the Federal Food, Drug, and Cosmetic Act (FDCA), the Public Health Service Act (PHSA), and implementing regulations. These laws and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of therapeutic products. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as clinical hold, FDA refusal to approve pending regulatory applications, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

The process required by the FDA before a drug or biological product may be marketed in the United States generally includes the following:

- Completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices (GLP) or other applicable regulations;
- Submission to the FDA of an investigational new drug application (IND), which must become effective before human clinical trials may begin in the United States;
- Performance of adequate and well-controlled human clinical trials according to Good Clinical Practices (GCP), to establish the safety and efficacy of the product candidate for its intended use;
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- Submission to the FDA of a New Drug Application (NDA) or Biological Licensing Application (BLA) for a new product;
- Satisfactory completion of an FDA inspection of the facility or facilities where the product candidate is manufactured to assess compliance with the FDA’s current good manufacturing practices (cGMP), to assure that the facilities, methods and controls are adequate to preserve the therapeutic product candidate’s identity, strength, quality, purity, and potency;
- Potential FDA audit of the preclinical and clinical trial sites that generated the data in support of the NDA/BLA; and
- FDA review and approval of the NDA/BLA.

Satisfaction of FDA pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity, and novelty of the product candidate or disease. A clinical hold may occur at any time during the life of an IND and may affect one or more specific trials or all trials conducted under the IND.

Preclinical tests include laboratory evaluation of product candidate’s chemistry, formulation, and toxicity, as well as animal tests to assess the characteristics and potential safety and efficacy of the product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements, including GLP. The results of preclinical testing are submitted to the FDA as part of an IND along with other information, including information about product candidate’s chemistry, manufacturing and controls, and a proposed clinical trial protocol. Long term preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND is submitted. A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has neither commented on nor questioned the IND within this 30-day period, the clinical trial proposed in the IND may begin. Clinical trials involve the administration of the investigational product to healthy volunteers or subjects under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with GCP, an international standard meant to protect the rights and health of subjects and to define the roles of clinical trial sponsors, administrators, and monitors; as well as (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. subjects and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary or permanent discontinuation of a clinical trial at any time, or impose other sanctions if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial subjects. The trial protocol and informed consent information for subjects in clinical trials must also be submitted to an institutional review board (IRB) for approval. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB’s requirements, or may impose other conditions. The study sponsor may also suspend a clinical trial at any time on various grounds, including a determination that the subjects are being exposed to an unacceptable health risk.

Clinical trials to support NDAs/BLAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In Phase 1, the initial introduction of the product candidate usually into healthy human subjects, the product candidate is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the product candidate for a particular indication, dosage tolerance, and optimal dosage, and to identify common adverse effects and safety risks. If a product candidate demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to obtain additional information about clinical efficacy and safety in a larger number of subjects, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit risk relationship of the product candidate and to provide adequate information for the labeling of the product candidate. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the product candidate. A single Phase 3 trial may be sufficient in certain circumstances.
A therapeutic product candidate being studied in clinical trials may be made available for treatment of individual patients, in certain circumstances. Pursuant to the 21st Century Cures Act (Cures Act) which was signed into law in December 2016, the manufacturer of an investigational product for a serious disease or condition is required to make available, such as by posting on its website, its policy on evaluating and responding to requests for individual patient access to such investigational product.

During the development of a new product candidate, sponsors are given opportunities to meet with the FDA at certain points; specifically, prior to the submission of an IND, at the end of Phase 2 and before an NDA/BLA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date and for the FDA to provide advice on the next phase of development. Sponsors typically use the meeting at the end of Phase 2 to discuss their Phase 2 clinical results and present their plans for the pivotal Phase 3 clinical trials that they believe will support the approval of the new product candidate.

Concurrent with clinical trials, sponsors usually complete additional animal safety studies and also develop additional information about the chemistry and physical characteristics of the product candidate and finalize a process for manufacturing commercial quantities of the product candidate in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and the manufacturer must develop methods for testing the quality, purity and potency of the product candidate. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its proposed shelf-life. After completion of the required clinical testing, an NDA, for a drug product candidate, or a BLA, for a biological product candidate, is prepared and submitted to the FDA. FDA approval of the NDA or BLA is required before marketing of the product may begin in the United States. The NDA or BLA must include the results of all preclinical, clinical, and other testing and a compilation of data relating to the product candidate’s pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting an NDA or BLA is substantial. The submission of most NDAs and BLAs is additionally subject to a substantial application user fee, and the applicant under an approved NDA or BLA is also subject to annual product and establishment user fees. These fees are typically increased annually. On August 3, 2017, Congress passed the FDA Reauthorization Act of 2017 (FDARA) which reauthorizes the various user fees to facilitate the FDA’s product review and oversight.

The FDA has 60 days from its receipt of an NDA or BLA to determine whether the application will be accepted for filing based on the agency’s threshold determination that it is sufficiently complete to permit substantive review. Combination products are typically marketed under an application type associated with the constituent part that provides the primary mode of action (PMOA) for the combination product (i.e., an NDA or abbreviated new drug application (ANDA) if it has a drug PMOA, a BLA if it has a biological product PMOA. A single marketing application is generally sufficient for a combination product. In some cases, however, a sponsor may wish to submit separate marketing applications for different constituent parts of a combination product, and the FDA may consider this permissible. The FDA may refuse to file any NDA or BLA that it deems incomplete or not properly reviewable at the time of submission, and may request additional information. In this event, the NDA or BLA must be resubmitted with the additional information and 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 review. The FDA has agreed to certain performance goals in the review of NDAs and BLAs. Most such applications for standard review product candidates are reviewed within ten months of the date the FDA files the NDA or BLA; most applications for priority review product candidates are reviewed within six months of the date the FDA files the NDA or BLA. Priority review can be applied to a product candidate that the FDA determines has the potential to treat a serious or life-threatening condition and, if approved, would be a significant improvement in safety or effectiveness compared to available therapies. The review process for both standard and priority review may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission.

Among other things, the FDA reviews an NDA to determine whether the product is safe and effective for its intended use, a BLA to determine whether the product is safe, pure, and potent, and in each case, whether the
product candidate is being manufactured in accordance with cGMP. The FDA may also refer applications for novel product candidates, or product candidates 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. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations.

Before approving an NDA or BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the product candidate is manufactured. The FDA will not approve the product candidate 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. To assure GCP and cGMP compliance, an applicant must incur significant expenditures 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 NDA or BLA does not satisfy the criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive. The FDA may disagree with our trial design or interpret data from preclinical studies and clinical trials differently than we interpret the same data. If the agency decides not to approve the NDA or BLA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the application identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. If a complete response letter is issued, the applicant may either resubmit the NDA or BLA, addressing the deficiencies identified in the letter, or withdraw the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA or BLA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. An approval letter authorizes commercial marketing of the drug or biological product in the United States with specific prescribing information for specific indications.

Even if a product candidate 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 evaluation and mitigation strategy (REMS), or otherwise limit the scope of any approval. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use (ETASU). ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of the product. In addition, the FDA may require post marketing clinical trials, sometimes referred to as “Phase 4” clinical trials, designed to further assess a product’s safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

**Foreign Clinical Trials to Support an IND, NDA, or BLA**

The FDA will accept as support for an IND, NDA, or BLA a well-designed, well-conducted, non-IND foreign clinical trial if it was conducted in accordance with GCP and the FDA is able to validate the data from the trial through an on-site inspection, if necessary. A sponsor or applicant who wishes to rely on a non-IND foreign clinical trial to support an IND must submit the following supporting information to the FDA to demonstrate that the trial conformed to GCP:

- the investigator’s qualifications;
- a description of the research facilities;
- a detailed summary of the protocol and trial results and, if requested, case records or additional background data;
• a description of the drug substance and drug product, including the components, formulation, specifications, and, if available, the bioavailability of the product candidate;
• information showing that the trial is adequate and well controlled;
• the name and address of the independent ethics committee that reviewed the trial and a statement that the independent ethics committee meets the required definition;
• a summary of the independent ethics committee’s decision to approve or modify and approve the trial, or to provide a favorable opinion;
• a description of how informed consent was obtained;
• a description of what incentives, if any, were provided to subjects to participate;
• a description of how the sponsor monitored the trial and ensured that the trial was consistent with the protocol;
• a description of how investigators were trained to comply with GCP and to conduct the trial in accordance with the trial protocol; and
• a statement on whether written commitments by investigators to comply with GCP and the protocol were obtained.

Regulatory applications based solely on foreign clinical data meeting these criteria may be approved if the foreign data are applicable to the U.S. population and U.S. medical practice, the trials have been performed by clinical investigators of recognized competence, and the data may be considered valid without the need for an on-site inspection by FDA or, if FDA considers such an inspection to be necessary, FDA is able to validate the data through an on-site inspection or other appropriate means. Failure of an application to meet any of these criteria may result in the application not being approvable based on the foreign data alone.

Disclosure of Clinical Trial Information

Sponsors of clinical trials of FDA-regulated products are required to register and disclose certain clinical trial information. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed in certain circumstances for up to two years after the date of completion of the trial. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

Expedited Development and Review Programs

The FDA has various programs, including Fast Track, priority review, accelerated approval and breakthrough therapy, which are intended to expedite or simplify the process for reviewing product candidates, or provide for the approval of a product candidate on the basis of a surrogate endpoint. Even if a product candidate qualifies for one or more of these programs, the FDA may later decide that the product candidate no longer meets the conditions for qualification or that the time period for FDA review or approval will be lengthened. Generally, product candidates that are eligible for these programs are those for serious or life-threatening conditions, those with the potential to address unmet medical needs and those that offer meaningful benefits over existing treatments. For example, Fast Track is a process designed to facilitate the development and expedite the review of product candidates to treat serious or life-threatening diseases or conditions and fill unmet medical needs. Priority review is designed to give a product candidate that treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness, an initial review within eight months as compared to a standard review time of twelve months.
Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated product candidate and expedite review of the application for a product candidate designated for priority review. Accelerated approval provides for an earlier approval for a new product candidate that meets the following criteria: is intended to treat a serious or life-threatening disease or condition, generally provides a meaningful advantage over available therapies and demonstrates 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 (IMM) that is reasonably likely to predict an effect on IMM or other clinical benefit. A surrogate endpoint is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. As a condition of approval, the FDA may require that a sponsor of a product candidate receiving accelerated approval perform post-marketing clinical trials to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the product may be subject to accelerated withdrawal procedures.

In the Food and Drug Administration Safety and Innovation Act (FDASIA) which was signed into law in July 2012, the U.S. Congress encouraged the FDA to utilize innovative and flexible approaches to the assessment of product candidates under accelerated approval. The law required the FDA to issue related guidance and also promulgate confirming regulatory changes. In May 2014, the FDA published a final Guidance for Industry titled “Expedited Programs for Serious Conditions—Drugs and Biologics,” which provides guidance on FDA programs that are intended to facilitate and expedite development and review of new product candidates as well as threshold criteria generally applicable to concluding that a product candidate is a candidate for these expedited development and review programs.

In addition to the Fast Track, accelerated approval and priority review programs discussed above, the FDA also provided guidance on a new program for Breakthrough Therapy designation, established by FDASIA to subject a new category of product candidates to accelerated approval. A sponsor may seek FDA designation of a product candidate as a “breakthrough therapy” if the product candidate is intended, alone or in combination with one or more other therapeutics, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the product candidate may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. A request for Breakthrough Therapy designation should be submitted concurrently with, or as an amendment to, an IND, but ideally no later than the end of Phase 2 meeting.

**Patent Term Restoration and Marketing Exclusivity**

After approval, owners of relevant drug or biological product patents may apply for up to a five year patent extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The allowable patent term extension is calculated as half of the product’s testing phase—the time between IND and NDA or BLA submission—and all of the review phase—the time between NDA or BLA submission and approval, up to a maximum of five years. The time can be shortened if the FDA determines that the applicant did not pursue approval with due diligence. The total patent term after the extension may not exceed 14 years.

For patents that might expire during the application phase, the patent owner may request an interim patent extension. An interim patent extension increases the patent term by one year and may be renewed up to four times. For each interim patent extension granted, the post-approval patent extension is reduced by one year. The director of the U.S. Patent and Trademark Office must determine that approval of the product candidate covered by the patent for which a patent extension is being sought is likely. Interim patent extensions are not available for a product candidate for which an NDA or BLA has not been submitted.

Market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the U.S. to the first applicant to gain approval of an NDA for a new chemical entity. A product candidate is a new chemical
entity if the FDA has not previously approved any other new product candidate containing the same active moiety, which is the molecule or ion responsible for the action of the product candidate substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application (ANDA) or a 505(b)(2) NDA submitted by another company for another version of such product candidate where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an approved NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, for new indications, dosages or strengths of an existing product candidate. This three-year exclusivity covers only the conditions associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for product candidates containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

**Biosimilars**

The Biologics Price Competition and Innovation Act of 2009 (BPCIA) created an abbreviated approval pathway for biological product candidates shown to be highly similar to or interchangeable with an FDA licensed reference biological product. Biosimilarity sufficient to reference a prior FDA-approved product requires that there be no differences in conditions of use, route of administration, dosage form, and strength, and no clinically meaningful differences between the biological product candidate and the reference product in terms of safety, purity, and potency. Biosimilarity must be shown through analytical trials, animal trials, and a clinical trial or trials, unless the Secretary of Health and Human Services waives a required element. A biosimilar product candidate may be deemed interchangeable with a prior approved product if it meets the higher hurdle of demonstrating that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic 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. To date, a handful of biosimilar products and no interchangeable products have been approved under the BPCIA. 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 is still being evaluated by the FDA.

A reference biologic is granted 12 years of exclusivity from the time of first licensure of the reference product, and no application for a biosimilar can be submitted for four years from the date of licensure of the reference product. The first biologic product candidate submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against a finding of interchangeability for other biologics for the same condition of use for the lesser of (i) one year after first commercial marketing of the first interchangeable biosimilar, (ii) 18 months after the first interchangeable biosimilar is approved if there is no patent challenge, (iii) 18 months after resolution of a lawsuit over the patents of the reference biologic in favor of the first interchangeable biosimilar applicant, or (iv) 42 months after the first interchangeable biosimilar’s application has been approved if a patent lawsuit is ongoing within the 42-month period.

**Post-approval Requirements**

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. In
addition, the FDA may under some circumstances require testing and surveillance programs to monitor the effect of approved products that have been commercialized, and the FDA under some circumstances has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs.

Any product manufactured or distributed by us or our collaborators pursuant to FDA approvals are subject to continuing regulation by the FDA, including, among other things:

- record-keeping requirements;
- reporting of adverse experiences associated with the product;
- providing the FDA with updated safety and efficacy information;
- therapeutic sampling and distribution requirements;
- notifying the FDA and gaining its approval of specified manufacturing or labeling changes;
- registration and listing requirements; and
- complying with FDA promotion and advertising requirements, which include, among other things, 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 labeling, limitations on industry-sponsored scientific and educational activities and requirements for promotional activities involving the internet.

Manufacturers, their subcontractors, and other entities involved in the manufacture and distribution of approved drug and biological 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 some state agencies for compliance with cGMP, including data integrity requirements, and other laws. The FDA periodically inspects manufacturing facilities to assess compliance with ongoing regulatory requirements, including cGMP, which impose extensive procedural, substantive and record-keeping requirements upon us and third-party manufacturers engaged by us if our products are approved. In addition, changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require FDA approval before being implemented. FDA regulations would also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon us and our third-party manufacturers. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizures of products, injunctive actions or other civil penalties. We cannot be certain we or our present or future third-party manufacturers or suppliers will be able to comply with the cGMP regulations and other ongoing FDA regulatory requirements. If we or our present or future third-party manufacturers or suppliers are not able to comply with these requirements, the FDA may halt our clinical trials or require us to recall a product from distribution.

In addition, therapeutic manufacturers in the United States must comply with applicable provisions of the Drug Supply Chain Security Act and provide and receive product tracing information, maintain appropriate licenses, ensure they only work with other properly licensed entities, and have procedures in place to identify and properly handle suspect and illegitimate product.

Additional Controls for Biological Products

To help reduce the increased risk of the introduction of adventitious agents, the PHSA emphasizes the importance of manufacturing controls for products whose attributes cannot be precisely defined. The PHSA also provides authority to the FDA to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the United States and between states.
After a BLA is approved, the biological product may also be subject to official lot release as a condition of approval. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer’s tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer.

In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products. As with drugs, after approval of biological products, manufacturers must address any safety issues that arise, are subject to recalls or a halt in manufacturing, and are subject to periodic inspection after approval.

**FDA Regulation of Companion Diagnostics**

If use of an in vitro diagnostic is essential to safe and effective use of a drug or biologic product, then the FDA generally will require approval or clearance of the diagnostic, known as a companion diagnostic and regulated by FDA as a medical device, at the same time that the FDA approves the product candidate. The review of an in vitro companion diagnostic in conjunction with the review of a product candidate involves coordination of review between internal organizations within FDA. Most companion diagnostics require approval of a premarket approval application (PMA). The PMA process, including the gathering of clinical and preclinical data and the submission to and review by the FDA, can take several years or longer. It involves a rigorous premarket review during which the applicant must prepare and provide the FDA with reasonable assurance of the device’s safety and effectiveness and information about the device and its components regarding, among other things, device design, manufacturing and labeling. PMAs are subject to a substantial application fee. In addition, PMAs for certain devices must generally include the results from extensive preclinical and adequate and well-controlled clinical trials to establish the safety and effectiveness of the device for each indication for which FDA approval is sought. In particular, for a diagnostic, the applicant must demonstrate that the diagnostic produces reproducible results when the same sample is tested multiple times by multiple users at multiple laboratories. As part of the PMA review, the FDA will typically inspect the manufacturer’s facilities for compliance with the Quality System Regulation (QSR) which imposes elaborate testing, control, documentation and other quality assurance requirements.

PMA approval is not guaranteed, and the FDA may ultimately respond to a PMA submission with a not approvable determination based on deficiencies in the application and require additional clinical trial or other data that may be expensive and time-consuming to generate and that can substantially delay approval. If the FDA’s evaluation of the PMA application is favorable, the FDA typically issues an approvable letter requiring the applicant’s agreement to specific conditions, such as changes in labeling, or specific additional information, such as submission of final labeling, in order to secure final approval of the PMA. If the FDA concludes that the applicable criteria have been met, the FDA will issue a PMA for the approved indications, which can be more limited than those originally sought by the applicant. The PMA can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution.

After a device is placed on the market following appropriate approval or clearance from the FDA, it remains subject to significant regulatory requirements. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. Device manufacturers must also establish registration and device listings with the FDA. A medical device manufacturer’s manufacturing processes and those of its suppliers are required to comply with the applicable portions of the QSR, which cover the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging and shipping of medical devices. Domestic facility records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The FDA also may inspect foreign facilities that export products to the United States.
New Legislation and Regulations

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the testing, approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations and policies are often revised or interpreted by the agency in ways that may significantly affect our business and our products. It is impossible to predict whether further legislative changes will be enacted or whether FDA regulations, guidance, policies or interpretations will be changed or what the effect of such changes, if any, may be.

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 (such as the Office of Inspector General and the Health Resources and Service Administration), the U.S. Department of Justice (DOJ) and individual U.S. Attorney offices within the DOJ, and state and local governments. For example, sales, marketing and scientific/educational grant programs may have to comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the privacy and security provisions of the Health Insurance Portability and Accountability Act (HIPAA) and similar state laws, each as amended, as applicable.

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, in whole or in part, 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 therapeutic product 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. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor 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. Our practices may not in all cases meet all of the criteria for protection under a statutory exception or regulatory safe harbor.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (ACA), 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 ACA 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 (FCA) (discussed below).

The federal false claims and civil monetary penalty laws, including the FCA, which imposes significant penalties and can be enforced by private citizens through civil qui tam actions, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to, or approval by, the federal healthcare programs, including Medicare and Medicaid, 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. A claim includes “any request or demand” for money or property presented to the U.S. government. For instance, historically, 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, off-label, and thus generally non-reimbursable, uses.

HIPAA created additional federal criminal statutes that prohibit, among other things, 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, willfully obstructing a criminal investigation of a healthcare offense, 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. Like the Anti-Kickback Statute, the ACA amended the intent standard for certain healthcare fraud statutes under HIPAA 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.

Also, many states have similar, and typically more prohibitive, 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. Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

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 Health Information Technology for Economic and Clinical Health Act (HITECH) and its implementing regulations, 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 HIPAA and seek attorneys’ fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways, are often not pre-empted by HIPAA, and may have a more prohibitive effect than HIPAA, thus complicating compliance efforts.

Certain of our products, once approved, may be administered by a physician. Under currently applicable U.S. law, certain products not usually self-administered (including injectable drugs) may be eligible for coverage under Medicare through Medicare Part B. Medicare Part B is part of original Medicare, the federal health care program that provides health care benefits to the aged and disabled, and covers outpatient services and supplies, including certain pharmaceutical products, that are medically necessary to treat a beneficiary’s health condition. As a condition of receiving Medicare Part B reimbursement for a manufacturer’s eligible drugs or biologicals, the manufacturer is required to participate in other government healthcare programs, including the Medicaid Drug Rebate Program and the 340B Drug Pricing Program. The Medicaid Drug Rebate Program requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services as a condition for states to receive federal matching funds for the manufacturer’s outpatient drugs furnished to Medicaid patients. Under the 340B Drug Pricing Program, the manufacturer must extend discounts to entities that participate in the program.

In addition, many pharmaceutical manufacturers must calculate and report certain price reporting metrics to the government, such as average sales price (ASP) and best price. Penalties may apply in some cases when such metrics are not submitted accurately and timely. Further, these prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. It is difficult to predict how Medicare coverage and reimbursement policies will be applied to our products in the future and coverage and reimbursement under different federal healthcare programs are not
always consistent. Medicare reimbursement rates may also reflect budgetary constraints placed on the Medicare program.

Additionally, the federal Physician Payments Sunshine Act (Sunshine Act) within the ACA, 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) report annually to CMS 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. Failure to report accurately could result in penalties. In addition, many states also govern the reporting of payments or other transfers of value, many of which differ from each other in significant ways, are often not pre-empted, and may have a more prohibitive effect than the Sunshine Act, thus further complicating compliance efforts.

In order to distribute products commercially, we must 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.

Ensuring business arrangements with third parties comply with applicable healthcare laws and regulations is a costly endeavor. If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other current or future governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and/or administrative penalties, damages, fines, disgorgement, individual imprisonment, 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, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, 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 may obtain regulatory approval. In the United States and in foreign markets, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the extent to which 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. Adequate coverage and reimbursement from governmental healthcare programs, such as Medicare and Medicaid in the United States, and commercial payors are critical to new product acceptance.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health
administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which therapeutics they will pay for and establish reimbursement levels. Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor’s determination that use of a therapeutic 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.

We cannot be sure that reimbursement will be available for any product that we commercialize and, if coverage and reimbursement are available, what the level of reimbursement will be. Coverage may also be more limited than the purposes for which the product is approved by the FDA or comparable foreign regulatory authorities. Reimbursement may impact the demand for, or the price of, any product for which we obtain regulatory approval.

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. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with branded drugs and drugs administered under the supervision of a physician. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. 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 each payor supporting scientific, clinical and cost-effectiveness data for the use of our product on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. 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. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

Different pricing and reimbursement schemes exist in other countries. In the European Union, 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 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, the increasing influence of health maintenance organizations, and additional legislative changes in the United States has increased, and we expect will continue to increase, the pressure on healthcare pricing. The downward pressure on the rise in healthcare costs in general, particularly prescription
medicines, medical devices and surgical procedures and other treatments, has become very intense. 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 the United States and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of product candidates, restrict or regulate post-approval activities, and affect the ability to profitably sell product candidates for which marketing approval is obtained. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

For example, the ACA has substantially changed healthcare financing and delivery by both governmental and private insurers. Among the ACA 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 that began in 2011;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program, retroactive to January 1, 2010, 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 (AMP);
- 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 manufacturers’ outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers’ Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals beginning in 2014 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;
- expansion of the entities eligible for discounts under the 340B Drug Discount Program;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- expansion of healthcare fraud and abuse laws, including the FCA and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted, or injected;
- requirements to report certain financial arrangements with physicians and teaching hospitals;
- a requirement to annually report certain information regarding drug samples that manufacturers and distributors provide to physicians;
establishment of a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending that began on January 1, 2011; and

• a licensure framework for follow on biologic products.

Some of the provisions of the ACA have yet to be implemented, and there have been legal and political challenges to certain aspects of the ACA. Since January 2017, President Trump has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. In December 2017, Congress repealed the tax penalty for an individual’s failure to maintain ACA-mandated health insurance as part of a tax reform bill. Congress is continuing to consider legislation that would alter other aspects of the ACA.

We anticipate that the ACA, if substantially maintained in its current form, will continue to result in additional downward pressure on coverage and the price that we receive for any approved product, 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. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates.

Further legislation or regulation could be passed that could harm our business, financial condition and results of operations. Other legislative changes have been proposed and adopted since the ACA was enacted. For example, in August 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for fiscal years 2012 through 2021, triggering the legislation’s automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect beginning on April 1, 2013 and will stay in effect through 2025 unless additional Congressional action is taken.

Additionally, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed federal legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. Individual states in the United States have also become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures.

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act (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 us 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 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.

Other Regulations

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

European Union / 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 to conduct clinical trials or market a product, we must obtain the requisite approvals from regulatory authorities in foreign jurisdictions 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 European Union, for example, before starting a clinical trial, a valid request for authorization must be submitted by the sponsor to the competent authority of the EU Member State(s) in which the sponsor plans to conduct the clinical trial, as well as to an independent national Ethics Committee. A clinical trial may commence only once the relevant Ethics Committee(s) has (have) issued a favorable opinion and the competent authority of the EU Member State(s) concerned has (have) not informed the sponsor of any grounds for non-acceptance. Failure to comply with the EU requirements may subject a company to the rejection of the request and the prohibition to start a clinical trial. Clinical trials conducted in the European Union (or used for marketing authorization application in the European Union) must be conducted in accordance with applicable GCP and GMP rules, International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) guidelines and be consistent with ethical principles. EU Member State inspections are regularly conducted to verify the sponsor's compliance with applicable rules. The sponsor is required to record and report to the relevant national competent authorities (and to the Ethics Committee) information about suspected serious unexpected adverse reactions.

The authorization of a clinical trial may be suspended or revoked by EU Member States in their territory if the conditions in the request for an authorization are no longer met, or if an EU Member State has information raising doubts about the safety or scientific validity of the clinical trial. Various penalties exist in EU Member States for non-compliance with the clinical trial rules and related requirements, for example with respect to data protection and privacy. If we or our potential collaborators fail to comply with applicable EU regulatory requirements, we may also be subject to damage compensation and civil and criminal liability. The way clinical trials are conducted in the European Union will undergo a major change when the new EU Clinical Trial Regulation (Regulation 536/2014) comes into application in 2019.

As in the United States, no medicinal product may be placed on the EU market unless a marketing authorization has been issued. Biological products, including immunological medicinal products, must be authorized through
the centralized procedure, i.e., at EU level. Products submitted for approval via the centralized procedure are assessed by the Committee for Medicinal Products for Human Use (CHMP), a committee within the European Medicine Agency (EMA). The CHMP assesses, *inter alia*, whether a medicine meets the necessary quality, safety and efficacy requirements and whether it has a positive risk-benefit balance. The requirements for an application dossier for a biological product contain different aspects than that of a chemical medicinal product. Suspected unexpected serious adverse reactions related to authorized medicinal products must be recorded and reported to the national competent authorities.

Various penalties and sanctions exist in different EU Member States for non-compliance with the EU marketing authorization procedure. The European Commission may also impose financial penalties on the holders of marketing authorizations if they fail to comply with certain obligations in connection with the authorizations. If we or our potential collaborators fail to comply with applicable EU – or other ex-U.S. – 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.

Coverage and reimbursement status of any product candidates for which we obtain regulatory approval are provided for by the national laws of EU Member States. The requirements may differ across the EU Member States. Also at national level, actions have been taken to enact transparency laws regarding payments between pharmaceutical companies and health care professionals (HCPs).

The EU Data Protection Directive and Member State implementing legislation may also apply to health-related and other personal information obtained outside of the United States. The Directive will be replaced by the EU General Data Protection Regulation in May 2018. The Regulation will increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms to ensure compliance with the new EU data protection rules.

For other countries outside of the European Union, 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 must be conducted in accordance with GCP and the applicable regulatory requirements.

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.

**Australia**

Conducting clinical trials for therapeutic drug candidates in Australia is subject to regulation by Australian regulatory bodies. The Therapeutic Goods Administration (TGA) and the National Health and Medical Research Council set the codes of Good Clinical Practice (GCP) for clinical research in Australia, and compliance with these codes is mandatory. Australia has also adopted international codes, such as those promulgated by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the ICH). The ICH guidelines must be complied with across all fields of clinical research, including those related to pharmaceutical quality, nonclinical and clinical data requirements and trial designs. The basic requirements for preclinical data to support a first-in-human trial under ICH guidelines are applicable in Australia. Requirements related to adverse event reporting in Australia are similar to those required in other major jurisdictions.

Clinical trials conducted using “unapproved therapeutic goods” in Australia, being those which have not yet been evaluated by the TGA for quality, safety and efficacy must occur pursuant to either the Clinical Trial Notification Scheme (CTN Scheme), or the Clinical Trial Exemption Scheme (CTX Scheme). In each case, the trial is supervised by a Human Research Ethics Committee (HREC) an independent review committee set up under
guidelines of the Australian National Health and Medical Research Council that ensures the protection of rights, safety and well-being of human subjects involved in a clinical trial. A HREC does this by reviewing, approving and providing continuing examination of trial protocols and amendments, and of the methods and material to be used in obtaining and documenting informed consent of the trial subjects.

The CTN Scheme broadly involves:

- completion of pre-clinical laboratory and animal testing;
- submission to a HREC, of all material relating to the proposed clinical trial, including the trial protocol;
- the institution or organisation at which the trial will be conducted, referred to as the “Approving Authority”, giving final approval for the conduct of the trial at the site, having regard to the advice from the HREC;
- the investigator submitting a ‘Notification of Intent to Conduct a Clinical Trial’ form (the CTN Form) to the TGA. The CTN form must be signed by the sponsor, the principal investigator, the chairman of the HREC and a person responsible from the Approving Authority. The TGA does not review any data relating to the clinical trial however CTN trials cannot commence until the trial has been notified to the TGA.

Under the CTX Scheme:

- a sponsor submits an application to conduct a clinical trial to the TGA for evaluation and comment; and
- a sponsor must forward any comments made by the TGA Delegate to the HREC(s) at the sites where the trial will be conducted.

A sponsor cannot commence a trial under the CTX Scheme until written advice has been received from the TGA regarding the application and approval for the conduct of the trial has been obtained from an ethics committee and the institution at which the trial will be conducted.

Approval for inclusion in the Australian Register of Therapeutic Goods (ARTG) is required before a pharmaceutical product may be marketed (or imported, exported or manufactured) in Australia. In order to obtain registration of the product on the ARTG, it is required that:

- adequate and well-controlled clinical trials demonstrate the quality, safety and efficacy of the therapeutic product;
- evidence is compiled which demonstrates that the manufacture of the therapeutic product complies with the principles of cGMP;
- manufacturing and clinical data is derived to submit to the Advisory Committee on Prescription Medicines, which makes recommendations to the TGA as to whether or not to grant approval to include the therapeutic product in the ARTG; and
- an ultimate decision is made by the TGA whether to include the therapeutic product in the ARTG.

Employees

As of February 1, 2018, we had 83 full-time employees, 50 of whom hold Ph.D. or M.D. degrees. Of these employees, 68 were engaged in research and development activities and 15 were engaged in general and administrative activities. None of our employees are represented by labor unions or covered by collective bargaining agreements. We consider our relationship with our employees to be good.

Facilities

We currently lease 70,100 square feet of office and laboratory space in Hayward, California under a lease that expires on October 31, 2025. We believe that this space is sufficient to meet our needs for the foreseeable future and that any additional space we may require will be available on commercially reasonable terms.
Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.
The following table sets forth information regarding our executive officers, key employees and directors, as of February 1, 2018:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position(s)</th>
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<tbody>
<tr>
<td><strong>Executive Officers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terry Rosen, Ph.D.</td>
<td>58</td>
<td>Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Juan Carlos Jaen, Ph.D.</td>
<td>60</td>
<td>President and Director</td>
</tr>
<tr>
<td>Jennifer Jarrett</td>
<td>47</td>
<td>Chief Business Officer and Chief Financial Officer</td>
</tr>
<tr>
<td><strong>Key Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steven Chan</td>
<td>46</td>
<td>Vice President, Finance, Corporate Controller and Principal Accounting Officer</td>
</tr>
<tr>
<td>Joyson Joseph Karakunnel, M.D., M.Sc. FACP</td>
<td>47</td>
<td>Vice President, Clinical Development</td>
</tr>
<tr>
<td>Andrew Pennell, Ph.D.</td>
<td>52</td>
<td>Vice President, Preclinical Development</td>
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<tr>
<td>Jay P. Powers, Ph.D.</td>
<td>52</td>
<td>Senior Vice President, Drug Discovery</td>
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<tr>
<td>Ulrike Schindler, Ph.D.</td>
<td>59</td>
<td>Vice President, Biology</td>
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<tr>
<td>Tim Sullivan, Ph.D.</td>
<td>48</td>
<td>Vice President, Business Development</td>
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<tr>
<td>Nigel Walker, Ph.D.</td>
<td>62</td>
<td>Vice President, Protein Science</td>
</tr>
<tr>
<td>Steve Young, Ph.D.</td>
<td>49</td>
<td>Vice President, Technology</td>
</tr>
<tr>
<td><strong>Non-Employee Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David William Beier (1)(2)(3)</td>
<td>69</td>
<td>Director</td>
</tr>
<tr>
<td>Kathryn Falberg (1)(2)</td>
<td>57</td>
<td>Director</td>
</tr>
<tr>
<td>Yasunori Kaneko, M.D. (1)(2)(3)</td>
<td>64</td>
<td>Director</td>
</tr>
</tbody>
</table>

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

**Executive Officers**

_Terry Rosen, Ph.D._ is our co-founder and has served as our Chief Executive Officer since May 2015 and as a member of our board of directors since April 2015. He also served as the Chief Executive Officer of PACT Pharma, Inc. (PACT Pharma), a biopharmaceutical company, from November 2016 to December 2017. Immediately prior to the founding of our company, Dr. Rosen served briefly in April 2015 as the Chief Executive Officer of FLX Bio, Inc., (FLX Bio), a biopharmaceutical company that was spun-off by Flexus Biosciences, Inc. (Flexus), a biopharmaceutical company. Previously, Dr. Rosen co-founded (with Dr. Jaen) and served as the Chief Executive Officer of Flexus from October 2013 to April 2015, when it was acquired by Bristol-Myers Squibb. Prior to that, Dr. Rosen was at Amgen, Inc. (Amgen), a biopharmaceutical company, from August 2004 to January 2013 where he most recently served as Vice President of Therapeutic Discovery from November 2011 to January 2013. He also worked at Tularik Inc. (Tularik), a biopharmaceutical company, from October 1993 to August 2004 when it was acquired by Amgen, Pfizer Central Research, a biopharmaceutical company, from December 1987 to September 1993, and Abbott Laboratories, a health care company, from July 1985 to December 1987. Dr. Rosen serves on the board of trustees of the Salk Institute as well as on the board of trustees of the California Life Sciences Association. He also serves on the boards of Ideaya Biosciences, Inc., PACT Pharma and TUSK Therapeutics Ltd. Dr. Rosen holds a B.S. in Chemistry from the University of Michigan and a Ph.D. in Chemistry from the University of California, Berkeley. We believe that Dr. Rosen should serve as a director based on his position as one of our founders and as our Chief Executive Officer, his extensive experience in general management and business development and his experience in the field of biosciences.

_Juan Carlos Jaen, Ph.D._ is our co-founder and has served as our President since May 2015 and as a member of our board of directors since April 2015. He also served as the President of PACT Pharma, a biopharmaceutical
company, from November 2016 until December 2017. Immediately prior to the founding of our company, Dr. Jaen served briefly in April 2015 as the President of FLX Bio. Previously, Dr. Jaen co-founded (with Dr. Rosen) and served as the President and Head of Research and development at Flexus from October 2013 to April 2015, when it was acquired by Bristol-Myers Squibb. Prior to that, Dr. Jaen served as Senior Vice President of Drug Discovery and as the Chief Scientific Officer of ChemoCentryx, Inc. (ChemoCentryx), a biopharmaceutical company, from 2007 to September 2013. From August 2004 to December 2006, Dr. Jaen was Vice President of Chemistry at Amgen and from 1996 to 2004, Dr. Jaen held positions as Director of Medicinal Chemistry and Vice President of Chemistry at Tularik. Prior to that, Dr. Jaen held several positions in drug discovery and program management, from 1983 to 1996, at the Parke-Davis Pharmaceutical Research division of Warner-Lambert Company, a pharmaceutical company. Dr. Jaen also serves on the board of directors of R2M Pharma, Inc., PACT Pharma, LakePharma, Inc. and the Bella Charitable Foundation. Dr. Jaen holds a B.S. in Chemistry from the Universidad Complutense de Madrid and a Ph.D. in Organic Chemistry from the University of Michigan. We believe that Dr. Jaen should serve as a director based on his position as one of our founders and as our President, his extensive experience in general management and business development and his experience in the field of biomedical research.

Jennifer Jarrett has served as our Chief Business Officer and Chief Financial Officer since March 2017. From April 2016 to September 2016, Ms. Jarrett was the Chief Financial Officer of Medivation, Inc., a biopharmaceutical company, which was acquired by Pfizer Inc. (Pfizer). Prior to that, Ms. Jarrett spent 20 years in investment banking, most recently as Managing Director at Citigroup from July 2010 to April 2016, where she was responsible for managing their west coast life sciences investment banking practice. Before that, Ms. Jarrett was a Director and Managing Director at Credit Suisse from 2000 to 2010, and an associate at Donaldson, Lufkin & Jenrette from 1998 to 2000. During her tenure as an investment banker, Ms. Jarrett covered biotechnology and pharmaceutical companies, primarily in the San Francisco Bay Area. She currently serves on the board of directors of Audentes Therapeutics, Inc. and Arena Pharmaceuticals, Inc. Ms. Jarrett holds a B.A. in Economics, cum laude, from Dartmouth College and an M.B.A. from Stanford Graduate School of Business.

Key Employees

Steven Chan has served as our Vice President, Finance and Corporate Controller since April 2017 and our Principal Accounting Officer since December 2017. Before that, from November 2014 to March 2017, he served as the Vice President of Finance and Corporate Controller at MyoKardia, Inc., a biopharmaceutical company, where he helped lead the company to an initial public offering in 2015. He previously worked as the Vice President of Finance and Corporate Controller at Solta Medical, Inc., a medical device company, from 2010 to November 2014 and as the Vice President of Finance at Moody’s Analytics from 2007 to 2010. He started his career at KPMG. Mr. Chan received a B.S. in Business Administration from the University of California at Berkeley, Haas School of Business and is a Certified Public Accountant in California (inactive status).

Joyson Joseph Karakunnel, M.D., M.Sc., FACP has served as our Vice President, Clinical Development since April 2017. Dr. Karakunnel has also served as a Medical Director and Advisor of the Parker Institute for Cancer Immunotherapy since April 2017. Previously, Dr. Karakunnel served as a Director at MedImmune, LLC, a pharmaceutical company, from June 2013 to April 2017. Dr. Karakunnel has been an Associate Professor of Medicine at the Uniformed Services University of the Health Sciences from 2011 to April 2017. He previously worked as a hospitalist within the Johns Hopkins Health System from 2010 to February 2014, as a hematologic group team leader and attending physician in hematology and oncology within the Walter Reed National Military Medical Center from February 2010 to May 2013, and as an attending physician and investigator within the National Cancer Institute from 2008 to June 2013. He also worked for the Food and Drug Administration as a medical reviewer from 2007 to 2008. Dr. Karakunnel received a B.S. in Microbiology from the University of Miami. He received a medical degree from Annamalai University and completed his internal medicine residency at Overlook Hospital/University of Medicine and Dentistry of New Jersey, where he was subsequently the chief resident. He has completed fellowships in Hematology, Oncology, and Pain and Palliative Care at the NCI and has also received his M.S. in Pharmacology from the University of Maryland. He was elected to be a fellow in the American College of Physicians.
Andrew Pennell, Ph.D. has served as our Vice President, Preclinical Development since November 2016. From 2002 to November 2016, Dr. Pennell worked at ChemoCentrx, as the Director of Medicinal Chemistry from 2002 to 2007, as the Executive Director of Preclinical Drug Evaluation from 2007 to 2010, as the Senior Director of Preclinical Development from 2010 to July 2015 and, finally, as Executive Director of Preclinical Development from July 2015 to November 2016. Between 1993 and 2002, Dr. Pennell held various scientific management positions, including those of Medicinal Chemistry Group Leader at GlaxoWellcome Inc., a biopharmaceutical company, from 1994 to 2000, and Director of Medicinal Chemistry at Genesoft Inc., a biotechnology company, from 2000 to 2002. Dr. Pennell received a B.Sc. (Hons) in Chemistry and a Ph.D. in Organic Chemistry from Imperial College London. He also worked as a postdoctoral scientist at Columbia University.

Jay P. Powers, Ph.D. served as our Vice President, Drug Discovery from January 2016 through December 2017 and has since served as our Senior Vice President, Drug Discovery. Before that, he served as the Vice President of Drug Discovery at FLX Bio, from April 2015 to November 2015. Previously, Dr. Powers served as the Vice President of Drug Discovery of Flexus, from November 2013 to April 2015, when it was acquired by Bristol-Myers Squibb. From May 2007 to November 2013, Dr. Powers worked at ChemoCentrx, as Director of Medicinal Chemistry from 2007 to 2010, Senior Director of Chemistry from 2010 to January 2013 and, lastly, as Vice President of Drug Discovery from January 2013 to November 2013. Dr. Powers also worked as a Scientific Director at Amgen from 2004 to 2007, Senior Research Investigator at Tularik, from 1998 to 2004, and as a Research Chemist at Abbott Laboratories from 1996 to 1998. Dr. Powers received a B.S. in Biochemistry and a Ph.D. in Chemistry from the University of Minnesota and completed postdoctoral studies in the laboratories of Professor Gilbert Stork at Columbia University.

Ulrike Schindler, Ph.D. has served as our Vice President, Biology since January 2016. Since January 2014, she consulted for non-profit research organizations such as the Max-Planck Institute and the Fraunhofer Society. Dr. Schindler was employed by Amgen from January 2001 to August 2013, with a wide range of responsibilities, including Head of Biologics as Executive Director at Amgen Inc., Executive Director of Amgen Research GmbH and Director of Regional Operations at Amgen Research GmbH. Dr. Schindler began her career in February 1993 at Tularik, where she worked as a postdoctoral fellow, a Scientist, and a Principal Investigator before moving to Tularik GmbH as Managing Director. Dr. Schindler received her B.S. in Biochemistry and her Ph.D. in Physical Chemistry, Genetics and Cell Biology from the University of Freiburg. She performed all practical work for her Ph.D. at the University of Pennsylvania, where she was employed as Visiting Scientist from 1987 to 1992.

Tim Sullivan, Ph.D. has served as our Vice President, Business Development since January 2017. Previously, Dr. Sullivan worked as a Senior Director of External Research & Development Innovation at Pfizer from June 2015 to 2017. Before that, Dr. Sullivan worked as a Director of New Frontier Science at Takeda Pharmaceutical Company Ltd, a pharmaceutical company, from December 2012 to June 2015. Dr. Sullivan previously worked at ChemoCentrx, as a Principal Scientist from December 2007 to March 2010 and as the Director of Immunology from March 2010 to December 2012. He also worked at Amgen as a Senior Scientist, from August 2004 to March 2007, and as a Principal Scientist from March 2007 to November 2007. He previously worked as a Scientist at Tularik, from 2001 to 2004. Dr. Sullivan received a B.A. in Psychology from the University of Notre Dame and a Ph.D. in Molecular and Cellular Biology from the University of California, Berkeley.

Nigel Walker, Ph.D. has served as our Vice President, Protein Science since May 2016. Since November 2014, Dr. Walker has also served as the founder and principal of Molecular Consulting, LLC, a consulting company. Before his time with our company, Dr. Walker worked at Amgen as a Director of Research from 2004 to 2006, as a Scientific Executive Director from 2006 to March 2013, and finally as an Executive Director, Research from April 2013 to October 2014. Dr. Walker also worked as a Research Scientist at BASF AG from 1984 to 1998 and as the Director of Structural Biology at Tularik from 1998 to 2004. Dr. Walker received a B.Sc. (Hons) and a Ph.D. in Biochemistry from the University of Bristol.

Stephen Young, Ph.D. has served as our Vice President, Technology since March 2016. Prior to that, Dr. Young was the Vice President of Technology at FLX Bio from April 2015 to November 2015. Previously, Dr. Young was the Vice President of Technology at Flexus Biosciences from November 2013 to April 2015, when he was
acquired by Bristol-Myers Squibb. Dr. Young was previously the Executive Director of Lead Discovery and then of Discovery Technologies at Amgen from 2004 to July 2013. Before that, he was Director of Lead Discovery at Tularik from 2001 to 2004. Dr. Young also worked as the Head of High Throughput Screening at Roche U.K. from 1999 to 2001 and as a Senior Biologist from 1994 to 1999 at Glaxo Wellcome plc (now known as GlaxoSmithKline plc). He currently serves on the board of directors of the Society for Laboratory Automation and Screening. Dr. Young received a B.Sc. and a Ph.D. in Biochemistry from the University of Bristol and a diploma in Management from The Open University.

Non-Employee Directors

David William Beier has served as a member of our board of directors since December 2017. Mr. Beier has served as the Managing Director of Bay City Capital LLC, a venture capital firm, since May 2013. He served as Senior Vice President of Global Government Affairs at Amgen Inc., a biopharmaceutical company, from December 2003 to January 2013. Mr. Beier was at the law firm of Hogan & Hartson LLP (now Hogan Lovells LLP) from 2001 to 2003. Mr. Beier previously served in the White House as the Chief Domestic Policy Advisor to Vice President Al Gore during the Clinton Administration from May 1998 to January 2001. Mr. Beier received his J.D. from Albany Law School and his B.A. in History and Urban and Afro-American Studies from Colgate University. We believe Mr. Beier is able to make valuable contributions to our board of directors due to his extensive business experience as an executive in the pharmaceutical industry and his governmental experience.

Kathryn Falberg has served as a member of our board of directors since September 2017. She served as the Executive Vice President and Chief Financial Officer of Jazz Pharmaceuticals plc, a biopharmaceutical company, from March 2012 to March 2014, after serving as its Senior Vice President and Chief Financial Officer since December 2009. From 2001 through 2009, Ms. Falberg worked with a number of smaller companies while serving as a corporate director and audit committee chair for several companies. From 1995 to 2001, Ms. Falberg was with Amgen, where she served as Senior Vice President, Finance and Strategy, and Chief Financial Officer and prior to that as Vice President, Chief Accounting Officer, and Vice President, Treasurer. Ms. Falberg holds an M.B.A. in Finance and B.A. in Economics from the University of California, Los Angeles and is an inactive certified public accountant. Ms. Falberg also serves as a member of the boards of directors of biopharmaceutical companies Aimmune Therapeutics, Inc. and Urogen Pharma Ltd., and a technology company, The Trade Desk, Inc. Ms. Falberg previously served on the boards of directors of Axovant Sciences, Ltd., BioMarin Pharmaceutical Inc., Medivation Inc., Halozyme Therapeutics, Inc., aTyr Pharma, Inc., and multiple other companies. We believe Ms. Falberg is able to make valuable contributions to our board of directors due to her extensive business experience as an executive in the pharmaceutical industry and her service as a director and audit committee member of various other companies.

Yasunori Kaneko, M.D. has served as a member of our board of directors since May 2015. Dr. Kaneko has been a Managing Director at Skyline Venture Partners, L.P., a venture capital firm, since January 1999. Previously, Dr. Kaneko served on the board of LeukoSite Inc., a biopharmaceutical company, until its merger with Millennium Pharmaceuticals, Inc. in 1999. Dr. Kaneko also served as Chief Financial Officer and Vice President, Business Development at Tularik, a biopharmaceutical company, at various times from 1992 until 1999. Dr. Kaneko served as a Senior Vice President and Chief Financial Officer of Ionis Pharmaceuticals, Inc., a pharmaceutical company, which went public in May 1991 during his tenure from 1991 to 1992. Dr. Kaneko began his career at Genentech, Inc., a biotechnology company, where he served in a business development role, from 1981 to 1987 and as head of corporate finance in the investment banking division of Paribas Capital Markets LTD, from 1987 to 1991. Dr. Kaneko received an undergraduate degree and a medical degree from Keio University in Tokyo, and an M.B.A. from Stanford Graduate School of Business. We believe Dr. Kaneko is able to make valuable contributions to our board of directors due to his educational background in medicine, as well as his experience in the life science, pharmaceutical and related financial industries.

Family Relationships

There are no family relationships among any of our directors or executive officers.

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Director Independence

We have applied to have our common stock listed on the New York Stock Exchange. Our board of directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the rules of the New York Stock Exchange.

Audit committee members must also satisfy the independence rules in Securities and Exchange Commission (SEC) Rule 10A-3 adopted under the Securities Exchange Act of 1934, as amended (Exchange Act). In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a public company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries, or be an affiliated person of the listed company or any of its subsidiaries. Each of Mr. Beier, Ms. Falberg and Dr. Kaneko qualify as an independent director pursuant to Rule 10A-3. We also intend to satisfy the audit committee independence requirement of the New York Stock Exchange.

Our board of directors has appointed Dr. Kaneko to serve as our lead independent director. As lead independent director, Dr. Kaneko presides over periodic meetings of our independent directors, serves as a liaison between our Chief Executive Officer and the independent directors and performs such additional duties as our board of directors may otherwise determine and delegate.

Board Composition

Our board of directors currently consists of five members, who were elected pursuant to the amended and restated voting agreement that we entered into with certain holders of our common stock and certain holders of our preferred stock and the related provisions of our amended and restated certificate of incorporation.

The provisions of this voting agreement will terminate upon the completion of this offering, after which there will be no further contractual obligations regarding the election of our directors. Our directors hold office until their successors have been elected and qualified or appointed, or the earlier of their death, resignation or removal.

Immediately after the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual 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 director will be Dr. Kaneko, and his term will expire at the annual meeting of stockholders to be held in 2019;
- the Class II directors will be Mr. Beier and Dr. Jaen, and their terms will expire at the annual meeting of stockholders to be held in 2020; and
- the Class III directors will be Ms. Falberg and Dr. Rosen, and their terms will expire at the annual meeting of stockholders to be held in 2021.

Directors in a particular class will be elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director’s term continues until the election and qualification of his or her successor, or the earlier of his or her death, resignation or removal.

Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering provide that only our board of directors can fill vacant directorships, including newly-created seats. Any additional directorships resulting from an increase in the authorized number of directors would be distributed pro rata among the three classes so that, as nearly as possible, each class would consist of one-third of the authorized number of directors.
The classification of our board of directors may have the effect of delaying or preventing changes in our control or management. See “Description of Capital Stock—Anti-Takeover Provisions—Certificate of Incorporation and Bylaw Provisions.”

Board Oversight of Risk

One of the key functions of our board of directors is informed oversight of our risk management process. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure. Our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its oversight function directly as a whole. Our board of directors will also administer its oversight through various standing committees, which will be constituted prior to the completion of this offering, that address risks inherent in their respective areas of oversight. For example, our audit committee will be responsible for overseeing the management of risks associated with our financial reporting, accounting and auditing matters; our compensation committee will oversee the management of risks associated with our compensation policies and programs; and our nominating and corporate governance committee will oversee the management of risks associated with director independence, conflicts of interest, composition and organization of our board of directors and director succession planning.

Board Committees

Our board of directors established an audit committee, a compensation committee and a nominating and corporate governance committee, in each case effective upon our becoming a public reporting company under the Exchange Act. Our board of directors may establish other committees to facilitate the management of our business. Our board of directors and its committees will set schedules for meeting throughout the year and can also hold special meetings and act by written consent from time to time, as appropriate. Our board of directors expects to delegate various responsibilities and authority to committees as generally described below. The committees will regularly report on their activities and actions to the full board of directors. Each member of each committee of our board of directors will qualify as an independent director in accordance with the listing standards of the New York Stock Exchange. Each committee of our board of directors will have a written charter approved by our board of directors. Upon the completion of this offering, copies of each charter will be posted on our website at www.arcusbio.com under the Investor Relations section. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

The members of our audit committee are Mr. Beier, Ms. Falberg and Dr. Kaneko, each of whom can read and understand fundamental financial statements. Each member of our audit committee is independent under the rules and regulations of the SEC and the listing standards of the New York Stock Exchange applicable to audit committee members. Ms. Falberg is the chair of the audit committee. Our board of directors has determined that each of Ms. Falberg and Dr. Kaneko qualify as an audit committee financial expert within the meaning of SEC regulations and meet the financial sophistication requirements of .

Our audit committee will assist our board of directors with its oversight of the integrity of our consolidated financial statements; our compliance with legal and regulatory requirements; the qualifications, independence and performance of the independent registered public accounting firm; the design and implementation of our financial risk assessment and risk management. Among other things, our audit committee is responsible for reviewing and discussing with our management the adequacy and effectiveness of our disclosure controls and procedures. The audit committee also will discuss with our management and independent registered public accounting firm the annual audit plan and scope of audit activities, scope and timing of the annual audit of our consolidated financial statements, and the results of the audit, quarterly reviews of our consolidated financial statements and, as appropriate, initiates inquiries into certain aspects of our financial affairs. Our audit
committee is responsible for establishing and overseeing procedures for the receipt, retention and treatment of any complaints regarding accounting, internal accounting controls or auditing matters, as well as for the confidential and anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters. In addition, our audit committee has direct responsibility for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Our audit committee has sole authority to approve the hiring and discharging of our independent registered public accounting firm, all audit engagement terms and fees and all permissible non-audit engagements with the independent auditor. Our audit committee will review and oversee all related person transactions in accordance with our policies and procedures.

Compensation Committee
The members of our compensation committee are Mr. Beier, Ms. Falberg and Dr. Kaneko. Dr. Kaneko is the chair of the compensation committee. Each member of our compensation committee is independent under the rules and regulations of the SEC and the listing standards of the New York Stock Exchange applicable to compensation committee members. Our compensation committee will assist our board of directors with its oversight of the forms and amount of compensation for our executive officers (including officers reporting under Section 16 of the Securities Exchange Act of 1934, as amended), the administration of our equity and non-equity incentive plans for employees and other service providers and certain other matters related to our compensation programs. Our compensation committee, among other responsibilities, evaluates the performance of our chief executive officer and, in consultation with him, evaluates the performance of our other executive officers (including officers reporting under Section 16 of the Exchange Act).

Nominating and Corporate Governance Committee
The members of our nominating and corporate governance committee are Mr. Beier and Dr. Kaneko. Mr. Beier is the chair of the nominating and corporate governance committee. Each member of our nominating and governance committee is independent under the rules and regulations of the SEC and the listing standards of the New York Stock Exchange, applicable to nominating and governance committee members. Our nominating and corporate governance committee will assist our board of directors with its oversight of and identification of individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors, and selects, or recommends that our board of directors selects, director nominees; develops and recommends to our board of directors a set of corporate governance guidelines and oversees the evaluation of our board of directors.

Code of Conduct
Our board of directors will adopt a Code of Conduct (the Code) prior to the completion of this offering. The Code will apply to all of our employees and directors. Upon the completion of this offering, the full text of the Code will be posted on our website at www.arcusbio.com under the Investor Relations section. We intend to disclose future amendments to, or waivers of, the Code, as and to the extent required by SEC regulations, at the same location on our website identified above or in public filings. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Compensation Committee Interlocks and Insider Participation
During the fiscal year ended December 31, 2017, our board of directors did not have a compensation committee or a separate committee performing equivalent functions. All members of our board of directors, including our Chief Executive Officer, Terry Rosen, Ph.D., and our President, Juan Carlos Jaen, Ph.D., participated in deliberations of our board of directors concerning executive officer compensation. During the fiscal year ended December 31, 2017, Dr. Rosen and Dr. Jaen served as executive officers and directors of both our company and PACT Pharma. Outside of the relationships set forth in the prior sentence, none of our executive officers serves,
or served during the fiscal year ended December 31, 2017, as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board of directors. The son of Terry Rosen, Ph.D., our Chief Executive Officer and member of our board of directors, has been employed by us as a Senior Scientist, and previously as a Scientist, since February 2016. For the year ended December 31, 2017, he earned approximately $120,000 in annual salary and other cash compensation, was granted an option to purchase 7,000 shares of common stock with an exercise price of $0.31 per share and received other benefits consistent with other employees serving in the same capacity. Each of Dr. Rosen, Dr. Jaen, Dr. Kaneko, and Ms. Falberg may be deemed to have an interest in certain transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act, that are disclosed in “Certain Relationships and Related Party Transactions,” which disclosure is hereby incorporated by reference in this section.

**Director Compensation**

Commencing on April 1, 2017, with respect to Dr. Kaneko, on October 1, 2017, with respect to Ms. Falberg, and on January 1, 2018, with respect to Mr. Beier, and pursuant to letter agreements with each of them, we paid our non-employee directors an annual retainer of $50,000 for their service, payable quarterly in arrears. However, we will approve a non-employee director compensation program that will become effective on the date of this offering, described below. Upon the effective date of this offering, the letter agreements with each of our non-employee directors will be terminated. A non-employee director is a director who is not employed by us and who does not receive compensation from us or have a business relationship with us that would require disclosure under certain SEC rules. We also have a policy of reimbursing all of our non-employee directors for their reasonable out of pocket expenses in connection with attending board of directors and committee meetings.

On July 31, 2015, Dr. Kaneko was granted an option to purchase 50,000 shares of our common stock at an exercise price of $0.10 per share. Dr. Kaneko subsequently exercised such option, with the unvested shares remaining subject to our right of repurchase upon termination of his service. Such repurchase right lapses in 48 substantially equal monthly installments following the completion by Dr. Kaneko of each month of continuous service following May 21, 2015.

On March 15, 2017, Dr. Kaneko was granted an option to purchase 75,000 shares of our common stock at an exercise price of $0.31 per share. Dr. Kaneko subsequently exercised such option, with the unvested shares remaining subject to our right of repurchase upon termination of his service. Such repurchase right lapses in 48 substantially equal monthly installments following the completion by Dr. Kaneko of each month of continuous service following March 14, 2017.

On September 19, 2017, Dr. Kaneko was granted an option to purchase 25,000 shares of our common stock, and Ms. Falberg was granted an option to purchase 100,000 shares of our common stock, in each case at an exercise price of $0.65 per share. Each director subsequently exercised such option, with the unvested shares remaining subject to our right of repurchase upon termination of service. Such repurchase right lapses in 48 substantially equal monthly installments following the completion by the director of each month of continuous service following September 14, 2017.

On January 4, 2018, Dr. Kaneko was granted an option to purchase 100,000 shares of our common stock, Ms. Falberg was granted an option to purchase 100,000 shares of our common stock, and Mr. Beier was granted an option to purchase 200,000 shares of our common stock, in each case at an exercise price of $1.36 per share. Each director subsequently exercised such option, with the unvested shares remaining subject to our right of repurchase upon termination of service. Such repurchase right lapses in 48 substantially equal monthly installments following the completion by the director of each month of continuous service following January 1, 2018.

Our repurchase right with respect to the shares held by our non-employee directors lapses in full if we are subject to a change in control (as defined in “Executive Compensation—Severance and Change in Control Benefits”) prior to the termination of such director’s service.

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The following table sets forth information about the compensation of the non-employee members of our board of directors who served as a director during the year ended December 31, 2017. During our 2017 fiscal year, we did not pay any cash fees, make any equity or non-equity awards, or pay any other compensation to Drs. Rosen and Jaen other than in their capacities as our Chief Executive Officer and President, respectively, and thus they are not included in the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($) (1)</th>
<th>Option Awards ($) (2)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathryn Falberg</td>
<td>12,500</td>
<td>41,750</td>
<td>54,250</td>
</tr>
<tr>
<td>Yasunori Kaneko, M.D.</td>
<td>37,500</td>
<td>43,671</td>
<td>81,171</td>
</tr>
</tbody>
</table>

(1) The amounts shown in this column represent the aggregate amounts of all fees earned or paid in cash for services as a director in 2017 as discussed above.
(2) The amounts in this column represent the aggregate grant date fair value of option awards granted to the director in fiscal year 2017 computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant date fair value of our equity awards. Amount consists of: (i) $41,750 with respect to the option granted to Ms. Falberg on September 19, 2017; and (ii) $33,233 with respect to the option granted to Dr. Kaneko on March 15, 2017, and $10,438 with respect to the option granted to Dr. Kaneko on September 19, 2017.

Both of Ms. Falberg and Dr. Kaneko have fully exercised their options and now hold restricted shares of our common stock. Such shares are subject to our right of repurchase, which right lapses in accordance with the vesting schedules described above. As a result, as of December 31, 2017, Ms. Falberg held 93,750 restricted shares of our common stock subject to the right of repurchase, and Dr. Kaneko held an aggregate of 105,209 restricted shares of our common stock subject to the right of repurchase. As of December 31, 2017, none of our non-employee directors held options to purchase shares of our common stock.

Under our non-employee director compensation program, non-employee directors will receive the compensation set forth below, and an annual stock option grant to be granted at our annual meeting of stockholders beginning in 2019. Each such option will vest in full following the completion of 12 months of continuous service following the grant date, provided that such option will become fully vested on the date of our next annual stockholder meeting following the date of grant. In addition, new non-employee directors will also be eligible for an initial stock option grant to be granted at our first board of directors meeting occurring on or following such director’s initial election to our board of directors. Such option will vest in equal monthly installments over 36 months of continuous service following the director’s election to our board of directors. Further, each option held by a non-employee director will become fully vested if we are subject to a change in control prior to the termination of a director’s service.

After the completion of this offering, each non-employee director will be eligible to receive compensation for service on our board of directors or committees thereof consisting of annual cash retainers, paid quarterly in arrears, as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Retainer ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Member</td>
<td>35,000</td>
</tr>
<tr>
<td>Lead Independent Director</td>
<td>3,500</td>
</tr>
<tr>
<td>Audit Committee Chair</td>
<td>15,000</td>
</tr>
<tr>
<td>Compensation Committee Chair</td>
<td>10,000</td>
</tr>
<tr>
<td>Nominating and Corporate Governance Committee Chair</td>
<td>8,000</td>
</tr>
<tr>
<td>Audit Committee Member</td>
<td>7,500</td>
</tr>
<tr>
<td>Compensation Committee Member</td>
<td>5,000</td>
</tr>
<tr>
<td>Nominating and Corporate Governance Committee Member</td>
<td>4,000</td>
</tr>
</tbody>
</table>
EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows information regarding the compensation of our named executive officers for services performed in our fiscal year ended December 31, 2017.

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Option Awards ($)</th>
<th>Non-equity Incentive Plan Compensation ($)</th>
<th>All Other Compensation ($) (4)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terry Rosen, Ph.D.</td>
<td>2017</td>
<td>314,780(2)</td>
<td>110,775(3)</td>
<td>—</td>
<td>1,200</td>
<td>426,755</td>
</tr>
<tr>
<td>Chief Executive Officer and Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Juan Carlos Jaen, Ph.D.</td>
<td>2017</td>
<td>350,000</td>
<td>110,775(3)</td>
<td>—</td>
<td>1,200</td>
<td>461,975</td>
</tr>
<tr>
<td>President and Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jennifer Jarrett</td>
<td>2017</td>
<td>333,333</td>
<td>460,824(5)</td>
<td>100,000(6)</td>
<td>900</td>
<td>895,057</td>
</tr>
<tr>
<td>Chief Business Officer and Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Represents the aggregate grant date fair value of option awards granted to the officer in the applicable fiscal year, computed in accordance with FASB ASC Topic 718. See Note 9 to our consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant date fair value of our equity awards.

(2) Dr. Rosen voluntarily agreed to reduce his salary by $35,220 to fund an employee meal program.

(3) Represents an option to purchase 250,000 shares of our common stock with an exercise price of $0.31 per share granted on March 15, 2017. Such option was exercised by the officer. Our right of repurchase with respect to the acquired shares acquired lapses over four years of service following March 1, 2017, in 48 substantially equal monthly installments, and lapses in full in certain circumstances, as described under “Severance and Change in Control Benefits” below.

(4) Reflects quarterly payment of $300 made to all employees to be used for wellness or commuter expenses.

(5) Represents an option to purchase 1,040,000 shares of our common stock with an exercise price of $0.31 per share granted on March 15, 2017. Such option vests in 48 substantially equal monthly installments following the completion of each month of continuous service provided by Ms. Jarrett following March 1, 2017. Such option may vest on an accelerated basis, as described under “Severance and Change in Control Benefits” below.

(6) Ms. Jarrett was eligible to earn an incentive bonus of $100,000 based on achievement of certain objectives including completion of the Company’s Series C Preferred Stock financing and first financial audit.

Narrative Explanation of Compensation Arrangements with our Named Executive Officers

The base salaries of all of our named executive officers are reviewed from time to time and adjusted when our board of directors or compensation committee determines an adjustment is appropriate. For our 2017 fiscal year, the base salary for Dr. Rosen was $314,780, $350,000 for Dr. Jaen and $400,000 for Ms. Jarrett.

On March 15, 2017, Ms. Jarrett was granted a stock option to purchase 1,040,000 shares of our common stock at an exercise price of $0.31 per share. Such option vests in 48 substantially equal monthly installments following the completion of each month of continuous service provided by Ms. Jarrett following March 1, 2017.

Pursuant to their amended and restated letter agreements with us, each of Drs. Rosen and Jaen and Ms. Jarrett is eligible to receive certain benefits if the officer’s employment is terminated under certain circumstances, as described in the footnotes to the “Outstanding Equity Awards at 2017 Fiscal Year-End” table and under “Severance and Change in Control Benefits” below.

Material Compensation Developments Occurring After 2017 Fiscal Year End

On January 4, 2018, we granted an option to purchase 500,000 shares of our common stock to each of Drs. Rosen and Jaen and to Ms. Jarrett, at an exercise price of $1.36 per share. Dr. Rosen and Dr. Jaen subsequently exercised their options, with the unvested shares remaining subject to our right of repurchase upon termination of
service. Such repurchase right lapses in 48 substantially equal monthly installments following completion of each month of continuous service after January 1, 2018. Ms. Jarrett’s option vests in 48 substantially equal monthly installments following January 1, 2018, subject to her continuous service through each such vesting date.

In February 2018, we entered into amended and restated letter agreements with each of our executive officers. Pursuant to such letter agreements, and effective January 1, 2018, the base salary for Dr. Rosen is $295,000, $350,000 for Dr. Jaen and $420,000 for Ms. Jarrett.

Our executive officers will also be eligible to participate in incentive bonus programs established by the Company. For our 2018 fiscal year, Ms. Jarrett will be eligible to earn an incentive bonus of up to $200,000. Such bonus will be earned based on achievement against certain 2018 corporate goals, including corporate financing objectives (such as completion of this offering), refining the Company’s commercialization strategy and business development objectives.

**Employee Benefits and Perquisites**

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as are all full-time employees generally. We generally do not provide our named executive officers with perquisites or other personal benefits.

Dr. Rosen, as noted above, personally funds an employee meal program.

**Retirement Benefits**

We have established a 401(k) tax-deferred savings plan, which permits participants, including our named executive officers, to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. We are responsible for administrative costs of the 401(k) plan. We may, at our discretion, make matching or profit sharing contributions to the 401(k) plan. No employer contributions have been made to date.

**Equity Compensation**

We offer stock options and restricted shares to our named executive officers as the long-term incentive component of our compensation program. We typically grant equity awards to new hires upon their commencing employment with us. Stock options allow employees to purchase shares of our common stock at a price per share at least equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as “incentive stock options” for U.S. federal income tax purposes. In the past, our board of directors has determined the fair market value of our common stock based upon inputs including valuation reports prepared by third-party valuation firms. Generally, our equity awards vest over four years, subject to the employee’s continued employment with us on each vesting date.

As described in the footnotes to the “Outstanding Equity Awards at 2017 Fiscal Year-End” table and under “Severance and Change in Control Benefits” below, equity awards granted to our named executive officers are subject to accelerated vesting in the event such officer is subject to an involuntary termination. In addition, in December 2017, our Board of Directors approved a policy whereby the vesting of all options held by then-current employees will accelerate in the event of certain involuntary terminations of employment in connection with or following our change in control (as defined below under “Severance and Change in Control Benefits”), subject to such employee’s execution and nonrevocation of a general release of claims against us and certain related parties.

**Outstanding Equity Awards at 2017 Fiscal Year-End**

The following table provides information regarding each unexercised option and all unvested stock held by each of our named executive officers as of December 31, 2017.
The vesting schedule applicable to each outstanding award is described in the footnotes to the table below.

Options granted to our named executive officers are immediately exercisable with respect to all of the option shares, subject to our repurchase right in the event that the executive’s service terminates before vesting in such shares.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Underlying Unexercised Options (0) Vested</th>
<th>Number of Securities Underlying Unexercised Options (0) Unvested</th>
<th>Option Exercise Price ($)</th>
<th>Option Expiration Date</th>
<th>Number of Shares Or Units of Stock That Have Not Vested (0)</th>
<th>Market Value of Shares Or Units of Stock That Have Not Vested ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terry Rosen, Ph.D.</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,947,917(1)(2)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>203,125(2)(3)</td>
<td>—</td>
</tr>
<tr>
<td>Juan Carlos Jaen, Ph.D.</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,947,917(1)(2)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>203,125(2)(3)</td>
<td>—</td>
</tr>
<tr>
<td>Jennifer Jarrett</td>
<td>195,000(4)</td>
<td>845,000(5)</td>
<td>$ 0.31</td>
<td>3/14/2027</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* Market value is based on the fair market value of our common stock on December 31, 2017. As there was no public market for our common stock on December 31, 2017, we have assumed that the fair market value on such date was $1.52, which represents the midpoint of the range set forth on the cover page of this prospectus.

(1) Represents the unvested portion of 5,500,000 restricted shares acquired by the officer on May 8, 2015, at a purchase price of $0.0001 per share. Our right of repurchase lapses in 48 substantially equal monthly installments ending on May 1, 2019, provided the officer remains in our continuous service through each such vesting date.

(2) If the officer is either terminated by us without cause or voluntarily resigns for certain good reasons, in either case in connection with, or following, our change in control, and subject to the officer’s execution and non-revocation of a general release of claims, our right of repurchase will lapse in full.

(3) Represents the unvested portion of 250,000 restricted shares of our common stock acquired by the officer upon exercise of an option granted on March 15, 2017. Our right of repurchase lapses in 48 substantially equal monthly installments ending on April 30, 2021, provided the officer remains in our continuous service through each such vesting date.

(4) Represents an option to purchase 1,040,000 shares of our common stock granted on March 15, 2017. Such option vests in 48 substantially equal monthly installments ending on February 28, 2021, provided the officer remains in our continuous service through each such vesting date.

(5) If the officer is either terminated by us without cause or voluntarily resigns for certain good reasons, in either case in connection with, or following, our change in control, and subject to the officer’s execution and non-revocation of a general release of claims, such options may vest on an accelerated basis.

Severance and Change in Control Benefits

Pursuant to agreements entered into with each of Drs. Rosen and Jaen, and Ms. Jarrett, if we terminate the respective officer’s employment for reasons other than cause, or if the officer voluntarily resigns for certain good reasons (which we refer to collectively as an involuntary termination), then the officer will be eligible to receive, contingent on returning all of our property in the officer’s possession, executing and not revoking a general release of claims against us and certain related parties, and resigning as a member of our board of directors, continued payment of base salary for a six-month period, at the rate in effect at the time of termination (but without giving effect to any reduction triggering a resignation for good reason).

Cause means the officer’s:

- willful failure to substantially perform his or her material duties and responsibilities after having received written notice and at least 30 days to remedy such failure;
- conviction of, or plea of no contest to, a felony;
- commission of any act of fraud, misappropriation or embezzlement against us;
• material breach of any confidentiality, invention assignment or proprietary information agreement with us; or
• willful failure to comply in any material respect with our lawful written policies of general applicability that have been communicated to the officer.

Good reason means a resignation of employment within two years after one of the following conditions has come into existence without the officer's consent, which remains uncured more than 30 days after delivery of notice to us of such condition within 30 days following the initial existence of such condition:

• a material adverse change in the officer’s position causing such position to be of materially reduced stature or responsibility;
• a reduction in base salary compensation or other benefits; or
• a required relocation of the officer’s work facility or location by more than 25 miles.

Drs. Rosen and Jaen and Ms. Jarrett are also eligible to receive full vesting of all existing and future equity compensation awards; a lump-sum cash amount equal to his or her target bonus for the fiscal year in which such termination occurs, prorated for the number of days that he or she was employed during such year; and payment of healthcare continuation premiums under COBRA for six months; plus the continued base salary payments described above, in the event of an involuntary termination in connection with or following our change in control, subject to the conditions described above with respect to severance benefits.

Change in control means certain mergers or consolidations of us with or into another entity; a sale, conveyance or other disposition of all or substantially all of our assets, property or business; or the acquisition by any person or persons acting as a group of beneficial ownership (or a right to acquire beneficial ownership) of shares representing a majority of the voting power of the then-outstanding shares of our capital stock.

**Equity Plans**

**2018 Equity Incentive Plan**

*General.* Our board of directors adopted the 2018 Equity Incentive Plan (2018 Plan) in 2018 and we expect it to be approved by our stockholders prior to the completion of this offering. The 2018 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights or other equity-based awards. Awards may be granted under the 2018 Plan beginning on the effective date of the registration statement to which this prospectus is a part. The 2018 Plan will replace our 2015 Stock Plan (2015 Plan); however, awards outstanding under the 2015 Plan will continue to be governed by their existing terms.

*Share Reserve.* The number of shares of our common stock reserved for issuance under the 2018 Plan is equal to shares plus up to shares remaining available for issuance under our 2015 Plan on the effective date of the registration statement to which this prospectus is a part or subject to awards outstanding under our 2015 Plan on such date that subsequently expire, lapse unexercised or are forfeited to or repurchased by us. The number of shares reserved for issuance under our 2018 Plan will automatically increase on the first day of each of our fiscal years during the term of the 2018 Plan, by a number equal to the smallest of (i) shares, (ii) 4% of the shares of common stock outstanding on the last business day of the prior fiscal year or (iii) the number of shares determined by our board of directors.

In general, if awards granted under the 2018 Plan are forfeited, cancelled, repurchased or expire, if an award is settled in cash or if shares subject to an award are applied to the exercise price or tax withholding obligations related to the award, the corresponding shares will be available for future issuance under our 2018 Plan.
Administration. The 2018 Plan will be administered by our board of directors or one or more committees to which our board of directors delegates such administration (as applicable, the administrator). Subject to the terms of the 2018 Plan, the administrator has the complete discretion to determine the eligible individuals who are to receive awards under the plan, to determine the terms and conditions of awards granted under the 2018 Plan and to make all decisions related to the 2018 Plan and awards granted thereunder. Our board of directors has delegated full authority to administer the 2018 Plan to its compensation committee.

Eligibility. Employees, non-employee directors and consultants are eligible to participate in the 2018 Plan. However, only employees are eligible to receive incentive stock options.

Stock Options and Stock Appreciation Rights. The exercise price of stock options and stock appreciation rights (SARs) granted under the 2018 Plan may not be less than 100% of the fair market value of our common stock on the date of grant. Subject to limited exceptions, options and SARs may have a maximum term of up to 10 years and will generally expire sooner if the optionee’s service terminates. The vesting schedule of each option and SAR is determined by the administrator, however, in general, we grant options that vest over four years. An optionee may pay the exercise price of an option in cash, or, with the administrator’s consent, with shares of common stock the optionee already owns, with proceeds from an immediate sale of the option shares through a broker approved by us, through a net exercise procedure or by any other method permitted by applicable law. The administrator has full authority to reprice (reduce the exercise price of) options and stock appreciation rights or to approve programs in which options and stock appreciation rights are exchanged for cash or other equity awards on terms the administrator determines.

Restricted Stock and Restricted Stock Units. Restricted stock may be awarded under the 2018 Plan for such consideration as the administrator determines, including cash or services provided to us. Typically no payment is required in connection with the grant of restricted stock units. Each award of restricted stock or restricted stock units may or may not be subject to vesting and vesting, if any, shall occur upon the satisfaction of the conditions specified by the administrator. Settlement of vested restricted stock units may be made in the form of cash, common stock or a combination of both.

Certain Limitations. No more than shares may be issued under the 2018 Plan upon exercise of incentive stock options.

Transferability of Awards. Unless the administrator determines otherwise, an award generally will not be transferable other than by beneficiary designation, a will or the laws of descent and distribution.

Corporate Transactions. If we are party to a merger or certain change in control transactions, each outstanding award will be treated as described in the definitive transaction agreement or as the administrator determines, which may include the continuation, assumption or substitution of an outstanding equity award, the cancellation of an outstanding equity award after an opportunity to exercise or the cancellation of an outstanding equity award in exchange for a payment equal to the value of the shares subject to such award less any applicable exercise price. In general, if an equity award held by a participant who remains in service at the effective time of a change in control transaction is not continued, assumed or substituted, then the award will vest in full.

Changes in Capitalization. In the event of certain changes in our capitalization, including a stock split, reverse stock split or stock dividend, proportionate adjustments will be made in the number and kind of shares available for issuance under the 2018 Plan and the number and kind of shares subject to each outstanding award and/or the exercise price of outstanding award.

Amendment or Termination. The administrator may amend or terminate the 2018 Plan at any time. Any such amendment or termination will not affect outstanding awards. If not sooner terminated, the 2018 Plan will terminate automatically in 2028. Shareholder approval is not required for any amendment of the 2018 Plan, unless required by applicable law.
Amended and Restated 2015 Stock Plan

General. Our board of directors adopted our Amended and Restated 2015 Stock Plan (our 2015 Plan) in May 2015, and it was approved by our stockholders. The most recent amendment of our 2015 Plan was adopted by our board of directors in November 2017 and was subsequently approved by our stockholders. No further awards will be made under the 2015 Plan after this offering; however, awards outstanding under the 2015 Plan will continue to be governed by their existing terms.

Share Reserve. As of December 31, 2017, we have reserved 14,641,444 shares of our common stock for issuance under the 2015 Plan, all of which may be issued as incentive stock options. As of December 31, 2017, options to purchase 2,124,741 shares of common stock, at exercise prices ranging from $0.10 to $1.36 per share, or a weighted-average exercise price of $0.43 per share were outstanding under the 2015 Plan, and 7,346,508 shares of common stock remained available for future issuance. Unissued shares subject to awards that expire or are cancelled, shares reacquired by us and shares withheld in payment of the purchase price or exercise price of an award or in satisfaction of withholding taxes will again become available for issuance under the 2015 Plan or, following consummation of this offering, under our 2018 Equity Incentive Plan.

Administration. Our board of directors has administered the 2015 Plan since its adoption; however, following this offering, the compensation committee of our board of directors will generally administer the 2015 Plan. The administrator has complete discretion to make all decisions relating to the 2015 Plan and outstanding awards.

Eligibility. Employees, non-employee members of our board of directors and consultants are eligible to participate in the 2015 Plan. However, only employees are eligible to receive incentive stock options.

Types of Awards. The 2015 Plan provides for the grant of options to purchase shares of our common stock and the direct grant or sale of shares of our common stock. The 2015 Plan allows for the grant of both incentive and nonstatutory stock options.

Options. The exercise price of options granted under the 2015 Plan may not be less than 100% of the fair market value of our common stock on the grant date. Optionees may pay the exercise price in cash or cash equivalents or by one, or any combination of, the following forms of payment, as permitted by the administrator in its sole discretion:

- By delivery of a full-recourse promissory note, with the option shares pledged as security against the principal and accrued interest on the note;
- By surrender of shares of common stock that the optionee already owns;
- By an immediate sale through a company-approved broker of the option shares, if shares of our common stock are publicly traded;
- By surrendering a number of vested shares subject to the option having an aggregate fair market value no greater than the aggregate exercise price, or the sum of such exercise price plus all or a portion of the minimum amount required to be withheld under applicable law; or
- By other methods permitted by applicable law.

Options vest as determined by the administrator. In general, we have granted options that vest over a four-year period. Options expire at the time determined by the administrator, but in no event more than ten years after they are granted, and generally expire earlier if the optionee’s service terminates. We typically have granted options that are immediately exercisable, subject to our right to repurchase unvested shares upon termination of an optionee’s service.

Restricted Shares. Restricted shares may be awarded or sold under the 2015 Plan in return for cash or cash equivalents or, as permitted by the administrator in its sole discretion, in exchange for services rendered to us, by delivery of a full-recourse promissory note or through any other means permitted by applicable law. Restricted shares vest as determined by the administrator.
Corporate Transactions. In the event that we are a party to a merger or consolidation or in the event of a sale of all or substantially all of our stock or assets, all shares acquired under the 2015 Plan and all options and other plan awards outstanding on the effective date of the transaction will be subject to the agreement governing such transaction or, in the absence of such agreement, in the manner determined by the administrator. Such treatment may include, without limitation, one or more of the following with respect to outstanding awards:

- The continuation, assumption or substitution of an award by the surviving entity or its parent;
- Cancellation of the vested portion of the award in exchange for a per-share payment equal to the excess, if any, of the value of the property received by a holder of a share of our common stock as a result of the transaction over any exercise price per share applicable to the award; or
- Cancellation of the award without payment of any consideration.

The administrator is not obligated to treat all awards in the same manner. The administrator has the discretion, at any time, to provide that an award granted under the 2015 Plan will vest on an accelerated basis if we are subject to a change of control or if the participant is subject to an involuntary termination.

Changes in Capitalization. In the event of certain specified changes in the capital structure of our common stock, such as a stock split, reverse stock split, stock dividend, reclassification or any other increase or decrease in the number of issued shares of stock effective without receipt of consideration by us, proportionate adjustments will automatically be made in (i) each of the number and kind of shares available for future grants under the 2015 Plan, (ii) the number and kind of shares covered by each outstanding award, (iii) the exercise or purchase price per share subject to each outstanding award and (iv) any repurchase price applicable to shares acquired under the 2015 Plan. In the event of an extraordinary cash dividend that has a material effect on the fair market value of our common stock, a recapitalization, spin-off, or other similar occurrence, the administrator at its sole discretion may make appropriate adjustments to one or more of the items described above.

 Amendments or Termination. The administrator may at any time amend, suspend or terminate the 2015 Plan, subject to stockholder approval in the case of an amendment if the amendment increases the number of shares available for issuance or materially changes the class of persons eligible to receive incentive stock options. The 2015 Plan will terminate automatically 10 years after the later of the date when our board of directors adopted the 2015 Plan or approved the latest share increase that was also approved by our stockholders and in any event, it will terminate upon completion of this offering, but as noted above, awards outstanding under the 2015 Plan will remain outstanding and will continue to be governed by their existing terms.

2018 Employee Stock Purchase Plan

General. Our board of directors adopted the 2018 Employee Stock Purchase Plan (ESPP) in 2018, and expect our stockholders to approve it prior to completion of this offering. The ESPP allows eligible employees to purchase shares of our common stock through payroll deductions and is intended to qualify under Section 423 of the Internal Revenue Code. It will become effective as of the effective date of the registration statement of which this prospectus is a part.

Share Reserve. We have reserved shares of our common stock for issuance under the ESPP. The number of shares reserved for issuance under the ESPP will automatically increase on the first day of each fiscal year during the term of the ESPP, commencing in 2019, by a number of shares equal to the least of (i) 1% of our outstanding shares of common stock on the last day of the prior fiscal year, (ii) shares or (iii) a number of shares determined by our board of directors. The number and class of shares reserved under the ESPP will be adjusted automatically in the event of a stock split, stock dividend or other changes in our capitalization.

Administration. Our board of directors or its compensation committee will administer the ESPP.

Eligibility. All of our employees or of any participating subsidiary are eligible to participate in the ESPP if they satisfy the eligibility requirements.
Offering Periods. Each offering period will last a number of months determined by the administrator, up to a maximum of 27 months. Unless otherwise determined by the administrator, the initial offering period will begin on the effective date of the registration statement to which this prospectus is a part and end on May 31, 2020, and new 24 month offering periods will begin on each June 1 and December 1 thereafter. Currently each offering period consists of 4 consecutive purchase periods, of approximately 6 months duration, at the end of which payroll contributions are used to purchase shares of our common stock.

Amount of Contributions. Participants may purchase our common stock through payroll deductions, up to a maximum of 15% of their eligible compensation. Each participant may purchase up to the number of shares determined by our administrator on any purchase date, not to exceed __________ shares. The value of the shares purchased in any calendar year may not exceed $25,000. Participants may withdraw from the ESPP and receive a refund of their accumulated payroll contributions at any time prior to a purchase date.

Purchase Price. Unless changed by the administrator, the purchase price for each share of our common stock purchased under the ESPP will be 85% of the lower of the fair market value per share on the first trading day of the applicable offering period (or, in the case of the initial offering period, the price at which one share of common stock is offered to the public in this offering) or the fair market value per share on the applicable purchase date.

Corporate Transactions. In the event of certain corporate transactions, any offering periods then in progress may be continued, assumed or substituted for by the acquiring corporation. If the acquiring corporation refuses to do so, a new purchase date will be set for each offering period prior to the effective time of the transaction and such offering periods will terminate.

Amendment or Termination. The administrator may amend, suspend or terminate the ESPP at any time. If not sooner terminated, the ESPP will automatically terminate in 2038. With the exception of increasing the number of shares reserved for issuance, shareholder approval is generally not required for any amendment of the ESPP unless required by applicable law.
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since our incorporation on April 30, 2015 to which we have been a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements which are described in “Management—Director Compensation” and “Executive Compensation.”

Sale of Series A Preferred Stock

On May 29, 2015, we entered into a Series A preferred stock purchase agreement pursuant to which we issued, in a series of closings in May 2015, August 2015 and September 2015, an aggregate of 49,725,000 shares of our Series A preferred stock at a cash purchase price of $1.00 per share to accredited investors for an aggregate purchase price of $49,725,000. Each share of our Series A preferred stock will convert automatically into one share of our common stock immediately prior to the completion of this offering.

The following table summarizes purchases of shares of our Series A preferred stock by our executive officers, directors and holders of more than 5% of our capital stock:

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Number of Shares</th>
<th>Aggregate Gross Cash Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities and individuals affiliated with Terry Rosen, Ph.D.</td>
<td>9,000,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Juan Carlos Jaen, Ph.D.</td>
<td>8,000,000</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Foresite Capital Fund III, L.P.</td>
<td>7,000,000</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Entities and individuals affiliated with The Column Group II, L.P.</td>
<td>7,000,000</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Yasunori Kaneko, M.D.</td>
<td>3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>34,000,000</td>
<td>$34,000,000</td>
</tr>
</tbody>
</table>

(1) Consists of 9,000,000 shares of Series A preferred stock purchased by The Rosen 1996 Family Trust Dated June 28, 1996. Dr. Terry Rosen, our chief executive officer and a member of our board of directors, is the trustee, beneficiary and/or otherwise affiliated with the foregoing stockholder.
(2) Consists of 8,000,000 shares of Series A preferred stock purchased by Juan Carlos Jaen and Anita Galeana, Trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust. Dr. Juan Carlos Jaen, our president and a member of our board of directors, is the trustee, beneficiary and/or otherwise affiliated with the foregoing stockholder.
(3) Foresite Capital Fund III, L.P. holds more than 5% of our capital stock.
(4) Entities and individuals affiliated with The Column Group II, L.P. holds more than 5% of our capital stock.
(5) Consists of 3,000,000 shares of Series A preferred stock purchased by Yasunori Kaneko and Yumi Kaneko, Trustees of the Kaneko Family Trust U/D/T dated January 20, 1992. Dr. Yasunori Kaneko, a member of our board of directors, is affiliated with the foregoing stockholder.

Sale of Series B Preferred Stock

On August 15, 2016, we entered into a Series B preferred stock purchase agreement pursuant to which we issued, in a series of closings in August 2016, an aggregate of 34,653,462 shares of our Series B preferred stock at a cash purchase price of $2.02 per share to accredited investors for an aggregate purchase price of approximately $69,999,993. Each share of our Series B preferred stock will convert automatically into one share of our common stock immediately prior to the completion of this offering.

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The following table summarizes purchases of shares of our Series B preferred stock by our executive officers, directors and holders of more than 5% of our capital stock.

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Number of Shares</th>
<th>Aggregate Gross Cash Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities and individuals affiliated with Terry Rosen, Ph.D. (1)</td>
<td>495,050</td>
<td>$1,000,001</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Juan Carlos Jaen, Ph.D. (2)</td>
<td>495,050</td>
<td>$1,000,001</td>
</tr>
<tr>
<td>Foresite Capital Fund III, L.P. (3)</td>
<td>4,950,495</td>
<td>$9,999,999</td>
</tr>
<tr>
<td>Entities and individuals affiliated with The Column Group II, L.P. (4)</td>
<td>3,465,347</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Yasunori Kaneko, M.D. (5)</td>
<td>123,762</td>
<td>$249,999</td>
</tr>
<tr>
<td>Entities and individuals affiliates with GV 2016, L.P. (6)</td>
<td>12,376,238</td>
<td>$25,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,905,942</strong></td>
<td><strong>$44,250,000</strong></td>
</tr>
</tbody>
</table>

(1) Consists of 495,050 shares of Series B preferred stock purchased by The Rosen 1996 Family Trust Dated June 28, 1996. Dr. Terry Rosen, our chief executive officer and a member of our board of directors, is the trustee, beneficiary and/or otherwise affiliated with the foregoing stockholder.

(2) Consists of 495,050 shares of Series B preferred stock purchased by Juan Carlos Jaen and Anita Galeana, as trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust. Dr. Juan Carlos Jaen, our president and a member of our board of directors, is the trustee, beneficiary and/or otherwise affiliated with the foregoing stockholder.

(3) Foresite Capital Fund III, L.P. holds more than 5% of our capital stock.

(4) Entities and individuals affiliated with The Column Group II, L.P holds more than 5% of our capital stock. Consists of 3,465,347 shares of Series B preferred stock purchased by The Column Group II, L.P.

(5) Consists of 123,762 shares of Series B preferred stock purchased by Yasunori Kaneko and Yumi Kaneko, Trustees of the Kaneko Family Trust U/D/T dated January 20, 1992. Dr. Yasunori Kaneko, a member of our board of directors, is the trustee, beneficiary and/or otherwise affiliated with the foregoing stockholder.

(6) Entities and individuals affiliates with GV 2016, L.P. GV 2016, L.P. holds more than 5% of our capital stock. Consists of 12,376,238 shares of Series B preferred stock purchased by GV 2016, L.P.

Sale of Series C Preferred Stock

On November 3, 2017, we entered into a Series C preferred stock purchase agreement pursuant to which we issued, in a series of closings in November 2017 an aggregate of 36,241,698 shares of our Series C preferred stock at a cash purchase price of $2.9524 per share to accredited investors for an aggregate purchase price of approximately $106,999,989. Each share of our Series C preferred stock will convert automatically into one share of our common stock immediately prior to the completion of this offering.

The following table summarizes purchases of shares of our Series C preferred stock by our executive officers, directors and holders of more than 5% of our capital stock.

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Number of Shares</th>
<th>Aggregate Gross Cash Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities and individuals affiliated with Terry Rosen, Ph.D. (1)</td>
<td>328,546</td>
<td>$969,999</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Juan Carlos Jaen, Ph.D. (2)</td>
<td>118,548</td>
<td>$350,001</td>
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<tr>
<td>Foresite Capital Fund III, L.P. (3)</td>
<td>1,693,537</td>
<td>$4,999,998</td>
</tr>
<tr>
<td>Entities and individuals affiliated with The Column Group II, L.P. (4)</td>
<td>3,556,429</td>
<td>$10,500,000</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Yasunori Kaneko, M.D. (5)</td>
<td>10,161</td>
<td>$29,999</td>
</tr>
<tr>
<td>Entities and individuals affiliated with GV 2016, L.P. (6)</td>
<td>7,620,919</td>
<td>$22,500,001</td>
</tr>
<tr>
<td>Entities and individuals affiliated with Kathryn Falberg (7)</td>
<td>67,741</td>
<td>$199,999</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,395,881</strong></td>
<td><strong>$39,549,996</strong></td>
</tr>
</tbody>
</table>
Agreements with PACT Pharma, Inc.

In September 2016, we purchased approximately 3.6 million shares of common stock of PACT Pharma, Inc. (PACT Pharma), a privately funded, early-stage biopharmaceutical company focused on adoptive cell therapy, for a nominal amount. In December 2016, we and PACT Pharma entered into a Master Services Agreement (the PACT Agreement) under which we provide PACT Pharma with general and administrative support, including finance, human resources, legal, and other operational support. We also received certain warrants to purchase PACT Pharma common stock exercisable upon PACT Pharma’s achievement of certain valuation thresholds pursuant to the PACT Agreement. Also in December 2016, we purchased 1.0 million shares of Series A preferred stock of PACT Pharma for $1.0 million. After this investment, we owned an aggregate of approximately 12% of the total equity of PACT Pharma on an as-converted basis. As part of our support under the PACT Agreement, Dr. Terry Rosen, our Chief Executive Officer and a member of our board of directors, previously served as Chief Executive Officer of PACT Pharma on an interim basis. Dr. Juan Carlos Jaen, our President and a member of our board of directors, previously served as President of PACT Pharma on an interim basis. Dr. Rosen and Dr. Jaen are also minority stockholders and members of the board of directors of PACT Pharma. The PACT Agreement will terminate no later than December 31, 2018.

Amended and Restated Voting Agreement

On November 3, 2017, we entered into an amended and restated voting agreement with certain holders of our common stock and the holders of our preferred stock, including entities with which our chief executive officer, president and 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 completion of this offering.

Amended and Restated First Refusal and Co-Sale Agreement

On November 3, 2017, we entered into an amended and restated first refusal and co-sale agreement with holders of our common stock and holders of our preferred stock, including entities with which our chief executive officer, president and certain of our directors are affiliated. This agreement provides the holders of preferred stock a right of purchase and of co-sale in respect of sales of securities by certain holders of our common stock. The rights of purchase and co-sale will terminate upon the completion of this offering.
Amended and Restated Investors’ Rights Agreement

On November 3, 2017, we entered into an amended and restated investors’ rights agreement with holders of our preferred stock, including entities with which our chief executive officer, president and certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares following this offering under the Securities Act. For a description of these registration rights, see “Description of Capital Stock—Registration Rights.”

Management Rights Letters

In connection with our sale of our preferred stock, we entered into management rights letters with certain purchasers of our preferred stock, including holders of more than 5% of our capital stock and entities with which certain of our directors are affiliated, pursuant to which such entities were granted certain management rights, including the right to consult with and advise our management on significant business issues, review our operating plans, examine our books and records and inspect our facilities. These management rights will terminate upon completion of this offering.

Indemnification Agreements

Our amended and restated certificate of incorporation, which will be effective upon the completion of this offering, will contain provisions limiting the liability of directors, and our amended and restated bylaws, which will be effective upon the completion of this offering, will provide that we will indemnify each of our directors to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide our board of directors with discretion to indemnify our officers and employees when determined appropriate by our board of directors.

We intend to enter into indemnification agreements with each of our directors and executive officers and certain other key employees. The indemnification agreements will provide that we will indemnify each of our directors, executive officers and such other key employees against any and all expenses incurred by that director, executive officer or other key employee because of his or her status as one of our directors, executive officers or other key employees, to the fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws. In addition, the indemnification agreements will provide that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by our directors, executive officers and other key employees in connection with a legal proceeding involving his or her status as a director, executive officer or key employee.

Other Transactions

The son of Terry Rosen, Ph.D., our Chief Executive Officer and member of our board of directors, has been employed by us as a Senior Scientist, and previously as a Scientist, since February 2016. In 2017, he earned approximately $120,000 in annual salary and other cash compensation, was granted an option to purchase 7,000 shares of common stock with an exercise price of $0.31 and received other benefits consistent with other employees serving in the same capacity.

Policies and Procedures for Related Party Transactions

Our audit committee has the primary responsibility for the review, approval and oversight of any “related party transaction,” which is any transaction, arrangement or relationship (or series of similar transactions, arrangements, or relationships) in which we are, were or will be a participant and the amount involved exceeds $120,000, and in which the related person has, had or will have a direct or indirect material interest. We intend to adopt a written related party transaction policy to be effective upon the completion of this offering. Under our related party transaction policy, our management will be required to submit any related person transaction not previously approved or ratified by our audit committee to our audit committee. In approving or rejecting the proposed transactions, our audit committee will take into account all of the relevant facts and circumstances available.
The following table sets forth certain information with respect to the beneficial ownership of our common stock as of February 1, 2018, and as adjusted to reflect the sale of common stock offered by us in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock.

We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Except as indicated in the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 139,497,476 shares of common stock outstanding at February 1, 2018, after giving effect to the conversion of all outstanding shares of preferred stock as of that date into an aggregate of 120,620,160 shares of our common stock. For purposes of computing percentage ownership after this offering, we have assumed that (i) shares of common stock will be issued by us in this offering; and (ii) that the underwriters will not exercise their option to purchase additional shares in full. In computing the number of shares of common stock beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of February 1, 2018. We did not deem these shares outstanding, however, such shares were included for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Arcus Biosciences, Inc., 3928 Point Eden Way, Hayward, CA 94545.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Number Of Shares Beneficially Owned Before The Offering</th>
<th>Percent Of Shares Beneficially Owned After The Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Named Executive Officers and Directors:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terry Rosen, Ph.D. (1)</td>
<td>15,869,596</td>
<td>11.4%</td>
</tr>
<tr>
<td>Juan Carlos Jaen, Ph.D. (2)</td>
<td>13,638,598</td>
<td>9.8%</td>
</tr>
<tr>
<td>Jennifer Jarrett (3)</td>
<td>1,540,000</td>
<td>1.1%</td>
</tr>
<tr>
<td>Yasunori Kaneko, M.D. (4)</td>
<td>3,383,923</td>
<td>2.4%</td>
</tr>
<tr>
<td>Kathryn Falberg (5)</td>
<td>267,741</td>
<td>*</td>
</tr>
<tr>
<td>David William Beier (6)</td>
<td>200,000</td>
<td>*</td>
</tr>
<tr>
<td>All Executive Officers and Directors as a Group (six persons) (7)</td>
<td>34,899,858</td>
<td>24.8%</td>
</tr>
<tr>
<td><strong>5% Stockholders:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entities and individuals affiliated with GV 2016, L.P. (8)</td>
<td>19,997,157</td>
<td>14.3%</td>
</tr>
<tr>
<td>Entities and individuals affiliated with The Column Group II, L.P. (9)</td>
<td>14,021,776</td>
<td>10.1%</td>
</tr>
<tr>
<td>Foresite Capital Fund III, L.P. (10)</td>
<td>13,644,032</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

* Represents beneficial ownership of less than one percent.

(1) Consists of (i) 750,000 shares of common stock held by Terry Rosen, (ii) 9,803,596 shares of common stock upon the deemed conversion of our preferred stock held by The Rosen 1996 Family Trust Dated June 28, 1996 and (iii) 5,316,000 shares of common stock held by The Rosen 1996 Family Trust Dated June 28, 1996.

(2) Consists of (i) 750,000 shares of common stock held by Juan Jaen, (ii) 8,613,598 shares of common stock upon the deemed conversion of our preferred stock held by Juan Carlos Jaen and Anita Galeana, as trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust and (iii) 4,275,000 shares of common stock held by Juan Carlos Jaen and Anita Galeana, as trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust.
(3) Consists of (i) 396,109 shares of common stock held by Jennifer Jarrett and (ii) 1,143,891 shares of common stock underlying options held by Jennifer Jarrett that are exercisable as of February 1, 2018 or will become exercisable within 60 days after such date.

(4) Consists of (i) 250,000 shares of common stock held by Yasunori Kaneko & Yumi Kaneko, Trustees of The Kaneko Family Trust dated January 20, 1992, (ii) 2,000,000 shares of common stock upon the deemed conversion of our preferred stock held by Kaneko Capital, LLC, (iii) 1,000,000 shares of common stock upon the deemed conversion of our preferred stock held by Kaneko Investments, LLC and (iv) 133,923 shares of common stock upon the deemed conversion of our preferred stock held by Yasunori Kaneko and Yumi Kaneko, Trustees of the Kaneko Family Trust U/D/T dated January 20, 1992.

(5) Consists of (i) 200,000 shares of common stock held by Kathryn Falberg and (ii) 67,741 shares of common stock upon the deemed conversion of our preferred stock held by Kathryn E. Falberg, trustee of the Falberg-Predovich Family Trust dtd 6-11-12.

(6) Consists of 200,000 shares of common stock held by David Beier.

(7) Includes 1,143,891 shares of common stock underlying options that are exercisable as of February 1, 2018 or will become exercisable within 60 days after such date.

(8) Consists of 12,376,238 shares of Series B Preferred Stock held by GV 2016, L.P., GV 2016 GP, L.P., the general partner of GV 2016, L.P., GV 2016 GP, L.L.C., the general partner of GV 2016 GP, L.P., Alphabet Holdings LLC, the sole stockholder of XXVI Holdings Inc., the managing member of Alphabet Holdings LLC, and Alphabet Inc., the sole stockholder of XXVI Holdings Inc., may be deemed to have sole power to vote or dispose of these shares. The principal business address of GV 2016, L.P., GV 2016 GP, L.P., GV 2016 GP, L.L.C., Alphabet Holdings LLC, XXVI Holdings Inc., and Alphabet Inc. is 1600 Amphitheatre Parkway, Mountain View, CA 94043.

(9) Consists of 14,021,776 shares of common stock upon the deemed conversion of our preferred stock held by The Column Group II, LP and Ponoi Capital, LP. The Column Group II GP, LP is the general partner of The Column Group II, LP. Ponoi Management, LLC is the general partner of Ponoi Capital, LP. The managing partners of The Column Group II GP, LP are David Goeddel and Peter Svennilson. The managing partners of The Column Group, LLC and Ponoi Management, LLC are David Goeddel, Peter Svennilson, and Tim Kutzley. The managing partners of The Column Group II GP, LP and Ponoi Management, LLC may be deemed to have voting and investment power with respect to such shares. The address of The Column Group II, LP and Ponoi Capital, LP is 1700 Owens Street, Suite 500, San Francisco, California 94158.

(10) Consists of 13,644,032 shares of common stock upon the deemed conversion of our preferred stock held by Foresite Capital Fund III, L.P. (FCF III). Foresite Capital Management III, LLC (FCM III) is the general partner of FCF III. The managing director of FCM III, James Tananbaum, may be deemed to have voting and investment power with respect to such shares. The address of FCP III is c/o Foresite Capital Management, LLC, 101 California Street, Suite 4100, San Francisco, California 94111.
DESCRIPTION OF CAPITAL STOCK

A description of our capital stock and the material terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering and affecting the rights of holders of our capital stock is set forth below. The forms of our amended and restated certificate of incorporation and our amended and restated bylaws to be adopted in connection with this offering are filed as exhibits to the registration statement relating to this prospectus.

Upon the completion of this offering, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the completion of this offering, our authorized capital stock will consist of 410,000,000 shares, all with a par value of $0.0001 per share, of which:

• 400,000,000 shares are designated common stock; and
• 10,000,000 shares are designated preferred stock.

As of February 1, 2018, after giving effect to the conversion of all outstanding shares of preferred stock into an aggregate of 120,620,160 shares of our common stock, there were outstanding:

• 139,497,476 shares of our common stock held of record by 197 stockholders, including 8,860,089 shares of restricted common stock that are subject to our right of repurchase; and
• 3,915,432 shares of our common stock issuable upon exercise of outstanding stock options.

Common Stock

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See “Dividend Policy” for more information.

Voting Rights

The holders of our common stock are entitled to one vote per share. Stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.
Preferred Stock

Upon the completion of this offering, no shares of preferred stock will be outstanding, but we will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers and rights of the shares of each series and any associated qualifications, limitations or restrictions. Our board of directors also can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock. We have no current plan to issue any shares of preferred stock.

Options

As of February 1, 2018, there were options to purchase 3,915,432 shares of our common stock outstanding, of which 3,885,432 were subject to options granted under our 2015 Stock Plan and 30,000 were subject to an option granted outside of the 2015 Stock Plan.

Registration Rights

Following the completion of this offering, the holders of 120,620,160 shares of our common stock issued upon the conversion of our preferred stock will be entitled to contractual rights to require us to register those shares under the Securities Act. These registration rights are provided under the terms of our amended and restated investors’ rights agreement between us and the holders of these shares, which was entered into on November 3, 2017. Pursuant to this agreement, trusts associated with our Chief Executive Officer and director, Dr. Rosen, and our President and director, Dr. Jaen, along with affiliates of such trusts holding common stock not issued upon conversion of our preferred stock, are entitled to the piggyback registration rights described below with respect to their shares of outstanding common stock not issued upon the conversion of our preferred stock, but are not entitled to either the demand or Form S-3 registration rights described below with respect to such shares of common stock. These trusts, along with their affiliates, collectively held 11,091,000 shares of such outstanding common stock as of February 1, 2018.

We will pay all expenses relating to any demand, piggyback or Form S-3 registration described below, other than underwriting discounts and commissions. The registration rights terminate upon the earliest to occur of: (i) the fourth anniversary of the completion of this offering; (ii) a liquidation event; or (iii) with respect to the registration rights of an individual holder, such earlier time after this offering at which the holder (a) can sell all of its shares in compliance with Rule 144(b)(1)(i) or (b) holds one percent or less of our outstanding common stock and all shares held by the holder can be sold in any three-month period without registration in compliance with Rule 144.

Demand Registration Rights

The holders of the registrable securities will be entitled to certain demand registration rights. At any time beginning on the earlier of November 3, 2022 or six months following the effectiveness of this offering, the holders of 50% or more of the registrable securities then outstanding may make a written request that we register some or all of their registrable securities, subject to certain specified conditions and exceptions. We are required to use commercially reasonable efforts to effect the registration and will pay all registration expenses, other than underwriting discounts and commissions, related to any demand registration. Such request for registration must cover securities with an aggregate offering price of at least $20,000,000. We are not obligated to effect more than two of these registrations.
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Piggyback Registration Rights

In connection with this offering, holders of our registrable securities were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their registrable securities in this offering. If we propose to register any of our securities under the Securities Act either for our own account or for the account of other stockholders in another offering, the holders of shares having registration rights will, subject to certain exceptions, be entitled to include their shares in our registration statement, provided that the underwriters of any such offering have the right to limit the number of shares included in the registration. These registration rights are subject to specified other conditions and limitations as set forth in our amended and restated investors’ rights agreement.

Form S-3 Registration Rights

At any time after we are qualified to file a registration statement on Form S-3, and subject to limitations and conditions specified in the amended and restated investors’ rights agreement, the holders of 30% or more of the registrable securities then outstanding may make a written request that we prepare and file a registration statement on Form S-3 under the Securities Act covering their shares, so long as the aggregate price to the public is at least $10,000,000. We are not obligated to effect more than two of these Form S-3 registrations in any 12-month period or more than a total of three of these Form S-3 registrations.

Anti-Takeover Provisions

Delaware Law

Upon the completion of this offering, we will be governed by the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under some circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation’s assets with any interested stockholder, meaning a stockholder who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation’s outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became 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 those shares owned (i) by 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
- subsequent to such time that the stockholder became an interested stockholder the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may “opt out” of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or amended and restated bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

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Certificate of Incorporation and Bylaw Provisions

Upon the completion of this offering, our amended and restated certificate of incorporation and our amended and restated bylaws will include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management team, including the following:

- **Board of Directors Vacancies.** Our amended and restated certificate of incorporation and amended and restated bylaws will authorize our board of directors to fill vacant directorships, including newly-created seats. In addition, the number of directors constituting our board of directors will be set only by resolution adopted by a majority vote of our entire board of directors. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

- ** Classified Board.** Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors will be classified into three classes of directors, each of which will hold office for a three-year term. In addition, directors may only be removed from the board of directors for cause and only by the approval of 66 2/3% of our then-outstanding shares of our common stock. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors.

- **Stockholder Action; Special Meeting of Stockholders.** Our amended and restated certificate of incorporation will provide that stockholders will not be able to take action by written consent, and will only be able to take action at annual or special meetings of our stockholders. Stockholders will not be permitted to cumulate their votes for the election of directors. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer.

- **Advance Notice Requirements for Stockholder Proposals and Director Nominations.** Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at any meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders.

- **Issuance of Undesignated Preferred Stock.** Our board of directors will have, the authority, without further action by the holders of common stock, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock will enable our board of directors to render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Choice of Forum

Upon the completion of this offering, 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 amended and restated bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions in our certificate of incorporation to be inapplicable or unenforceable.
Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent’s address is 250 Royall Street, Canton, Massachusetts 02021, and its telephone number is .

Listing

We have applied to list our common stock on the New York Stock Exchange under the symbol “RCUS.”
SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has not been a public market for shares of our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the exercise of outstanding options, in the public market following this offering or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

Following this offering, we will have outstanding _____ shares of our common stock, based on the number of shares outstanding as of ___. This includes _____ shares of common stock that we are selling in this offering, which shares may be resold in the public market immediately unless purchased by our affiliates, and assumes no additional exercise of outstanding options other than as described elsewhere in this prospectus.

The remaining _____ shares of common stock that are not sold in this offering will be “restricted securities,” as that term is defined in Rule 144 under the Securities Act of 1933, as amended. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which are summarized below.

In addition, we, our executive officers and directors, and substantially all of our security holders have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our capital stock until at least 181 days after the date of this prospectus, as described below. As a result of these agreements and the provisions of our investors’ rights agreement disclosed in “Description of Capital Stock—Registration Rights,” subject to the provisions of Rule 144 or Rule 701, based on an assumed offering date of ___, 2018, _____ shares will be available for sale in the public market as follows:

• beginning on the date of this prospectus, the _____ shares sold in this offering will be immediately available for sale in the public market, unless purchased by our affiliates;

• beginning 181 days after the date of this prospectus, _____ additional shares will become eligible for sale in the public market, of which _____ shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below; and

• the remainder of the shares will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares of our restricted common stock for at least six months would be entitled to sell their securities provided that 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 we are subject to the periodic reporting requirements of the Exchange Act, for at least 90 days before the sale. In addition, under Rule 144, any person who is not an affiliate of ours and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the completion of this offering without regard to whether current public information about us is available. Persons who have beneficially owned shares of our restricted 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 common shares then outstanding, which will equal approximately _____ shares immediately after this offering assuming no exercise of the underwriters’ option to purchase additional shares, based on the number of common shares outstanding as of ___, or

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the average weekly trading volume of our common shares 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 have been 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

Any of our service providers who purchased shares under a written compensatory plan or contract prior to this offering may be entitled to rely on the resale provisions of Rule 701. Rule 701, as currently in effect, permits resales of shares, including by affiliates, in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement, of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares if such resale is pursuant to Rule 701. All Rule 701 shares are, however, subject to lock-up agreements and will only become eligible for sale upon the expiration of these lock-up agreements.

Lock-Up Agreements

In connection with this offering, we and all directors and officers and the holders of substantially all of our outstanding stock and stock options have agreed with the underwriters, subject to certain exceptions, not to offer, pledge, 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, lend, or otherwise transfer or dispose of, directly or indirectly, shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of our common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the Company or the underwriters. These agreements are subject to certain exceptions, as set forth in “Underwriting.”

Certain of our employees, including our executive officers, and directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to our initial public offering described above.

Registration Rights

Upon completion of this offering, the holders of 120,620,160 shares of our common stock will be entitled to rights with respect to the registration of the sale of such shares of common stock under the Securities Act. An additional 11,091,000 shares of our common stock will be entitled to piggyback but not demand or S-3 registration rights. See “Description of Capital Stock—Registration Rights.” All such shares are covered by lock-up agreements. Following the expiration of the lock-up period, registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

Equity Plans

We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of our common stock subject to options outstanding or reserved for issuance under our equity plans. We expect to file this registration statement as soon as practicable after the completion of this offering. 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 stock plans, see “Executive Compensation—Equity Plans.”
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of the material U.S. federal income tax considerations applicable to non-U.S. holders (as defined below) with respect to their ownership and disposition of shares of our common stock issued pursuant to this offering. For purposes of this discussion, a non-U.S. holder means a beneficial owner of our common stock (other than an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes) that is not, for U.S. federal income tax purposes, any of the following:

- an individual who is a 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 in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986 (the Code) existing and proposed U.S. Treasury Regulations promulgated thereunder, judicial opinions, published positions of the Internal Revenue Service (IRS) and other applicable authorities, all of which are subject to change or to differing interpretation, possibly with retroactive effect. This discussion assumes that a non-U.S. holder holds shares of our common stock as a capital asset (generally, property held for investment) for U.S. federal income tax purposes. This discussion does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or, except to the limited extent provided below, under U.S. federal estate and gift tax laws. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- banks, insurance companies or other financial institutions;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- persons subject to the alternative minimum tax or the Medicare contribution tax;
- tax-exempt entities (including private foundations) or tax-qualified retirement plans;
- controlled foreign corporations or passive foreign investment companies;
- persons who acquired our common stock as compensation for services;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” or other risk reduction transaction; or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.
In addition, this discussion does not address the tax treatment of partnerships or other entities that are pass-through entities for U.S. federal income tax purposes or persons who hold our common stock through partnerships or other pass-through entities. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its own tax advisor regarding the tax consequences of the ownership and disposition of our common stock through a partnership or other pass-through entity, as applicable.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF NON-U.S., STATE, OR LOCAL LAWS AND TAX TREATIES.

Dividends
We do not expect to declare or make any distributions on our common stock in the foreseeable future. If we do pay dividends on shares of our common stock, however, 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. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder’s adjusted tax basis in shares of our common stock. Any such gain will be subject to the treatment described below under “—Gain on Sale or Other Disposition of Common Stock.” Any such distributions will also be subject to the discussion below under “—Backup Withholding and Information Reporting” and “—Foreign Account Tax Compliance Act.”

Any dividend paid to a non-U.S. holder on our common stock that is not effectively connected with a non-U.S. holder’s conduct of a trade or business in the United States will generally be subject to U.S. withholding tax at a 30% rate. The withholding tax might apply at a reduced rate, however, under the terms of an applicable income tax treaty between the United States and the non-U.S. holder’s country of residence. You should consult your own tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us or our paying agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing an IRS Form W-8BEN, W-8BENE or other appropriate form (or any successor or substitute form thereof) to us or our paying agent. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder’s behalf, the holder will be required to provide appropriate documentation to the holder’s agent. The holder’s agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, and if required by an applicable income tax treaty between the United States and the non-U.S. holder’s country of residence, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are not subject to U.S. withholding tax. To obtain this exemption, a non-U.S. holder must provide us or our paying agent with an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition to being taxed at graduated tax rates, dividends received by a corporate non-U.S. holder that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.
Gain on Sale or Other Disposition of Common Stock

Subject to the discussion below under “—Backup Withholding and Information Reporting” and “—Foreign Account Tax Compliance Act,” non-U.S. holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of our common stock unless:

- the gain (i) is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder’s country of residence, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met (in which case the gain would be subject to a flat 30% tax, or such reduced rate as may be specified by an applicable income tax treaty, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States); or
- the rules of the Foreign Investment in Real Property Tax Act (FIRPTA) treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of our common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder’s holding period, a “U.S. real property holding corporation,” or USRPHC. In general, we would be a USRPHC if interests in U.S. real estate comprised at least half of the value of our business assets. We do not believe that we are a USRPHC and we do not anticipate becoming one in the future. Even if we become a USRPHC, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if beneficially owned by a non-U.S. holder that actually or constructively owned more than 5% of our outstanding common stock at some time within the five-year period preceding the disposition.

If any gain from the sale, exchange or other disposition of our common stock, (i) is effectively connected with a U.S. trade or business conducted by a non-U.S. holder and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder’s country of residence, is attributable to a permanent establishment maintained by such non-U.S. holder in the United States, then the gain generally will be subject to U.S. federal income tax at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If the non-U.S. holder is a corporation, under certain circumstances, that portion of its earnings and profits that is effectively connected with its U.S. trade or business, subject to certain adjustments, generally would be subject also to a “branch profits tax” at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

U.S. Federal Estate Tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent’s country of residence provides otherwise.

Backup Withholding and Information Reporting

The Code and the U.S. Treasury Regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are dividends and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by “backup withholding” rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification.
number, or failing to report interest or dividends on his returns. The backup withholding tax rate is currently 28%. The backup withholding rules do not apply to payments to foreign corporations, provided they establish such exemption.

Payments to non-U.S. holders of dividends on common stock generally will not be subject to backup withholding, and payments of proceeds made to non-U.S. holders by a broker upon a sale of common stock will not be subject to information reporting or backup withholding, in each case so long as the non-U.S. holder certifies its nonresident status (and we or the applicable paying agent do not have actual knowledge or reason to know the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied) or otherwise establishes an exemption. The certification procedures to claim treaty benefits described under “—Dividends” above will generally satisfy the certification requirements necessary to avoid the backup withholding tax. We must report annually to the IRS any dividends paid to each non-U.S. holder and the tax withheld, if any, with respect to these dividends. Copies of these reports may be made available to tax authorities in the country where the non-U.S. holder resides.

Under the U.S. Treasury Regulations, the payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the beneficial owner certifies, under penalties of perjury, among other things, its status as a non-U.S. holder (and the broker does not have actual knowledge or reason to know the holder is a U.S. person) or otherwise establishes an exemption. The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting. Information reporting, but not backup withholding, however, will apply to a payment of proceeds, even if that payment is made outside of the United States, if you sell our common stock through a non-U.S. office of a broker that is:

- a U.S. person (including a foreign branch or office of such person);
- a “controlled foreign corporation” for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (a) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (b) the foreign partnership is engaged in a U.S. trade or business;

unless the broker has documentary evidence that the beneficial owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no actual knowledge or reason to know to the contrary).

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder of common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder, if any, and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

**Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act (FATCA) generally imposes a U.S. federal withholding tax at a rate of 30% on payments of dividends on, or gross proceeds from the sale of other disposition of, our common stock paid to a foreign entity unless (i) if the foreign entity is a “foreign financial institution,” such foreign entity undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) if the foreign entity is not a “foreign financial institution,” such foreign entity identifies certain of its U.S. investors, if any, or (iii) the foreign entity is otherwise exempt under FATCA. Under applicable U.S. Treasury Regulations, withholding under FATCA currently applies to payments of dividends on our common stock, but will only apply to payments
of gross proceeds from a sale or other disposition of our common stock made after December 31, 2018. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of this withholding tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in our common stock and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL APPLICATION OF WITHHOLDING UNDER FATCA TO THEIR INVESTMENT IN OUR COMMON STOCK. THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, GIFT, ESTATE, STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.
UNDERWRITING

Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Leerink Partners LLC are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of shares of common stock set forth opposite the underwriter’s name in the following table.

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</tr>
<tr>
<td>Goldman Sachs &amp; Co. LLC</td>
<td></td>
</tr>
<tr>
<td>Leerink Partners LLC</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters’ option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters’ right to reject any order in whole or in part.

If the underwriters sell more shares than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter’s initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We, our officers, directors and substantially all of our securityholders have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Leerink Partners LLC, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our common stock. Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Leerink Partners LLC, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot ensure however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.
We have applied to have our shares listed on the New York Stock Exchange under the symbol “RCUS.”

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares.

<table>
<thead>
<tr>
<th>Paid by Arcus Biosciences, Inc.</th>
<th>No Exercise</th>
<th>Full Exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per share</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

We estimate that our portion of the total expenses of this offering will be $ . We have also agreed to reimburse the underwriters for certain Financial Industry Regulatory Authority-related and other expenses incurred by them in connection with this offering in an amount up to $35,000.

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters’ option to purchase additional shares, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.
  - “Covered” short sales are sales of shares in an amount up to the number of shares represented by the underwriters’ option to purchase additional shares.
  - “Naked” short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters’ option to purchase additional shares.

- Covering transactions involve purchases of shares either pursuant to the underwriters’ option to purchase additional shares or in the open market in order to cover short positions.
  - To close a naked short position, the underwriters must purchase 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 the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
  - To close a covered short position, the underwriters must purchase shares in the open market or must exercise the option to purchase additional shares. In determining the source of shares to close 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 to purchase additional shares.

- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

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.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions , in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.
Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and 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 short positions in such securities and instruments.

Affiliates of Leerink Partners LLC purchased an aggregate of 338,708 shares of our Series C convertible preferred stock in our November 2017 private placement and such purchases will be considered underwriting compensation in connection with this offering. Those shares of Series C convertible preferred stock will automatically convert into an aggregate of 338,708 shares of common stock immediately prior to and in connection with the completion of this offering. All such shares are subject to the 180-day lock-up restrictions described above.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, no offer of shares which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares referred to in (a) to (c) above shall result in a requirement for the company or any representative 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 located in a Member State to whom any offer of shares is made or who receives any communication in respect of an offer of shares, or who initially acquires any shares will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and the company that (1) it is a “qualified investor” within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior
consent of the representatives has been given to the offer or resale; or where shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

The company, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of shares in any 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 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 the company or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the company nor the representatives have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the company or the representatives to publish a prospectus for such offer. For the purposes of this provision, the expression an “offer of shares to the public” in relation to any shares in any 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 that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

**Notice to Prospective Investors in Canada**

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Notice to Prospective Investors in the United Kingdom**

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(c) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a “relevant person”).

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Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (investisseurs qualifiés) or to a restricted circle of investors (cercle restreint d’investisseurs), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l’épargne).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to Prospective Investors in Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to professional investors, as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (SFO) and any rules made under that Ordinance; or in other circumstances which do not result in the document being a prospectus, as defined in the Companies Ordinance (Cap. 32) of Hong Kong (CO) or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case 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 under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors, as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.
Notice to Prospective Investors in Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended) (FIEL) and the initial purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been and will not be lodged or 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 the 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 (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 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
- 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:
  - 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;
  - where no consideration is or will be given for the transfer;
  - where the transfer is by operation of law;
  - as specified in Section 276(7) of the SFA; or
  - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Australia

This prospectus is not a disclosure document for the purposes of Australia’s Corporations Act 2001 (Cth) of Australia (Corporations Act) has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a “sophisticated investor” under section 708(8)(a) or (b) of the Corporations Act.
• a “sophisticated investor” under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

• a person associated with the Company under Section 708(12) of the Corporations Act; or

• a “professional investor” within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.
LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Redwood City, California. As of the date of this prospectus, an investment fund associated with Gunderson Dettmer Stough Villeneuve Franklin & Hachigan, LLP beneficially owned less than 0.2% of the outstanding shares of our common stock. Cooley LLP is representing the underwriters in this offering.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2016 and 2017, and for each of the two years in the period ended December 31, 2017, as set forth in their report. We have included our consolidated financial statements in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP’s report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules to the registration statement. Please refer to the registration statement and exhibits for further information with respect to the common stock offered by this prospectus. Statements contained in this prospectus regarding the contents of any contract or other document are only summaries. With respect to any contract or document that is filed as an exhibit to the registration statement, you should refer to the exhibit for a copy of the contract or document, and each statement in this prospectus regarding that contract or document is qualified by reference to the exhibit. You may read and copy the registration statement and its exhibits and schedules at the SEC’s public reference room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers, like us, that file documents electronically with the SEC. The address of that website is www.sec.gov. The information on the SEC’s website is not part of this prospectus, and any references to this website or any other website are inactive textual references only.

Upon completion of this offering, we will become subject to the information and reporting requirements of the Exchange Act, and, in accordance with this law, will be required to 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 www.arcusbio.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock. We have included our website address in this prospectus solely as an inactive textual reference.

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ARCUS BIOSCIENCES, INC.
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Audited Consolidated Financial Statements
  Consolidated Balance Sheets
  Consolidated Statements of Operations and Comprehensive Loss
  Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit
  Consolidated Statements of Cash Flows
  Notes to Consolidated Financial Statements

F-1
REPORT OFINDEPENDENTREGISTEREDPUBLICACCOUNTINGFIRM

To the Stockholders and the Board of Directors of
Arcus Biosciences, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Arcus Biosciences, Inc. (the Company) as of December 31, 2016 and 2017, the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders’ deficit, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2016 and 2017, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company’s auditor since 2016

Redwood City, California
February 16, 2018
## ARCUS BIOSCIENCES, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
<th>December 31, 2017 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$65,160</td>
<td>$98,426</td>
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<tr>
<td>Short-term investments</td>
<td>33,736</td>
<td>77,277</td>
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<tr>
<td>Prepaid expenses and other current assets</td>
<td>390</td>
<td>1,141</td>
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<tr>
<td>Amounts owed by a related party</td>
<td>405</td>
<td>25</td>
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<tr>
<td>Total current assets</td>
<td>99,691</td>
<td>176,869</td>
<td></td>
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<tr>
<td>Property and equipment, net</td>
<td>8,608</td>
<td>11,230</td>
<td></td>
</tr>
<tr>
<td>Equity investment in related party</td>
<td>1,000</td>
<td>682</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>203</td>
<td>203</td>
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</tr>
<tr>
<td>Other long-term assets</td>
<td>200</td>
<td>1,502</td>
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<tr>
<td>Total assets</td>
<td>$109,702</td>
<td>$190,486</td>
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</tr>
<tr>
<td><strong>Liabilities, Convertible Preferred Stock and Stockholders’ (Deficit) Equity</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3,867</td>
<td>3,820</td>
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</tr>
<tr>
<td>Accrued liabilities</td>
<td>997</td>
<td>3,137</td>
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<tr>
<td>Deferred revenue, current</td>
<td>—</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>682</td>
<td>769</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>5,546</td>
<td>12,726</td>
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</tr>
<tr>
<td>Deferred revenue, noncurrent</td>
<td>—</td>
<td>18,587</td>
<td></td>
</tr>
<tr>
<td>Deferred rent</td>
<td>4,531</td>
<td>4,740</td>
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<tr>
<td>Other long-term liabilities</td>
<td>165</td>
<td>565</td>
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<tr>
<td>Total liabilities</td>
<td>10,242</td>
<td>36,618</td>
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<tr>
<td>Commitments (Note 12)</td>
<td></td>
<td></td>
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<tr>
<td>Convertible preferred stock, $0.0001 par value, 120,958,867 shares authorized; 84,378,462 and 120,620,160 shares issued and outstanding as of December 31, 2016 and 2017; no shares issued and outstanding as of December 31, 2017 pro forma (unaudited); aggregate liquidation preference of $226,725 as of December 31, 2017</td>
<td>119,454</td>
<td>226,196</td>
<td>$ —</td>
</tr>
<tr>
<td>Stockholders’ (deficit) equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock; $0.0001 par value; 153,993,227 shares authorized; 13,894,041 and 16,200,195 shares issued and outstanding as of December 31, 2016 and 2017 respectively; 136,820,355 shares issued and outstanding pro forma (unaudited)</td>
<td>1</td>
<td>1</td>
<td>13</td>
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<tr>
<td>Additional paid-in capital</td>
<td>183</td>
<td>947</td>
<td>227,131</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(20,152)</td>
<td>(73,234)</td>
<td>(73,234)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(26)</td>
<td>(42)</td>
<td>(42)</td>
</tr>
<tr>
<td>Total stockholders’(deficit) equity</td>
<td>(19,994)</td>
<td>(72,328)</td>
<td>$153,868</td>
</tr>
<tr>
<td>Total liabilities, convertible preferred stock and stockholders’ deficit</td>
<td>$109,702</td>
<td>$190,486</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements

F-3
ARCUS BIOSCIENCES, INC.

Consolidated Statements of Operations and Comprehensive Loss

(In thousands except for share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration and license revenue</td>
<td>$—</td>
<td>$1,413</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>14,247</td>
<td>47,218</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,935</td>
<td>7,636</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>18,182</td>
<td>54,854</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(18,182)</td>
<td>(53,441)</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>212</td>
<td>359</td>
</tr>
<tr>
<td>Net loss</td>
<td>(17,970)</td>
<td>(53,082)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(26)</td>
<td>(16)</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td>$ (17,996)</td>
<td>$ (53,098)</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>$ (5.25)</td>
<td>$ (7.33)</td>
</tr>
<tr>
<td>Weighted-average number of shares used to compute basic and diluted net loss per share</td>
<td>3,421,370</td>
<td>7,239,915</td>
</tr>
<tr>
<td>Pro forma net loss per share basic and diluted (unaudited)</td>
<td>$</td>
<td>(0.55)</td>
</tr>
<tr>
<td>Pro forma weighted-average number of shares used to compute basic and diluted net loss per share (unaudited)</td>
<td>97,236,597</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements
## ARCUS BIOSCIENCES, INC.

### Consolidated Statements of Convertible Preferred Stock and Stockholders’ Deficit

(In thousands, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Convertible Preferred Stock</th>
<th>Common stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total Stockholders’ Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2015</td>
<td>49,725,000 Shares $ 49,637</td>
<td>11,080,664 Shares $1</td>
<td>10 $</td>
<td>(2,182) $</td>
<td>— $</td>
<td>(2,171) $</td>
</tr>
<tr>
<td>Issuance of Series B convertible preferred stock for $2.02 per share, net of issuance costs of $183</td>
<td>34,653,462 Shares 69,817</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options</td>
<td>—</td>
<td>543,636 Shares</td>
<td>63</td>
<td>—</td>
<td>—</td>
<td>63</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>90</td>
<td>—</td>
<td>—</td>
<td>90</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(17,970)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(17,970)</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options, net of amounts related to unvested shares</td>
<td>—</td>
<td>188,401 Shares</td>
<td>20</td>
<td>—</td>
<td>—</td>
<td>(26)</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>84,378,462 Shares 119,454</td>
<td>11,812,701 Shares $1</td>
<td>183 $</td>
<td>(20,152) $</td>
<td>(26) $</td>
<td>(19,994) $</td>
</tr>
<tr>
<td>Issuance of Series C convertible preferred stock for $2.9524 per share, net of issuance costs of $258</td>
<td>36,241,698 Shares 106,742</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options and restricted stock</td>
<td>—</td>
<td>1,074,900 Shares</td>
<td>235</td>
<td>—</td>
<td>—</td>
<td>235</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>495</td>
<td>—</td>
<td>—</td>
<td>495</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(53,082)</td>
<td>—</td>
<td>(53,082)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(16)</td>
<td>(16)</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options, net of amounts related to unvested shares</td>
<td>—</td>
<td>101,467 Shares</td>
<td>34</td>
<td>—</td>
<td>—</td>
<td>34</td>
</tr>
<tr>
<td>Balance at December 31, 2017</td>
<td>120,620,160 Shares $226,196</td>
<td>12,989,068 Shares $1</td>
<td>947 $</td>
<td>(73,234) $</td>
<td>(42) $</td>
<td>(72,328) $</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements

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# ARCUS BIOSCIENCES, INC.
## Consolidated Statements of Cash Flows
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,970)</td>
<td>$(53,082)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>90</td>
<td>495</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,314</td>
<td>2,612</td>
</tr>
<tr>
<td>Share of loss from equity method investee</td>
<td>—</td>
<td>416</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>—</td>
<td>(98)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by a related party</td>
<td>—</td>
<td>380</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(602)</td>
<td>(751)</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>(200)</td>
<td>(6)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3,569</td>
<td>(267)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>808</td>
<td>1,582</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>647</td>
<td>(136)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>—</td>
<td>23,587</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(600)</td>
<td>209</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$ (12,944)</td>
<td>$ (25,059)</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of short-term investments</td>
<td>(33,762)</td>
<td>(96,830)</td>
</tr>
<tr>
<td>Proceeds from maturities of short-term investments</td>
<td>—</td>
<td>53,273</td>
</tr>
<tr>
<td>Investment in a related party</td>
<td>(1,000)</td>
<td>—</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(4,099)</td>
<td>(5,514)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$ (38,861)</td>
<td>$ (49,071)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of preferred stock, net of issuance costs</td>
<td>69,817</td>
<td>106,877</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock upon exercise of stock options, net of repurchases</td>
<td>283</td>
<td>892</td>
</tr>
<tr>
<td>Deferred initial public offering costs</td>
<td>—</td>
<td>(373)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>70,100</td>
<td>107,396</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>46,865</td>
<td>65,160</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$ 65,160</td>
<td>$ 98,426</td>
</tr>
<tr>
<td><strong>Non-cash investing and financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment purchases included in accounts payable and accrued liabilities</td>
<td>$ 618</td>
<td>$ 338</td>
</tr>
<tr>
<td>Unpaid financing costs included in accounts payable and accrued liabilities</td>
<td>—</td>
<td>1,058</td>
</tr>
<tr>
<td>Vesting of early exercised options and restricted stock</td>
<td>$ 63</td>
<td>$ 235</td>
</tr>
</tbody>
</table>

*See accompanying notes*

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Note 1. Organization

Description of Business
Arcus Biosciences, Inc. (Company or the Company) was incorporated in Delaware in April 2015 and is headquartered in Hayward, California. The Company is a clinical-stage biopharmaceutical company focused on creating innovative cancer immunotherapies by leveraging underexploited biological opportunities. Specifically, the Company targets well-characterized biological pathways with significant scientific data supporting their importance in regulating the immune response against cancer and for which either there are no molecules in development or those that exist have suboptimal profiles. To exploit these pathways, the Company has built a robust and highly efficient discovery capability to create and optimize highly differentiated small-molecule immuno-oncology product candidates. Since its inception in 2015, the Company has built a broad portfolio of small molecule and antibody product candidates that it plans to develop together as intra-portfolio combinations.

Liquidity and Capital Resources
The Company has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of $73.2 million as of December 31, 2017. Since inception through December 31, 2017, the Company has funded operations primarily with the net proceeds from the issuance of convertible preferred stock and through proceeds received under an option and licensing agreement. The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing in order to complete clinical trials and launch and commercialize any product candidates for which it receives regulatory approval. There can be no assurance that such financing will be available or will be at terms acceptable to the Company.

As of December 31, 2017, the Company had cash, cash equivalents, and short-term investments of $175.7 million, which it believes will be sufficient to fund its planned operations for a period of at least twelve months from the date of the issuance of these consolidated financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation
The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and include all adjustments necessary for the fair presentation of the Company’s financial position for the periods presented.

Principles of Consolidation
During 2017, the Company established a wholly-owned subsidiary in Australia. The consolidated financial statements include the Company’s accounts and those of its wholly-owned subsidiary. All intercompany accounts, transactions and balances have been eliminated.

Unaudited Pro forma Information
Immediately prior to the completion of this offering, all outstanding shares of convertible preferred stock will automatically convert into common stock. Unaudited pro forma balance sheet information as of December 31, 2017 assumes the conversion of all outstanding convertible preferred stock into shares of common stock. The shares of common stock issuable and the proceeds expected to be received in the initial public offering are excluded from such pro forma financial information. Pro forma basic and diluted net loss per share has been computed to give effect to the conversion of all outstanding convertible preferred stock into shares of common
stock. The unaudited pro forma net loss per share does not include the shares expected to be sold and related proceeds to be received from the initial public offering. The unaudited pro forma net loss per share for the year ended December 31, 2017 was computed using the weighted-average number of shares of common stock outstanding, including the pro forma effect of the conversion of all outstanding shares of convertible preferred stock into shares of common stock, as if such conversion had occurred at the beginning of the period, or their issuance dates if later.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. Estimates are used to determine the fair value of common stock and stock-based awards and other issuances, accruals for research and development costs, useful lives of long-lived assets, and uncertain tax positions. Actual results could differ materially from the Company’s estimates.

Risk and Uncertainties

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of results of clinical trials and reaching milestones, uncertainty of regulatory approval of the Company’s potential drug candidates, uncertainty of market acceptance of the Company’s product candidates, competition from substitute products and larger companies, securing and protecting proprietary technology, strategic relationships and dependence on key individuals and sole source suppliers.

The Company’s product candidates require approvals from the U.S. Food and Drug Administration (FDA) and comparable foreign regulatory agencies prior to commercial sales in their respective jurisdictions. There can be no assurance that any product candidates will receive the necessary approvals. If the Company was denied approval, approval was delayed or the Company was unable to maintain approval for any product candidate, it could have a materially adverse impact on the Company.

Segments

The Company operates and manages its business as one reportable and operating segment, which is the business of developing and commercializing immunotherapies. The Company’s chief executive officer, who is the chief operating decision maker, reviews financial information on an aggregate basis for purposes of allocating and evaluating financial performance. All long-lived assets are maintained in the United States of America.

Cash Equivalents and Short-Term Investments

Cash equivalents include marketable securities having an original maturity of three months or less at the time of purchase. Short-term investments are investments in marketable securities with maturities of greater than three months at the time of purchase. Collectively, cash equivalents and short-term investments are considered available-for-sale and are recorded at fair value. Unrealized gains and losses are recorded in accumulated other comprehensive loss in the consolidated statements of convertible preferred stock and stockholders’ deficit. Realized gains and losses are included in interest and other income, net in the consolidated statements of operations and comprehensive loss.


**Restricted Cash**

Restricted cash at December 31, 2016 and 2017, comprises cash balances primarily held as security in connection with the Company’s facility lease agreement and are included in long term assets on its consolidated balance sheets.

**Receivable From a Related Party**

Receivable from a related party is recorded net of any allowances. Estimates of the Company’s allowance for doubtful accounts are determined based on existing contractual payment terms. As of December 31, 2016 and 2017, the outstanding amount is due from PACT Pharma, Inc. (PACT Pharma) for equipment and expenses the Company paid for on its behalf. The Company is exposed to credit risk in the event of a default by PACT Pharma. To date, the Company has not experienced any losses related to these receivables (see Note 5).

**Fair Value Measurements**

Fair value accounting is applied for all financial assets and liabilities, including short-term and long-term investments, and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). The carrying amount of the Company’s financial instruments, including receivable from a related party, accounts payable and accrued expenses and other current liabilities approximate fair value due to their short-term maturities.

**Concentration of Credit Risk**

Cash equivalents and short-term investments are financial instruments that potentially subject the Company to concentrations of credit risk. The Company invests in money market funds, treasury bills and notes, government bonds, commercial paper and corporate notes. The Company limits its credit risk associated with cash equivalents and short-term investments by placing them with banks and institutions it believes are highly credit worthy and in highly rated investments.

**Property and Equipment**

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from one to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term. Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheet and the resulting gain or loss is reflected in the consolidated statement of operations and comprehensive loss.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment charge would be recorded when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed using discounted cash flows or other appropriate measures of fair value. The Company did not recognize any impairment charges for the years ended December 31, 2016 and 2017.
Deferred Offering Costs

Deferred offering costs, consisting of direct legal, accounting, filing and other fees directly related to the Company’s initial public offering (IPO), are capitalized. The deferred offering costs will be reclassified to additional paid-in capital upon completion of the IPO. No amounts were deferred as of December 31, 2016. The Company deferred $1.3 million as of December 31, 2017, which is recorded as other long-term assets in the accompanying consolidated balance sheets. In the event the IPO is aborted, including postponement of 90 days or greater, all capitalized deferred offering costs will be expensed.

Revenue Recognition

The Company generates revenue from its option and license agreement for the development and commercialization of its product candidates. Option and license agreements may include non-refundable upfront research and development fees, option fees to obtain development and commercialization licenses for the Company’s products, milestone payments based on achievement of defined development, regulatory and sales targets, and royalties on sales of commercialized products. To date, the Company has not recognized revenue from sales of its product candidates.

The Company recognizes revenue when all four of the following criteria have been met: (i) collectability is reasonably assured; (ii) delivery has occurred or services have been rendered; (iii) persuasive evidence of an arrangement exists; and (iv) the fee is fixed or determinable. Revenue under option and license arrangements is recognized based on evaluation of the performance obligations of the contract. Collectability is assessed based on evaluation of payment criteria as stated in the contract as well as the creditworthiness of the customer. Determination of whether delivery has occurred or services rendered are based on management’s evaluation of the performance obligations as stated in the contract and progress made against those obligations. Evidence of arrangement is deemed to exist upon execution of the contract. Fees are considered fixed and determinable when the amount payable to the Company is no longer subject to any acceptance, refund rights or other contingencies that would alter the fixed nature of the fees charged for the deliverables.

Option and license agreements may contain multiple elements as evaluated under Accounting Standards Codification (ASC) 605-25, Revenue Recognition-Multiple-Element Arrangements, including agreements to provide research and development services, participation in development and/or steering committees, manufacturing services, sharing of know-how and other information, and grants of licenses to develop and commercialize product candidates. Each deliverable under the agreement is evaluated to determine whether it qualifies as a separate unit of accounting based on whether the deliverable has standalone value to the customer. The arrangement’s consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the following hierarchy: (i) vendor-specific objective evidence of the fair value of the deliverable, if it exists; (ii) third-party evidence of selling price, if vendor-specific objective evidence is not available; or (iii) the best estimate of selling price if neither vendor-specific objective evidence or third-party evidence is available.

A delivered item or items that do not qualify as a separate unit of accounting within the arrangement are combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue is then determined for those combined deliverables as a single unit of accounting. For a combined unit of accounting, non-refundable upfront fees are recognized as performance obligations related to the final deliverable are completed. In the case of research and development services, performance would generally be expected to be ratable over the estimated performance period unless the Company determines there is a discernible pattern of performance other than straight-line, in which case the Company uses a proportionate performance method to recognize the revenue over the estimated performance.
period. Amounts received in advance of performance are recorded as deferred revenue. If any of the initial deliverables are determined to have standalone value separate from the research and development services, then the allocated consideration is recorded as revenue when those items are delivered.

Option and license agreements may also contain milestone payments that become due upon the achievement of certain milestones. The Company applies ASC 605-28, Revenue Recognition—Milestone Method. Under the milestone method, payments that are contingent upon achievement of a substantive milestone are recognized in the period in which the milestone is achieved. Milestones are defined as an event that can only be achieved based on the Company’s performance and there is substantive uncertainty about whether the event will be achieved at the inception of the arrangement. Events that are contingent only on the passage of time or only on counterparty performance are not considered milestones subject to this guidance. Further, for the milestone to be considered substantive, the amounts received must relate solely to prior performance, be reasonable relative to all of the deliverables, and the consideration must be commensurate with the Company’s performance to achieve the milestone. Non-substantive milestone payments are recognized as revenue over the estimated period of any remaining performance obligations.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses consist primarily of personnel costs for the Company’s research and product development employees. Also included are non-personnel costs such as professional fees payable to third parties for preclinical and clinical studies and research services, laboratory supplies and equipment maintenance, product licenses, and other consulting costs.

The Company estimates preclinical and clinical study and research expenses based on the services performed, pursuant to contracts with research institutions that conduct and manage preclinical and clinical studies and research services on its behalf. The Company estimates these expenses based on discussions with internal management personnel and external service providers as to the progress or stage of completion of services and the contracted fees to be paid for such services. If the actual timing of the performance of services or the level of effort varies from the original estimates, the Company will adjust the accrual accordingly. Payments associated with licensing agreements to acquire exclusive licenses to develop, use, manufacture and commercialize products that have not reached technological feasibility and do not have alternate commercial use are expensed as incurred. Payments made to third parties under these arrangements in advance of the performance of the related services by the third parties are recorded as prepaid expenses until the services are rendered.

Leases and Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations, the Company records a deferred rent liability. Additionally, the receipt of any lease incentives is recorded as a deferred rent liability which is amortized over the lease term as a reduction of rent expense. Any lease incentives that are due from the landlord but have not been collected are recorded as a receivable in Prepaid expenses and other current assets. Building improvements made with the lease incentives or tenant allowances are capitalized as leasehold improvements and included in property and equipment in the consolidated balance sheets.

Stock-Based Compensation

The Company accounts for stock-based compensation arrangements with employees in accordance with ASC 718, Stock Compensation. Stock-based awards granted include stock options with time-based vesting. ASC 718
requirements the recognition of compensation expense, using a fair value-based method, for costs related to all stock-based payments. The Company’s
determination of the fair value of stock options with time-based vesting on the date of grant utilizes the Black-Scholes option-pricing model, and is
 impacted by its common stock price as well as other variables including, but not limited to, expected term that options will remain outstanding, expected
common stock price volatility over the term of the option awards, risk-free interest rates and expected dividends.

The fair value of a stock-based award is recognized over the period during which an optionee is required to provide services in exchange for the option
award, known as the requisite service period (usually the vesting period) on a straight-line basis. Stock-based compensation expense is recognized based on
the fair value determined on the date of grant and is reduced for forfeitures as they occur.

Equity instruments issued to non-employees are accounted for in accordance with ASC 505-50, Equity Based Payments to Non-Employees, and are
recorded at their fair value on the measurement date and are subject to periodic adjustments as the underlying equity instruments vest. The fair value of
options granted to consultants is expensed when vested. Non-employee stock-based compensation expense was not material for all periods presented.

Estimating the fair value of equity-settled awards as of the grant date using valuation models, such as the Black-Scholes option pricing model, is affected by
assumptions regarding a number of complex variables. Changes in the assumptions can materially affect the fair value and ultimately how much stock-
based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop.

Convertible Preferred Stock
The Company records all shares of convertible preferred stock at their respective fair values less issuance costs on the dates of issuance. The convertible
preferred stock is recorded outside of stockholders’ (deficit) equity because, in the event of certain deemed liquidation events considered not solely within
the Company’s control, such as a merger, acquisition and sale of all or substantially all of the Company’s assets, the convertible preferred stock will become
redeemable at the option of the holders. In the event of a change of control of the Company, proceeds received from the sale of such shares will be
distributed in accordance with the liquidation preferences set forth in the Company’s Amended and Restated Certificate of Incorporation unless the holders
of convertible preferred stock have converted their shares of convertible preferred stock into shares of common stock. The Company has determined not to
adjust the carrying values of the convertible preferred stock to the liquidation preferences of such shares because of the uncertainty of whether or when such
an event would occur.

Income Taxes
The Company provides for income taxes under the asset and liability method. Current income tax expense or benefit represents the amount of income taxes
expected to be payable or refundable for the current year. Deferred income tax assets and liabilities are determined based on differences between the
financial statement reporting and tax bases of assets and liabilities and net operating loss and credit carryforwards, and are measured using the enacted tax
rates and laws that will be in effect when such items are expected to reverse. Deferred income tax assets are reduced, as necessary, by a valuation allowance
when management determines it is more likely than not that some or all of the tax benefits will not be realized.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, Accounting for Uncertainty in Income Taxes. The Company assesses all
material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or
challenge by relevant taxing
authorities. Assessing an uncertain tax position begins with the initial determination of the position’s sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

The Company includes any penalties and interest expense related to income taxes as a component of other expense and interest expense, net, as necessary.

Comprehensive Loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period, resulting from transactions from non-owner sources. The Company had unrealized loss from its available-for-sale securities during the years ended December 31, 2016 and 2017, which meets the criteria as other comprehensive loss and, therefore, the Company has reported comprehensive loss and net loss.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, convertible preferred stock, and common stock options are considered to be potentially dilutive securities. Because the Company reported a net loss for the years ended December 31, 2016 and 2017, and the inclusion of the potentially dilutive securities would be antidilutive, diluted net loss per share is the same as basic net loss per share for both periods.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB), or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company’s consolidated financial statements upon adoption. Under the Jumpstart Our Business Startups Act of 2012, as amended (the JOBS Act), the Company meets the definition of an emerging growth company, and has elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

Recently Adopted Accounting Standards Updates

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17 (Topic 740), Balance Sheet Classification of Deferred Taxes. ASU 2015-17 requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheets. For public entities, the standard will be effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted for financial statements that have not been previously issued. The ASU may be applied either
prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company early adopted this ASU during 2016 on a retrospective basis and the adoption had no impact on the Company’s consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02 (Topic 810), Consolidation, Amendments to the Consolidations Analysis, which amends the consolidation requirements in ASC 810. The ASU modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and significantly amends the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. For public business entities, the guidance is effective for annual periods and interim periods beginning after December 15, 2015. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company early adopted the ASU in 2016 and the adoption did not have a material impact on the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern. The new standard provides guidance around management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for all entities for annual periods ending after December 15, 2016, and interim periods with annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard in 2016 did not have a material impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)”, which simplifies the accounting for employee share-based transactions. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the consolidated statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification, and the classification of those taxes paid on the consolidated statement of cash flows. For public entities, ASU 2016-09 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company early adopted ASU 2016-09 in 2017 and the adoption did not have any impact on the Company’s consolidated financial statements.

Recently Issued Accounting Standards or Updates Not Yet Effective

In November 2016, the FASB issued ASU No. 2016-18 (Topic 230), Restricted Cash, Statement of Cash Flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash and, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019. Early adoption is permitted. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.
In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, becomes effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019. Early adoption is permitted. ASU 2014-09 also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method).

The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. generally accepted accounting pronouncements. The Company is still in the process of evaluating the effect that this guidance will have on revenue recognition for our option and license agreement with Taiho Pharmaceutical Co., Ltd. (Taiho), specifically as it pertains to the non-refundable, non-creditable cash payments to the Company totaling $35.0 million and the future contingent payments the Company may become entitled to. The Company expects its evaluation to be completed during 2018.

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), Leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. The ASU will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. For entities other than public entities, the standard is effective for fiscal years beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company has not yet determined the potential effects of this ASU on its consolidated financial statements.

Note 3. Fair Value Measurements

Financial assets and liabilities are recorded at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. 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 establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.

Level 3—Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.
Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

During the periods presented, the Company has not changed the manner in which it values assets and liabilities that are measured at fair value. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the hierarchy during the years ended December 31, 2016 and 2017. The following tables set 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):

<table>
<thead>
<tr>
<th>Assets</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$50,565</td>
<td>$50,565</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>U.S. government agency obligations</td>
<td>4,020</td>
<td>—</td>
<td>4,020</td>
<td>—</td>
</tr>
<tr>
<td>Corporate debt securities and commercial paper</td>
<td>44,311</td>
<td>—</td>
<td>44,311</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>$98,896</td>
<td>$50,565</td>
<td>$48,331</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value Measurements at December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Money market funds</td>
</tr>
<tr>
<td>U.S. government agency obligations</td>
</tr>
<tr>
<td>Corporate debt securities and commercial paper</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Classified as (with contractual maturities):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents (due within 90 days)</td>
<td>$65,160</td>
<td>$98,426</td>
</tr>
<tr>
<td>Short-term investments (due within one year)</td>
<td>33,736</td>
<td>77,277</td>
</tr>
<tr>
<td></td>
<td>$98,896</td>
<td>$175,703</td>
</tr>
</tbody>
</table>

The investments are classified as available-for-sale securities. At December 31, 2016 and 2017, the balance in the Company’s accumulated other comprehensive loss was comprised solely of activity related to the Company’s available-for-sale securities. There were no realized gains or losses recognized on the sale or maturity of available-for-sale securities for the years ended December 31, 2016 and 2017, and as a result, the Company did not reclassify any amounts out of accumulated other comprehensive loss for the years then ended. The Company has a limited number of available-for-sale securities in insignificant loss positions as of December 31, 2017, which the Company does not intend to sell and has concluded it will not be required to sell before recovery of the amortized cost for the investment at maturity.
## Note 4: Consolidated Balance Sheet Components

### Property and Equipment

Property and equipment, net consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific equipment</td>
<td>$2,812</td>
<td>$5,053</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>584</td>
<td>625</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>79</td>
<td>131</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>6,499</td>
<td>9,280</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>—</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,974</td>
<td>15,208</td>
</tr>
<tr>
<td>Less: Accumulated depreciation and amortization</td>
<td>(1,366)</td>
<td>(3,978)</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>$8,608</td>
<td>$11,230</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense was $1.3 million and $2.6 million for the years ended December 31, 2016 and 2017, respectively.

### Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>$291</td>
<td>$1,026</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>443</td>
<td>1,193</td>
</tr>
<tr>
<td>Professional fees</td>
<td>—</td>
<td>706</td>
</tr>
<tr>
<td>Other</td>
<td>263</td>
<td>212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$997</td>
<td>$3,137</td>
</tr>
</tbody>
</table>
Note 5: Equity Investment

In September 2016, the Company purchased approximately 3.6 million shares of common stock of PACT Pharma, a privately funded, early-stage biopharmaceutical company focused on adoptive cell therapy. The Company determined the fair value of such investment to be insignificant to the Company’s 2016 financial statements given the start-up nature of operations of PACT Pharma, and it was recorded at a nominal amount. In December 2016, the Company and PACT Pharma entered into a Master Services Agreement (the PACT Agreement) under which the Company provides PACT Pharma with general administrative support, including finance, human resources, legal, and other operational support. The Company also received certain warrants to purchase PACT Pharma common stock exercisable upon PACT Pharma’s achievement of certain valuation thresholds pursuant to the PACT Agreement. The PACT Agreement will terminate no later than December 31, 2018. Also, in December 2016, the Company purchased 1.0 million shares of Series A preferred stock of PACT Pharma for $1.0 million. The Company determined PACT Pharma to be a variable interest entity, and that the Company has a variable interest in PACT. However, because the Company is not the primary beneficiary of PACT Pharma, it is not consolidating the results of operations of PACT Pharma in its consolidated financial statements.

The Company’s investment in PACT Pharma is accounted for as an equity method investment, and as a result the Company records its share of PACT Pharma’s operating results in interest and other income, net, in its consolidated statement of operations and comprehensive loss.

For the year ended December 31, 2017, the Company recorded $0.4 million relating to its share of PACT Pharma’s operating loss. For the year ended December 31, 2016, the Company’s share of PACT Pharma’s operating results was not significant. The Company monitors the investment for events or circumstances indicative of potential other-than-temporary impairment, and makes appropriate reductions in carrying values if determined that an impairment charge is required. For the years ended December 31, 2016 and 2017, no impairment charge was recorded. The Company also determined that the fair value of the warrants to be insignificant to the Company’s 2016 and 2017 consolidated financial statements. As of December 31, 2016 and 2017, the Company had a $0.4 million and $25,000 receivable from PACT Pharma, respectively, for equipment and expenses the Company paid for on its behalf.

Note 6. License Agreements

Taiho Pharmaceutical Co., Ltd

In September 2017, the Company and Taiho entered into an option and license agreement (the Taiho Agreement) to collaborate on the potential development and commercialization of certain product candidates from the Company’s portfolio in Japan and certain other territories in Asia (excluding China) (the Taiho Territory). The Taiho Agreement provides Taiho with exclusive options, over a five-year period (the Option Period), to obtain an exclusive development and commercialization license to clinical stage product candidates from the Company’s programs (each, an Arcus Program).

In consideration for the exclusive options and other rights contained in the Taiho Agreement, Taiho will make non-refundable, non-creditable cash payments to the Company totaling $35.0 million, of which the Company received $25.0 million during 2017. An additional $5.0 million is payable by Taiho and expected to be received in both 2018 and 2019.

In the event that the Company has not initiated IND enabling studies for at least five Arcus Programs prior to the expiration of the Option Period, Taiho may elect to extend the Option Period, up to a maximum of seven years for the Option Period, subject to an extension fee. If Taiho elects to exercise an option they will be obligated to
make an exercise option payment for each option exercise of between $3.0 million to $15.0 million, dependent on the development stage of the applicable Arcus Program for which the option is exercised. In addition, the Taiho Agreement provides that the Company is eligible to receive additional clinical and, regulatory milestones totaling up to $130.0 million per Arcus Program, and it will be eligible to receive contingent payments of up to $145.0 million per Arcus Program associated with the achievement of specified levels of Taiho net sales in the Taiho Territory.

In addition, the Company will receive royalties ranging from high single-digits to mid-teens on net sales of licensed products in the Taiho Territory. Royalties will be payable on a licensed product-by-licensed product and country-by-country basis during the period of time commencing on the first commercial sale of a licensed product in a country and ending upon the later of: (a) ten (10) years from the date of first commercial sale of such licensed product in such country; and (b) expiration of the last-to-expire valid claim of the Company’s patents covering the manufacture, use or sale or exploitation of such licensed product in such country (the Royalty Term).

The Taiho Agreement contains multiple elements, and the deliverables under the Taiho Agreement consist of (1) the research and development services, in which the Company will use commercially reasonable efforts to initiate IND enabling studies for at least five Arcus Programs, as well as further develop such Arcus Programs during the term of the Agreement, and (2) the obligation to participate on the joint steering committee. These deliverables are non-contingent in nature. The Company determined that the obligation to participate in the joint steering committee does not have stand-alone value to Taiho because the committee’s primary purpose is to monitor and govern the research and development activities and, hence, it is inseparable from the research and development services. The Company also concluded that, at the inception of the agreement, Taiho’s exclusive options are contingent deliverables as the exclusive options have significant uncertainty and are outside of the control of the Company, since Taiho has sole discretion to determine whether or not to exercise such options. Further, the Company concluded that the exclusive options do not contain a significant and incremental discount.

The Company determined that the level of effort required for it to meet its obligations under the Taiho Agreement is not expected to vary significantly over the Company’s performance period. Accordingly, the Company combined these deliverables into a single unit of accounting and allocated the entire arrangement consideration to that combined unit of accounting. As a result, the $25.0 million non-refundable, non-creditable cash payments received by the Company are being recognized ratably over the estimated performance period of five years, and the remaining $10.0 million of non-refundable, non-creditable cash payments will be recognized ratably over the estimated remaining performance period as they become due and payable by Taiho. During the year ended December 31, 2017, the Company recognized $1.4 million of revenue under the Taiho Agreement. As of December 31, 2017, related to the Taiho Agreement, the Company recorded as deferred revenue, current and deferred revenue, noncurrent of $5.0 million and $18.6 million, respectively, in its consolidated balance sheet.

The Company determined that the clinical and regulatory milestone payments under the Taiho Agreement do not constitute substantive milestones and, therefore, will not be accounted for under the milestone method of revenue recognition. The events leading to these payments do not meet the definition of a substantive milestone because the achievement of these events depends primarily on Taiho’s performance. Accordingly, any revenue from these payments would be recognized over the remaining period of the performance obligations, if any, relating to this arrangement. If there are no remaining performance obligations under the arrangement at the time the milestone payment is triggered, then such milestone payment will be recognized as revenue in full upon the triggering event being achieved. The Company considers the contingent payments due from Taiho upon the achievement of specified sales volumes to be similar to royalty payments. The Company will recognize royalty payments as revenue in the period when such royalty payments are earned, i.e. in the period when sales of the licensed products in Taiho Territory occur.

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The Taiho Agreement shall remain in effect until (a) expiration of the last exercise period if Taiho has not exercised any of its exclusive options prior to such expiration or (b) if Taiho has exercised any of its exclusive options prior to the expiration of the applicable exercise period, expiry of all Royalty Terms for the licensed products, in each case subject to certain exceptions.

**WuXi Biologics License Agreement**

In August 2017, the Company entered into a license agreement (the WuXi Agreement) with WuXi Biologics (Cayman) Inc. (WuXi Biologics) in which it obtained an exclusive license to develop, use, manufacture, and commercialize products including an anti-PD-1 antibody in North America, Europe, Japan and certain other territories. The Company paid upfront and milestone payments of $18.5 million during 2017 which were recorded within research and development expenses on our consolidated statements of operations, as the products have not reached technological feasibility and do not have alternate commercial use. The WuXi Agreement also provides for clinical and regulatory milestone payments, commercialization milestone payments of up to $375.0 million, and tiered royalty payments to be made to WuXi Biologics that range from the high single-digits to low teens of net sales by the Company of licensed products.

**Abmuno License Agreement**

In December 2016, the Company entered into a license agreement (the Abmuno Agreement) with Abmuno Therapeutics LLC (Abmuno) in which it obtained a worldwide exclusive license to develop, use, manufacture, and commercialize products that include an anti-TIGIT antibody. The Company made upfront and milestone payments of $3.8 million during 2017 which were recorded within research and development expenses on our consolidated statements of operations, as the products have not reached technological feasibility and do not have alternate commercial use and are expensed as incurred. The Abmuno Agreement also provides for additional clinical, regulatory and commercialization milestone payments up to $103.8 million.

**Note 7: Stockholders’ Deficit**

The Company’s Certificate of Incorporation, as amended and restated, authorizes the Company to issue 153,993,327 shares, of $0.0001 par value common stock. Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when and if declared by the board of directors, subject to the prior rights of holders of all classes of preferred stock outstanding. The Company has never declared any dividends on common stock.

As of December 31, 2016 and 2017, the Company had reserved common stock, on an if-converted basis, for issuance as follows:

<table>
<thead>
<tr>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible preferred stock</td>
<td>84,378,462</td>
</tr>
<tr>
<td>Common stock options issued and outstanding</td>
<td>514,500</td>
</tr>
<tr>
<td>Remaining shares available for issuance under 2015 Stock Plan</td>
<td>5,082,049</td>
</tr>
<tr>
<td>Total</td>
<td>89,975,011</td>
</tr>
</tbody>
</table>

F-20
Note 8: Convertible Preferred Stock

As of December 31, 2016 the outstanding convertible preferred stock was as follows (in thousands, except share amounts):

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares Authorized</th>
<th>Shares Issued and Outstanding</th>
<th>Liquidation Value</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>49,725,000</td>
<td>49,725,000</td>
<td>$49,725</td>
<td>$49,637</td>
</tr>
<tr>
<td>Series B</td>
<td>35,150,000</td>
<td>34,653,462</td>
<td>70,000</td>
<td>69,817</td>
</tr>
<tr>
<td>Total</td>
<td>84,875,000</td>
<td>84,378,462</td>
<td>$119,725</td>
<td>$119,454</td>
</tr>
</tbody>
</table>

As of December 31, 2017, the outstanding convertible preferred stock was as follows (in thousands, except share amounts):

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares Authorized</th>
<th>Shares Issued and Outstanding</th>
<th>Liquidation Value</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>49,725,000</td>
<td>49,725,000</td>
<td>$49,725</td>
<td>$49,637</td>
</tr>
<tr>
<td>Series B</td>
<td>34,653,462</td>
<td>34,653,462</td>
<td>70,000</td>
<td>69,817</td>
</tr>
<tr>
<td>Series C</td>
<td>36,580,405</td>
<td>36,241,698</td>
<td>107,000</td>
<td>106,742</td>
</tr>
<tr>
<td>Total</td>
<td>120,958,867</td>
<td>120,620,160</td>
<td>$226,725</td>
<td>$226,196</td>
</tr>
</tbody>
</table>

The significant rights and preferences of the outstanding convertible preferred stock are as follows:

**Dividends** — The holders of the convertible preferred stock are entitled to receive dividends, out of assets legally available prior and in preference to any declaration or payment of any other dividends, at the rates of $0.06, $0.12 and $0.18 per share (as adjusted for stock splits, stock dividends, reclassifications, and the like) per annum on each outstanding share of Series A, Series B and Series C convertible preferred stock, respectively, when, as and if, declared by the board of directors. Such dividends are not cumulative. To date, no dividends have been declared.

**Liquidation Preference** — In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of Series A, Series B and Series C preferred stock shall be entitled to receive on a pari passu basis and in preference to any distribution to the common shareholders, the greater of their stated liquidation preference or the amount such holders would have received had they converted their preferred stock into common stock immediately prior to such dissolution. For each series of convertible preferred stock, the stated liquidation preference per share is equal to $1.00, $2.02 and $2.9524 per share, respectively, plus any declared but unpaid dividends. Any remaining assets shall be distributed among the holders of common stock pro rata, based on the number of shares of common stock held by each.

**Voting Rights** — Each share of convertible preferred stock is entitled to one vote for each share of common stock into which such share of convertible preferred stock is convertible.

**Conversion** — Each share of convertible preferred stock is convertible, at the option of the holder, into the number of shares of common stock that result from dividing the applicable original share price per share by the applicable conversion price per share at the time of conversion, as adjusted for stock splits, stock dividends, reclassification and the like. At December 31, 2016 and 2017, the conversion price equaled the original share price.
price. Each share of convertible preferred stock shall automatically convert upon the earlier of (i) a vote of at least 65% of the then-outstanding shares of preferred stock or, (ii) a public offering of the Company’s common stock which results in gross proceeds of at least $30.0 million.

Note 9: Stock-Based Compensation

In May 2015, the Company adopted the 2015 Stock Plan, which was amended and restated in November 2015 (as amended from time to time, the 2015 Plan). The 2015 Plan provides for the granting of stock awards to employees, non-employee directors, and consultants of the Company. Pursuant to the 2015 Plan, the Company may grant stock awards to purchase up to 14,641,444 shares of common stock, of which 7,346,508 remain available for grant at December 31, 2017. Outside of the 2015 Plan, the Company has granted an option to purchase 30,000 shares of common stock at $0.31 per share (the Non-Plan Option). The Non-Plan Option expires in October 2026. The Company has options outstanding to purchase a total of 2,154,741 shares of common stock when the Non-Plan Option is added to the total number of options outstanding under the 2015 Plan.

The 2015 Plan permits the granting of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock or restricted stock units to employees, non-employee directors, and service providers at exercise prices not less than the 100% of fair value at the date of grant. The Board of Directors, at its sole discretion, shall determine the exercise price. These options expire 10 years from the date of grant. Incentive stock options and nonstatutory options generally vest monthly and ratably over four years. Upon termination of service, any unvested options are automatically returned to Company. Vested options that are not exercised within three months after termination as an employee, consultant, or service provider to the Company are surrendered back to the Company. Those shares are added back to the 2015 Plan and made available for future grants. Upon vesting of restricted shares and exercise of options, the Company issues common stock from its authorized shares.

The terms of the 2015 Plan permit option holders to exercise stock options before they are vested, subject to certain limitations. Such unvested shares are subject to repurchase by the Company at the original exercise price in the event the option holder’s service to the Company is terminated either voluntarily or involuntarily. As a result of early exercises under the 2015 Plan, approximately 2,081,340 and 3,211,127 shares had not vested and were subject to repurchase as of December 31, 2016 and 2017, respectively. The Company treats cash received from the exercise of unvested options as a refundable deposit and classifies such amounts as a liability in its consolidated balance sheets. As of December 31, 2016 and 2017, the Company included cash received for the early exercise of unvested options of $0.2 million and $0.9 million, respectively, in other current and long-term liabilities, based on the timing of their expected vesting. Amounts included in liabilities are transferred into common stock and additional paid-in capital as the shares vest, which is generally over a period of 48 months.

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The following table, which includes options granted under the 2015 Plan and the Non-Plan Option, summarizes option activity:

<table>
<thead>
<tr>
<th>Shares Available for Grant</th>
<th>Shares Subject to Outstanding Options</th>
<th>Weighted Average Exercise Price Per Share</th>
<th>Weighted Average Remaining Contractual Term (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2015</td>
<td>3,450,000</td>
<td>80,000</td>
<td>$ 0.10</td>
</tr>
<tr>
<td>Options authorized</td>
<td>4,490,590</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(2,957,500)</td>
<td>2,957,500</td>
<td>$ 0.15</td>
</tr>
<tr>
<td>Options exercised</td>
<td>(2,523,000)</td>
<td></td>
<td>$ 0.12</td>
</tr>
<tr>
<td>Options repurchased</td>
<td>98,959</td>
<td></td>
<td>$ 0.10</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>5,082,049</td>
<td>514,500</td>
<td>$ 0.30</td>
</tr>
<tr>
<td>Options authorized</td>
<td>6,210,854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(4,209,700)</td>
<td>4,209,700</td>
<td>$ 0.41</td>
</tr>
<tr>
<td>Options exercised</td>
<td>(2,546,500)</td>
<td></td>
<td>$ 0.37</td>
</tr>
<tr>
<td>Options forfeited or canceled</td>
<td>22,959</td>
<td>(22,959)</td>
<td>$ 0.32</td>
</tr>
<tr>
<td>Options repurchased</td>
<td>240,346</td>
<td></td>
<td>$ 0.12</td>
</tr>
<tr>
<td>Balance at December 31, 2017</td>
<td>7,346,508</td>
<td>2,154,741</td>
<td>$ 0.43</td>
</tr>
<tr>
<td>Options outstanding and exercisable as of December 31, 2017</td>
<td>2,154,741</td>
<td>$ 0.43</td>
<td>9.28</td>
</tr>
<tr>
<td>Options vested and expected to vest as of December 31, 2017</td>
<td>2,154,741</td>
<td>$ 0.43</td>
<td>9.28</td>
</tr>
</tbody>
</table>

The following table summarizes employee and non-employee stock-based compensation expense for the years ended December 31, 2016 and 2017, and also the allocation within the consolidated statements of operations and comprehensive loss:

<table>
<thead>
<tr>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$ 67</td>
</tr>
<tr>
<td>General and administrative</td>
<td>23</td>
</tr>
<tr>
<td>Total stock-based compensation</td>
<td>$ 90</td>
</tr>
</tbody>
</table>

The Company estimates the fair value of stock-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables, such as expected term, volatility, risk-free interest rate, and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine. Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of forfeitures, over the requisite service period, which is generally the vesting period of the respective award. The Company recognizes compensation on a straight-line basis over the requisite vesting period for each award. The following assumptions were used to calculate the fair value of stock-based compensation as of December 31, 2016 and 2017:

<table>
<thead>
<tr>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.2% - 2.45%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.25 - 9.84</td>
</tr>
<tr>
<td>Volatility</td>
<td>67.0% - 77.8%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>0%</td>
</tr>
</tbody>
</table>
Expected Term — The Company has opted to use the “simplified method” for estimating the expected term of options, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option (generally 10 years).

Expected Volatility — Due to the Company’s limited operating history and a lack of company specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility data was computed using the daily closing prices for the selected companies’ shares during the equivalent period of the calculated expected term of the stock-based awards.

Risk-Free Interest Rate — The risk-free rate assumption is based on the U.S. Treasury instruments with maturities similar to the expected term of the Company’s stock options.

Expected Dividend — The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options and therefore has estimated the dividend yield to be zero.

Fair value of Common Stock — The fair value of the shares of common stock underlying the stock-based awards has historically been determined by the board of directors, with input from management. Because there has been no public market for the Company’s common stock, the board of directors has determined the fair value of the common stock on the grant-date of the stock-based award by considering a number of objective and subjective factors, including enterprise valuations of the Company’s common stock performed by an unrelated third-party specialist, valuations of comparable companies, sales of the Company’s convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of the Company’s capital stock, and general and industry-specific economic outlook. The board of directors intended all options granted to be exercisable at a price per share not less than the estimated per share fair value of common stock underlying those options on the date of grant.

As of December 31, 2016 and 2017, there was a total of $0.4 million and $1.9 million, respectively, of unrecognized employee compensation costs related to non-vested stock option awards. During the years ended December 31, 2016 and 2017, the intrinsic value of shares exercised was $1.2 million and $2.5 million, respectively, and the fair value of shares vested during the respective years was $0.1 million and $0.5 million.

Non-employee stock-based compensation

As of December 31, 2016 and 2017, 147,792 and 253,000, respectively, of vested stock options and 190,000 and 306,792, respectively, of unvested stock options were held by non-employees. The Company remeasures the estimated fair value of the unvested portion of the award each period, until the award is fully vested. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of services received. The fair value of options granted to non-employees was estimated using the Black-Scholes method. The amount of stock-based compensation expense related to non-employees recognized in the consolidated financial statements for the years ended December 31, 2016 and 2017 was immaterial.

Restricted stock awards

In 2015, in conjunction with the incorporation of the Company, the Company issued a total of 11,000,000 shares of common stock at $0.0001 per share to its two founders, the Chief Executive Officer and the President, under restricted stock agreements. At the date of grant, the shares had an estimated fair value of $0.0001 per share. Under the terms of the restricted stock agreements, shares vest monthly over four years. Upon the termination of service of these individuals, unvested shares are subject to repurchase by the Company at the original issue price.
A summary of the Company’s non-vested restricted stock for the periods presented is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of Shares</th>
<th>Weighted Average Grant Date Fair Value</th>
<th>Remaining Contractual Term (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 2015</td>
<td>9,395,833</td>
<td>$0.0001</td>
<td>3.4</td>
</tr>
<tr>
<td>Vested during the year</td>
<td>2,750,000</td>
<td>$0.0001</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2016</td>
<td>6,645,833</td>
<td>$0.0001</td>
<td>2.4</td>
</tr>
<tr>
<td>Vested during the year</td>
<td>2,750,000</td>
<td>$0.0001</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2017</td>
<td>3,895,833</td>
<td>$0.0001</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Note 10. Net Loss per Share

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except share and per share data):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(17,970)</td>
<td>$(53,082)</td>
</tr>
<tr>
<td>Weighted-average common shares outstanding</td>
<td>13,363,450</td>
<td>15,386,610</td>
</tr>
<tr>
<td>Less: weighted-average common shares subject to repurchase</td>
<td>(9,942,080)</td>
<td>(8,146,695)</td>
</tr>
<tr>
<td>Weighted-average common shares used to compute basic and diluted net loss per share</td>
<td>3,421,370</td>
<td>7,239,915</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>$(5.25)</td>
<td>$(7.33)</td>
</tr>
</tbody>
</table>

The following outstanding potentially dilutive securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible preferred stock</td>
<td>84,378,462</td>
<td>120,620,160</td>
</tr>
<tr>
<td>Common stock options issued and outstanding</td>
<td>514,500</td>
<td>2,154,741</td>
</tr>
<tr>
<td>Unvested restricted common stock</td>
<td>6,645,833</td>
<td>3,895,833</td>
</tr>
<tr>
<td>Unvested early exercised common stock options</td>
<td>2,081,340</td>
<td>3,211,127</td>
</tr>
<tr>
<td>Total</td>
<td>93,620,135</td>
<td>129,881,861</td>
</tr>
</tbody>
</table>

Unaudited Pro Forma Basic and Diluted Net Loss Per Share

The unaudited pro forma basic and diluted loss per share for the year ended December 31, 2017, gives effect to the conversion of all shares of convertible preferred stock upon the closing of the planned IPO by treating all shares of convertible preferred stock as if they had been converted to common stock at the beginning of the earliest period presented, or the date of the original issuance, if later. Shares to be sold in the planned IPO are excluded from the unaudited pro forma basic and diluted net loss per share calculation.
Note 11: Provision for Income Taxes

The provision for income taxes differs from the amount expected by applying the federal statutory rate to the loss before taxes as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal statutory income tax rate</td>
<td>34.00%</td>
<td>34.00%</td>
</tr>
<tr>
<td>Non-deductible expenses and other</td>
<td>(0.22)%</td>
<td>(1.23)%</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>(33.78)%</td>
<td>(16.46)%</td>
</tr>
<tr>
<td>Remeasurement of federal tax rate</td>
<td>—</td>
<td>(16.32)%</td>
</tr>
<tr>
<td>Total</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

As of December 31, 2016 and 2017, the components of the Company’s deferred tax assets are as follows (in thousands):

<table>
<thead>
<tr>
<th>Deferred tax assets:</th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and state net operating loss carryforwards</td>
<td>$6,343</td>
<td>$11,101</td>
</tr>
<tr>
<td>Research and development credits carryforwards</td>
<td>599</td>
<td>2,706</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,384</td>
<td>3,489</td>
</tr>
<tr>
<td>Other</td>
<td>98</td>
<td>1,292</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>8,424</td>
<td>18,588</td>
</tr>
<tr>
<td>Less valuation allowance</td>
<td>(8,424)</td>
<td>(18,588)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards.
The Company’s accounting for deferred taxes involves the evaluation of a number of factors concerning the realizability of its net deferred tax assets. The Company primarily considered such factors as its history of operating losses, the nature of the Company’s deferred tax assets, and the timing, likelihood and amount, if any, of future taxable income during the periods in which those temporary differences and carryforwards become deductible. At present, the Company does not believe that it is more likely than not that the deferred tax assets will be realized; accordingly, a full valuation allowance has been established and no deferred tax asset is shown in the accompanying consolidated balance sheets. The valuation allowance increased by approximately $7.6 million and $10.2 million, respectively, for the years ended December 31, 2016 and 2017.

In December 2017, the 2017 Tax Cuts and Jobs Act (2017 Tax Act) was enacted and includes a broad range of provisions, many of which differ significantly from those contained in previous U.S. tax law. Changes in tax law are accounted for in the period of enactment. As such, the Company’s consolidated financial statements as of December 31, 2017 reflect the impact of this 2017 Tax Act, which primarily consisted of measuring the Company’s deferred tax assets and valuation allowance using the newly enacted U.S. corporate tax rate.

At December 31, 2017, the Company has net operating loss carryforwards for federal income tax purposes of approximately $47.4 million that begin to expire in 2035, and federal research tax credits of approximately $1.9 million that begin to expire in 2035. The Company also has state net operating loss carryforwards of approximately $15.4 million that begin to expire in 2035, and state research tax credits of approximately $1.8 million that have no expiration date. Use of the net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the ownership change provisions of U.S. tax law and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before use.

**Uncertain Tax Positions**

The Company has not been audited by the Internal Revenue Service, any state or foreign tax authority. The Company is subject to taxation in the United States and also beginning in 2017, in Australia. Because of the net operating loss and research credit carryforwards, all of the Company’s tax years, from 2015 to 2017, remain open to U.S. federal and California state tax examinations. The 2017 tax year is open to examination in Australia. There were no interest or penalties accrued at December 31, 2016 and December 31, 2017.

The Company follows the provisions of FASB Accounting Standards Codification (ASC 740-10), *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of uncertain tax positions that have been taken or expected to be taken on a tax return. No liability related to uncertain tax positions is recorded in the consolidated financial statements. The Company’s reserve for unrecognized tax benefits is approximately $0.2 million and $0.6 million at December 31, 2016 and 2017, respectively.

Due to the full valuation allowance at December 31, 2016 and 2017, current adjustments to the unrecognized tax benefit will have no impact on the Company’s effective income tax rate; any adjustments made after the valuation allowance is released will have an impact on the tax rate.
A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2016</th>
<th>Year Ended December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$19</td>
<td>$242</td>
</tr>
<tr>
<td>Additions for tax positions taken in a prior year</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Additions for tax positions taken in current year</td>
<td>223</td>
<td>351</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$242</td>
<td>$622</td>
</tr>
</tbody>
</table>

The Company does not anticipate material changes to its uncertain tax positions through the next 12 months.

**Note 12: Commitments**

*Purchase Commitments*

The Company has contractual arrangements with research and development organizations and suppliers; however, these contracts are generally cancelable on 30 days’ notice and the obligations under these contracts are largely based on services performed.

*Leases*

The Company leases office space in Hayward, California under non-cancelable operating leases with expiration in 2025. Rent expense was $0.6 million and $0.9 million for the years ended December 31, 2016 and 2017, respectively. Future minimum lease payments under non-cancelable operating leases as of December 31, 2017 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year ending December 31:</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$1,952</td>
</tr>
<tr>
<td>2019</td>
<td>2,041</td>
</tr>
<tr>
<td>2020</td>
<td>2,105</td>
</tr>
<tr>
<td>2021</td>
<td>2,195</td>
</tr>
<tr>
<td>2022</td>
<td>2,265</td>
</tr>
<tr>
<td>2023 and beyond</td>
<td>6,826</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17,384</strong></td>
</tr>
</tbody>
</table>

The Company has provided deposits for letters of credit totaling $0.2 million to secure its obligations under its leases, which have been classified as long-term assets on the Company’s consolidated balance sheet as of December 31, 2017.

*Indemnification*

As permitted under Delaware law and in accordance with the Company’s bylaws, the Company is required to indemnify its officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. The Company is also party to indemnification agreements with its directors and officers. The Company believes the fair value of the indemnification rights and agreements is minimal. Accordingly, the Company has not recorded any liabilities for these indemnification rights and agreements as of December 31, 2016 and 2017.
Note 13: Employee Benefit Plan

The Company sponsors a 401(k) defined contribution plan for its employees. This plan provides for tax-deferred salary deductions for all employees. Employee contributions are voluntary. Employees may contribute up to 100% of their annual compensation to this plan, as limited by an annual maximum amount as determined by the Internal Revenue Service. The Company may match employee contributions in amounts to be determined at the Company’s sole discretion. The Company made no contributions to the plan for the years ended December 31, 2016 and 2017.

Note 14: Subsequent Events

Since December 31, 2017, the Company has granted options for the purchase of 4.4 million shares of common stock at a weighted average exercise price of $1.36 per share. These options vest monthly on a straight-line basis over a range of 12 to 48 months.

Management has reviewed and evaluated material subsequent events from the consolidated balance sheet date of December 31, 2017, through the date of the report of the Independent Registered Public Accounting Firm. No subsequent events have been identified for disclosure, other than the matters noted above.
Shares

Arcus Biosciences, Inc.

Common Stock

PRELIMINARY PROSPECTUS

Citigroup
Goldman Sachs & Co. LLC
Leerink Partners

, 2018

Through and including , 2018 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This 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.
PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses expected to be incurred and payable by us in connection with the sale and distribution of our common stock, other than underwriting discounts and commissions. All amounts are estimates except for the Securities and Exchange Commission (SEC) registration fee, the Financial Industry Regulatory Authority (FINRA) filing fee and the New York Stock Exchange listing fee.

<table>
<thead>
<tr>
<th>Payable By</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Us</td>
<td>$12,450</td>
</tr>
<tr>
<td></td>
<td>$15,500</td>
</tr>
<tr>
<td></td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
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<tr>
<td></td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
</tr>
</tbody>
</table>

* To be filed 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 under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the Delaware General Corporation Law, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions relating to the limitation of liability and indemnification of directors and officers. The amended and restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director’s duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives any improper personal benefit.

Our amended and restated certificate of incorporation also provides that if Delaware law is amended after the approval by our stockholders of the certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law.

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Our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with their service for or on our behalf. Our amended and restated bylaws provide that we shall advance the expenses incurred by a director or officer in advance of the final disposition of an action or proceeding, and permit us to secure insurance on behalf of any director, officer, employee or other enterprise agent for any liability arising out of his or her action in that capacity, whether or not Delaware law would otherwise permit indemnification.

We intend to enter into indemnification agreements with each of our directors and executive officers and certain other key employees, a form of which is attached as Exhibit 10.1. The form of agreement provides that we will indemnify each of our directors, executive officers and such other key employees against any and all expenses incurred by that director, executive officer or other key employee because of his or her status as one of our directors, executive officers or other key employees, to the fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws. In addition, the form agreement provides that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by our directors, executive officers and other key employees in connection with a legal proceeding.

Reference is made to the underwriting agreement contained in Exhibit 1.1 to this registration statement, indemnifying our directors and officers against limited liabilities. In addition, Section 1.10 of our amended and restated investors’ rights agreement (IRA) contained in Exhibit 4.2 to this registration statement provides for indemnification of certain of our stockholders against liabilities described in our IRA.

We maintain insurance policies that indemnify our directors and officers against various liabilities 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 or her capacity as such.

**Item 15. Recent Sales of Unregistered Securities**

The following sets forth information regarding all unregistered securities sold since April 30, 2015, the date of our incorporation:

- We have granted options to purchase 12,097,200 shares of our common stock to directors, officers and employees under our 2015 Stock Plan, with per share exercise prices ranging from $0.10 to $1.36.
- We have granted an option to purchase 30,000 shares of our common stock to an advisor outside of our 2015 Stock Plan, with a per share exercise price of $0.31.
- We have issued and sold an aggregate of 8,188,809 shares of our common stock upon exercise of options issued under our 2015 Stock Plan for aggregate consideration of $4,464,419.24, with per share exercise prices ranging from $0.10 to $1.36.
- In May 2015, August 2015, and September 2015, we issued and sold an aggregate of 49,725,000 shares of our Series A preferred stock at a purchase price of $1.00 per share to 56 accredited investors for an aggregate purchase price of $49,725,000. In connection with the completion of this offering, all 49,725,000 shares of Series A preferred stock will automatically convert into an equivalent number of shares of common stock.
- In August 2016, we issued and sold an aggregate of 34,653,462 shares of our Series B preferred stock at a purchase price of $2.02 per share to 44 accredited investors for an aggregate purchase price of approximately $69,999,993. In connection with the completion of this offering, all 34,653,462 shares of Series B preferred stock will automatically convert into an equivalent number of shares of common stock.
- In November 2017, we issued and sold an aggregate of 36,241,698 shares of our Series C preferred stock at a purchase price of $2.9524 per share to 32 accredited investors for an aggregate purchase price of...
price of approximately $106,999,989. In connection with the completion of this offering, all 36,241,698 shares of Series C preferred stock will automatically convert into an equivalent number of shares of common stock.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe that the offers, sales and issuances of the above securities were exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering, or in reliance on Rule 701 promulgated under Section 3(b) of the Securities Act because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. We believe all recipients had adequate information about us or had adequate access, through their relationships with us, to information about us.

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### Item 16. Exhibits and Financial Statement Schedules

#### (a) Exhibits.

<table>
<thead>
<tr>
<th>Exhibit no.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1*</td>
<td>Form of Underwriting Agreement.</td>
</tr>
<tr>
<td>3.1</td>
<td>Restated Certificate of Incorporation of Registrant.</td>
</tr>
<tr>
<td>3.2</td>
<td>Form of Amended and Restated Certificate of Incorporation of Registrant, to be effective immediately prior to the completion of this offering.</td>
</tr>
<tr>
<td>3.3</td>
<td>Bylaws of Registrant.</td>
</tr>
<tr>
<td>3.4</td>
<td>Form of Amended and Restated Bylaws of Registrant, to be effective immediately prior to the completion of this offering.</td>
</tr>
<tr>
<td>4.1</td>
<td>Amended and Restated Investors’ Rights Agreement, dated November 3, 2017, between the Registrant and the parties thereto.</td>
</tr>
<tr>
<td>5.1*</td>
<td>Opinion of Gunderson Dettmer Stough Villeneuve Franklin &amp; Hachigian, LLP.</td>
</tr>
<tr>
<td>10.1</td>
<td>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.</td>
</tr>
<tr>
<td>10.2</td>
<td>Arcus Biosciences, Inc. 2015 Stock Plan and forms of agreements thereunder.</td>
</tr>
<tr>
<td>10.3*</td>
<td>Arcus Biosciences, Inc. 2018 Equity Incentive Plan, including form agreements, to be in effect upon completion of the offering.</td>
</tr>
<tr>
<td>10.4*</td>
<td>Arcus Biosciences, Inc. 2018 Employee Stock Purchase Plan, to be in effect upon the completion of the offering.</td>
</tr>
<tr>
<td>10.5</td>
<td>Amended and Restated Letter Agreement, dated February 14, 2018, between the Registrant and Terry Rosen, Ph.D.</td>
</tr>
<tr>
<td>10.6</td>
<td>Amended and Restated Letter Agreement, dated February 14, 2018, between the Registrant and Juan Carlos Jaen, Ph.D.</td>
</tr>
<tr>
<td>10.7</td>
<td>Amended and Restated Letter Agreement, dated February 14, 2018, between the Registrant and Jennifer Jarrett.</td>
</tr>
<tr>
<td>10.8</td>
<td>Lease, dated September 30, 2015, between the Registrant and Hayward Point Eden I Limited Partnership, as amended on July 22, 2016 and October 12, 2017.</td>
</tr>
<tr>
<td>10.9</td>
<td>Compensation Program for Non-Employee Directors.</td>
</tr>
<tr>
<td>10.10†</td>
<td>License Agreement, dated December 8, 2016, between the Registrant and Abmuno Therapeutics LLC.</td>
</tr>
<tr>
<td>10.11†</td>
<td>License Agreement, dated August 16, 2017, between the Registrant and WuXi Biologics (Cayman) Inc.</td>
</tr>
<tr>
<td>10.12†</td>
<td>Option and License Agreement, dated September 19, 2017, between the Registrant and Taiho Pharmaceutical Co., Ltd.</td>
</tr>
<tr>
<td>10.14</td>
<td>Form of Severance and Change in Control Agreement.</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Independent Registered Public Accounting Firm.</td>
</tr>
<tr>
<td>23.2*</td>
<td>Consent of Gunderson Dettmer Stough Villeneuve Franklin &amp; Hachigian, LLP (contained in Exhibit 5.1).</td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney (contained in the signature page to this registration statement).</td>
</tr>
</tbody>
</table>

* To be filed by amendment.
† Registrant has requested confidential treatment for certain portions of this exhibit. This exhibit omits the information subject to this confidentiality request. Omitted portions have been filed separately with the Securities and Exchange Commission.

(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 consolidated financial statements or related notes, which is incorporated herein by reference.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements 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 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.
Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Hayward, State of California, on the 16th day of February, 2018.

ARCUS BIOSCIENCES, INC.

By: /s/ Terry Rosen

Terry Rosen, Ph.D.
Chief Executive Officer
KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Terry Rosen, Ph.D. and Jennifer Jarrett and each of them, his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this registration statement, and any registration statement relating to the offering covered by this registration statement and filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, 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, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorney-in-fact and agents or their 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 on behalf of the registrant and in the capacities and on the dates indicated.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Terry Rosen</td>
<td>Chief Executive Officer and Director</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Terry Rosen, Ph.D.</td>
<td>(Principal Executive Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ Juan Carlos Jaen</td>
<td>President and Director</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Juan Carlos Jaen, Ph.D.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Jennifer Jarrett</td>
<td>Chief Business Officer and Chief Financial Officer</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Jennifer Jarrett</td>
<td>(Principal Financial Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ Steven Chan</td>
<td>Principal Accounting Officer</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Steven Chan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Yasunori Kaneko</td>
<td>Director</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Yasunori Kaneko, M.D.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Kathryn Falberg</td>
<td>Director</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>Kathryn Falberg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ David William Beier</td>
<td>Director</td>
<td>February 16, 2018</td>
</tr>
<tr>
<td>David William Beier</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

OF

ARCUS BIOSCIENCES, INC.

The undersigned, Terry Rosen, hereby certifies that:

1. He is the duly elected and acting Chief Executive Officer of Arcus Biosciences, Inc., a Delaware corporation.

2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on April 30, 2015 under the name of Arcus Biosciences, Inc.

3. The Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

   “ARTICLE I

   The name of this corporation is Arcus Biosciences, Inc. (the “Corporation”).

   ARTICLE II

   The address of the Corporation’s registered office in the State of Delaware is 2140 South Dupont Highway, in the City of Camden, County of Kent, Zip Code 19934. The name of its registered agent at such address is Paracorp Incorporated.

   ARTICLE III

   The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

   ARTICLE IV

   (A) Classes of Stock. The Corporation is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares which the Corporation is authorized to issue is 274,952,194 shares, each with a par value of $0.0001 per share. Of the total shares, 153,993,327 shares shall be Common Stock and 120,958,867 shares shall be Preferred Stock.

   (B) Powers, Preferences, Rights, and Restrictions of Preferred Stock. The Preferred Stock authorized by this Amended and Restated Certificate of Incorporation (the “Restated Certificate”) may be issued from time to time in one or more series. The first series of Preferred Stock shall be designated “Series A Preferred Stock,” and shall consist of 49,725,000 shares. The second series of Preferred Stock shall be designated “Series B Preferred Stock,” and shall consist of 34,653,462 shares. The third series of Preferred Stock shall be designated “Series C Preferred Stock,” and shall consist of 36,580,405 shares. The powers, preferences, rights and restrictions granted to and imposed on the Preferred Stock are as set forth below in this Article IV(B).
1. **Dividend Provisions.** No dividend (other than a dividend payable solely in Common Stock) shall be paid on shares of Common Stock unless in such fiscal year there shall have been paid, or set aside for payment in such fiscal year, dividends, out of any assets legally available therefor, at the rate of $0.06 per share (as adjusted for stock splits, stock dividends, reverse stock splits, reclassifications and the like (collectively, “Stock Split Changes”) with regard to the Series A Preferred Stock) per annum on each outstanding share of Series A Preferred Stock, $0.12 per share (as adjusted for Stock Split Changes with regard to the Series B Preferred Stock) per annum on each outstanding share of Series B Preferred Stock and $0.18 per share (as adjusted for Stock Split Changes with regard to the Series C Preferred Stock) per annum on each outstanding share of Series C Preferred Stock. Such Preferred Stock dividends shall not be cumulative and shall be payable when, as and if declared by the Board of Directors of the Corporation (the “Board of Directors”). After payment of such Preferred Stock dividends, any additional dividends (other than a dividend payable solely in Common Stock) shall be distributed among the holders of Preferred Stock and Common Stock pro rata based on the number of shares of Common Stock then held by each holder (assuming conversion of all such Preferred Stock into Common Stock).

2. **Liquidation.**
   
   (a) **Preference.** In the event of any Liquidation Transaction (as defined below), either voluntary or involuntary, the holders of the Preferred Stock shall be entitled to receive, from the assets legally available therefor prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the sum of the applicable Original Issue Price (as defined below) for such series of Preferred Stock, plus declared but unpaid dividends on such share or (ii) such amount per share as would have been payable had all shares of such series of Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such Liquidation Transaction (the amount payable with respect to a share of a particular series of Preferred Stock pursuant to this sentence is hereinafter referred to as the “Preferred Liquidation Amount”). If, upon the occurrence of such event, the assets and funds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of Preferred Stock in proportion to the preferential amount each such holder would otherwise be entitled to receive. For purposes of this Restated Certificate, “Original Issue Price” shall mean $1.00 per share (as adjusted for Stock Split Changes with regard to the Series A Preferred Stock) for each share of Series A Preferred, $2.02 per share (as adjusted for Stock Split Changes with regard to the Series B Preferred Stock) for each share of Series B Preferred Stock and $2.9524 per share (as adjusted for Stock Split Changes with regard to the Series C Preferred Stock) for each share of Series C Preferred Stock.

   (b) **Remaining Assets.** Upon the completion of the distribution required by Section 2(a) above, if assets remain in the Corporation, the holders of the Common Stock of the Corporation shall receive all of the remaining assets of the Corporation, pro rata based on the number of shares of Common Stock held by each.
(c) **Certain Acquisitions.**

(i) **Deemed Liquidation.** For purposes of this Section 2, a liquidation, dissolution or winding up of the Corporation shall be deemed to occur upon the occurrence of a Liquidation Transaction. For purposes of this Restated Certificate, a “Liquidation Transaction” means (1) the sale, lease, transfer or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger, consolidation or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer or other disposition is to a wholly owned subsidiary of the Corporation or the irrevocable licensing to a third party, by the Corporation or any subsidiary or subsidiaries of the Corporation, of all or substantially all of the intellectual property of the Corporation and its subsidiaries taken as a whole (or, if substantially all of the intellectual property of the Corporation and its subsidiaries taken as a whole are held by one or more subsidiaries, the sale or disposition (whether by consolidation, merger, conversion or otherwise) of such subsidiaries of the Corporation), (2) a merger or consolidation in which (x) the Corporation is a constituent party or (y) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation, in each case other than any such transaction in which the holders of voting capital stock of the Corporation outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Corporation (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Corporation held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction) or (3) a voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided, however, that a Liquidation Transaction shall not include any transaction or series of related transactions (A) principally for bona fide equity financing purposes or (B) effected exclusively for the purpose of changing the domicile of the Corporation. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Liquidation Transaction has occurred. The treatment of any particular transaction or series of related transactions as a Liquidation Transaction may be waived with respect to the Preferred Stock by the vote or written consent of the holders of at least sixty-five percent (65%) of the outstanding shares of Preferred Stock, voting together as a single class and not as separate series, and on an as-converted basis.

(ii) **Effecting a Liquidation Transaction.**

(A) The Corporation shall not have the power to effect a Liquidation Transaction unless the definitive agreement or plan of merger or consolidation for such transaction (the “Merger Agreement”) provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2(a) and (b).
In the event of a Liquidation Transaction referred to in Section 2(c)(i)(1) or Section 2(c)(ii)(2)(y) above, if the Corporation does not effect a dissolution of the Corporation under the Delaware General Corporation Law within ninety (90) days after such Liquidation Transaction, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the ninetieth (90th) day after the Liquidation Transaction advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Preferred Stock; and (iii) if the holders of a majority of the then outstanding shares of Preferred Stock (voting together as a single class on an as converted basis) so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Liquidation Transaction, the Corporation shall use the consideration received by the Corporation for such Liquidation Transaction (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board), together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the “Available Proceeds”), no later than the one hundred fiftieth (150th) day after such Liquidation Transaction, to redeem all outstanding shares of Series A Preferred Stock, all outstanding shares of Series B Preferred Stock and all outstanding shares of Series C Preferred Stock at a price per share equal to the applicable Preferred Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall ratably redeem each holder’s shares of Preferred Stock with equal priority in proportion to the preferential amount each such holder would otherwise be entitled to receive, to the fullest extent of such Available Proceeds, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders. Prior to the distribution or redemption provided for in this Subsection 2(c)(ii)(C), the Corporation shall not expend or dissipate the consideration received for such Liquidation Transaction, except to discharge expenses incurred in connection with such Liquidation Transaction or in the ordinary course of business. In connection with a distribution or redemption provided for in this Subsection 2(c)(ii)(B), the Corporation shall send written notice of the redemption (the “Redemption Notice”) to each holder of record of Preferred Stock. Each Redemption Notice shall state:

1. the number of shares of Preferred Stock held by the holder that the Corporation shall redeem on the date specified in the Redemption Notice;

2. the redemption date and the price per share at which the shares of Preferred Stock are being redeemed; and

3. for holders of shares in certificated form, that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Preferred Stock to be redeemed.
(iii) **Valuation of Consideration**, In the event of a Liquidation Transaction, if all or a portion of the consideration received by the Corporation is other than cash, its value will be set at its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability:

1. If traded on a securities exchange, the value shall be based on the formula specified in the Merger Agreement or, if no such formula exists, then the value of such securities shall be based on a formula approved by the Board of Directors and derived from the closing prices of the securities on such exchange over a specified time period;

2. If actively traded over-the-counter, the value shall be based on the formula specified in the Merger Agreement or, if no such formula exists, then the value of such securities shall be based on a formula approved by the Board of Directors and derived from the closing bid or sales prices (whichever is applicable) of such securities over a specified time period; and

3. If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder’s status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as specified above in Section 2(c)(iii)(A) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

(iv) **Effect of Noncompliance**, In the event the requirements of this Section 2(c) or the notice requirements of Article IV(D)(2) are not complied with, the Corporation shall forthwith either cause the closing of the Liquidation Transaction to be postponed until such requirements have been complied with, or cancel such Liquidation Transaction, in which event the rights, preferences, privileges and restrictions of the holders of Preferred Stock shall revert to and be the same as such rights, preferences, privileges and restrictions existing immediately before the date the notice of the Liquidation Transaction should first have been sent pursuant to Article IV(D)(2).

(d) **Allocation of Contingent Consideration**, In the event of a Liquidation Transaction pursuant to Section 2(c)(i), if any portion of the consideration payable to the stockholders of the Corporation is placed into escrow and/or is payable to stockholders of the Corporation subject to contingencies (the “Additional Consideration”), the Merger Agreement shall provide that (i) the portion of such consideration that is not Additional Consideration (such portion, the “Initial Consideration”) shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a) and 2(b) as if the Initial Consideration were the only consideration payable in connection with such Liquidation Transaction; and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2(a) and 2(b) after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Subsection 2(d), consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Liquidation Transaction shall be deemed to be Additional Consideration.
3. **Redemption.** Other than in connection with a Liquidation Transaction as provided in Section 2(c)(ii)(B), the Preferred Stock is not redeemable at the option of the holder thereof. Any shares of Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock following redemption.

4. **Conversion.** The holders of the Preferred Stock shall have conversion rights as follows (the “Conversion Rights”):

   (a) **Right to Convert.** Subject to Section 4(c) below, each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the applicable Original Issue Price for such series by the Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of Preferred Stock shall be the Original Issue Price applicable to such series. Such initial Conversion Price shall be subject to adjustment as set forth in Section 4(d) below.

   (b) **Automatic Conversion.** Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Price at the time in effect for such share immediately upon the earlier of (i) the date specified by the vote or written consent of the holders of at least 65% of the then-outstanding shares of Preferred Stock, voting together as a single class and on an as-converted basis or (ii) immediately before the closing of the Corporation’s sale of its Common Stock in a firm commitment underwritten public offering on NASDAQ, the New York Stock Exchange or other internationally recognized stock exchange pursuant to a registration statement under the Securities Act of 1933, as amended (the “Securities Act”), which results in aggregate gross proceeds to the Corporation of at least $30,000,000 (a “Qualified Public Offering”).

   (c) **Mechanics of Conversion.** Before any holder of Preferred Stock shall be entitled to convert such Preferred Stock into shares of Common Stock, the holder shall surrender the certificate or certificates therefor, duly endorsed (or a reasonably acceptable affidavit and indemnity in the case of a lost, stolen or destroyed certificate), at the office of the Corporation or of any transfer agent for such series of Preferred Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid, and a certificate for the remaining number of shares of Preferred Stock if less than all of the Preferred Stock evidenced by the certificate were surrendered. Such conversion shall be deemed to have been made immediately before the close.
of business on (i) the date of such surrender of the shares of such series of Preferred Stock to be converted together with written notice of conversion or (ii) if applicable, at the time of automatic conversion specified in Section 4(b) above, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten public offering of securities registered pursuant to the Securities Act or a Liquidation Transaction the conversion may, at the option of any holder tendering such Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering or the closing of such Liquidation Transaction, in which event any persons entitled to receive Common Stock upon conversion of such Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately before the closing of such sale of securities or such Liquidation Transaction.

(d) Conversion Price Adjustments of Preferred Stock for Certain Stock Splits, Stock Dividends, Combinations/Reverse Splits and Dilutive Issuances. The Conversion Price of each series of Preferred Stock shall be subject to adjustment from time to time as follows:

(i) Stock Splits and Dividends. In the event the Corporation should at any time after the date of filing of this Restated Certificate (the “Filing Date”) effectuate a split or subdivision of the outstanding shares of Common Stock or fix a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or in securities or rights convertible into or exchangeable or exercisable for, or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock (“Common Stock Equivalents”), without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion, exchange or exercise thereof), then, as of such split or subdivision or as of such record date (or the payment date of such dividend or distribution if no record date is fixed), the Conversion Price of each series of Preferred Stock shall be decreased by multiplying the previously applicable Conversion Price by a fraction whose numerator is the number of shares of Common Stock outstanding immediately before the split, subdivision or record date (or payment date) and whose denominator is (a) in the case of a split or subdivision, the number of shares of Common Stock outstanding immediately after the split or subdivision, (b) in the case of such a dividend or distribution record date, the sum of the number of shares of Common Stock outstanding immediately before such record date plus the number of shares of Common Stock issuable in such dividend or distribution, and (c) in the case of such a dividend or distribution paid without the setting of a record date, the sum of the number of shares of Common Stock outstanding immediately before such dividend or distribution plus the number of shares of Common Stock issued in such dividend or distribution.

(ii) Reverse Stock Splits. If the number of shares of Common Stock outstanding at any time after the Filing Date is decreased by a reverse split or combination of the outstanding shares of Common Stock, then, as of such reverse split or combination, the Conversion Price for the Preferred Stock shall be increased by multiplying the previously applicable Conversion Price by a fraction whose numerator is the number of shares of Common Stock outstanding immediately before the reverse split or combination and whose denominator is the number of shares of Common Stock outstanding immediately after the reverse split or combination.
(iii) **Issuance of Additional Shares below Conversion Price.** If the Corporation should issue, at any time after the Filing Date, any Additional Shares (as defined below) without consideration or for a consideration per share less than the Conversion Price applicable to a series of Preferred Stock in effect immediately before the issuance of such Additional Shares, the Conversion Price for such series in effect immediately before each such issuance shall automatically be adjusted as set forth in this Section 4(d)(iii), unless otherwise provided in this Section 4(d)(iii).

(A) **Adjustment Formula.** Whenever the Conversion Price is adjusted pursuant to this Section 4(d)(iii), the new Conversion Price shall be determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of Additional Shares (the “Outstanding Common”) plus the number of shares of Common Stock that the aggregate consideration received by the Corporation for such issuance would purchase at such Conversion Price then-in-effect; and (y) the denominator of which shall be the number of shares of Outstanding Common plus the number of shares of such Additional Shares. For purposes of the foregoing calculation, the term “Outstanding Common” shall include shares of Common Stock deemed issued pursuant to Section 4(d)(iii)(C) below.

(B) **Definition of “Additional Shares.”** For purposes of this Section 4(d)(iii), “Additional Shares” shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to Section 4(d)(iii)(C)) by the Corporation after the Filing Date, other than the following shares of capital stock (collectively, “Exempted Securities”):

1. Capital stock issued or issuable pursuant to stock splits and stock dividends, as described in Section 4(d)(i) hereof;
2. Common Stock or options to purchase Common Stock issued or issuable to employees, officers, consultants or directors of the Corporation or its direct or indirect subsidiaries, or other persons performing services for the Corporation or its direct or indirect subsidiaries, pursuant to a plan, agreement or arrangement approved by the Board of Directors;
3. Capital stock, or options or warrants to purchase capital stock, issued or issuable to lenders or lessors in connection with commercial credit arrangements, equipment financings, commercial or real property lease transactions or similar transactions;
4. Capital stock, or options or warrants to purchase capital stock, issued or issuable as a component of any business relationship for the purpose of (A) joint venture, technology licensing or development activities, (B) distribution, supply or manufacture of the Corporation’s products or services or (C) any other arrangements involving corporate partners that are primarily for purposes other than raising capital;
(5) Capital stock, or warrants or options to purchase capital stock, issued or issuable in connection with bona fide acquisitions, mergers or similar transactions;

(6) Capital Stock issued or issuable upon the conversion, exercise or exchange of any convertible securities outstanding as of the first issuance of Series C Preferred Stock;

(7) Common Stock issued or issuable upon the conversion of the Series A Preferred Stock, the Series B Preferred Stock or the Series C Preferred Stock;

(8) Common Stock issued or issuable in connection with a Qualified Public Offering; and

(9) Capital Stock issued or issuable as a result of the antidilution provisions of this Section 4.

(C) Rules Regarding Common Stock Equivalents. If (whether before, on or after the Filing Date), Common Stock Equivalents are issued, the following provisions shall apply for all purposes of this Section 4(d)(iii):

(1) The aggregate maximum number of shares of Common Stock deliverable upon conversion, exchange or exercise (assuming the satisfaction of any conditions to convertibility, exchangeability or exercisability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) of any Common Stock Equivalents and subsequent conversion, exchange or exercise thereof shall be deemed to have been issued at the time such Common Stock Equivalents were issued and for a consideration equal to the consideration, if any, received by the Corporation for any such Common Stock Equivalents (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation upon the conversion, exchange or exercise of any Common Stock Equivalents (the consideration in each case to be determined in the manner provided in Section 4(d)(iii)(F)).

(2) In the event of any change in the number of shares of Common Stock deliverable to the Corporation upon conversion, exchange or exercise of any Common Stock Equivalents or in the consideration payable to the Corporation upon conversion, exchange or exercise of any Common Stock Equivalents, other than a change resulting from the antidilution provisions thereof, the Conversion Price of any series of Preferred Stock, to the extent in any way affected by or computed using such Common Stock Equivalents, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the conversion, exchange or exercise of such Common Stock Equivalents.

(3) Upon the termination or expiration of the convertibility, exchangeability or exercisability of any Common Stock Equivalents, the Conversion Price of any series of Preferred Stock, to the extent in any way affected by or
computed using such Common Stock Equivalents, shall be recomputed to reflect the issuance of only the number of shares of Common Stock Equivalents that remain convertible, exchangeable or exercisable and the number of shares of Common Stock previously actually issued upon the conversion, exchange or exercise of such Common Stock Equivalents.

(D) **No Increased Conversion Price.** Notwithstanding any other provisions of this Section (4)(d)(iii), except to the limited extent provided for in Sections 4(d)(iii)(C)(2) and 4(d)(iii)(C)(3), no adjustment of the Conversion Price pursuant to this Section 4(d)(iii) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately before such adjustment.

(E) **No Fractional Adjustments.** No adjustment of the Conversion Price for any series of Preferred Stock shall be made in an amount less than one cent per share, provided that any adjustments which are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made before three years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three years from the date of the event giving rise to the adjustment being carried forward.

(F) **Determination of Consideration.** In the case of the issuance of securities for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof. In the case of the issuance of securities for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(e) **Other Distributions.** In the event the Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 4(d)(i), then, in each such case for the purpose of this Section 4(e), the holders of Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

(f) **Recapitalizations.** If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 2 of this Article IV(B)) provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of such Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of such Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of such Preferred Stock) shall be applicable after that event and be as nearly equivalent as practicable.
(g) **No Fractional Shares and Certificate as to Adjustments.**

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded down to the nearest whole share. The number of shares issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion. If the conversion would result in any fractional share, the Corporation shall, in lieu of issuing any such fractional share, pay the holder thereof an amount in cash equal to the fair market value of such fractional share on the date of conversion, as determined by the Board of Directors.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of any series of Preferred Stock pursuant to this Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for the Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of the Preferred Stock.

(h) **Reservation of Stock Issuable Upon Conversion.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of such series of Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of such series of Preferred Stock, in addition to such other remedies as shall be available to the holders of such Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Restated Certificate.

(i) **Waiver of Adjustment to Conversion Price.** Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price of Series A Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least sixty-six percent (66%) of the outstanding shares of Series A Preferred Stock, any downward adjustment of the Conversion Price of Series B Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least sixty-six.
percent (66%) of the outstanding shares of Series B Preferred Stock and any downward adjustment of the Conversion Price of Series C Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least sixty-five percent (65%) of the outstanding shares of Series C Preferred Stock. Any such waiver shall bind all future holders of shares of such series of Preferred Stock.


(a) Except as otherwise expressly provided herein or by law, the holder of each share of Preferred Stock shall have the right to one vote for each share of Common Stock into which such Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders’ meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(b) Notwithstanding the foregoing Section 5(a), (i) the holders of the outstanding shares of Common Stock, voting together as a separate class, shall have the right at all times to elect two (2) members of the Board of Directors (such members, the “Common Directors”) at each meeting or pursuant to each consent of the Corporation’s stockholders for the election of directors, and to remove from office the Common Directors and to fill any vacancy caused by the resignation, death or removal of the Common Directors, (ii) so long as at least 14,000,000 shares of Series A Preferred Stock remain outstanding (as adjusted for Stock Split Changes), the holders of the outstanding shares of Series A Preferred Stock, voting together as a separate class, shall have the right at all times to elect one (1) member of the Board of Directors (such member, the “Series A Director”) at each meeting or pursuant to each consent of the Corporation’s stockholders for the election of directors, and to remove from office the Series A Director and to fill any vacancy caused by the resignation, death or removal of the Series A Director, and (iii) the holders of the outstanding shares of Common Stock and Preferred Stock, voting together as a single class and on an as-converted basis, shall have the right at all times to elect all remaining members of the Board of Directors (such members, the “Joint Directors”) at each meeting or pursuant to each consent of the Corporation’s stockholders for the election of directors, and to remove from office the Joint Directors and to fill any vacancy caused by the resignation, death or removal of the Joint Directors. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director.
6. **Protective Provisions.**

(a) So long as at least 12,000,000 shares of Preferred Stock remain outstanding (as adjusted for Stock Split Changes), the Corporation shall not (by amendment, merger, consolidation or otherwise, and either directly or indirectly by subsidiary) without first obtaining the approval of at least 65% of the then outstanding shares of Preferred Stock, voting together as a class:

(i) amend, alter, waive, repeal or otherwise change the rights, powers, preferences or privileges, or the restrictions, qualifications or limitations, of the shares of Preferred Stock or any series thereof in a way that affects adversely the shares of such class or series;

(ii) increase or decrease (other than a decrease following conversion as contemplated in Section 7 below) the total number of authorized shares of Common Stock, Preferred Stock or any other capital stock of the Corporation or any series thereof;

(iii) create or authorize the creation of (by reclassification or otherwise) or issue or obligate itself to issue any equity security (or any other security convertible into or exercisable for any such equity security) having rights, preferences or privileges with respect to the distribution of assets upon any Liquidation Transaction, the payment of dividends, or rights of redemption, that are senior to or on parity with any series of Preferred Stock in respect of any such right, preference or privilege;

(iv) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) (or cause or permit any subsidiary to so redeem, purchase or otherwise acquire) any share or shares of Preferred Stock, Common Stock or other capital stock of the Corporation; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock at no greater than the lower of cost or then current fair market value from current or former employees, officers, directors, consultants or other persons who perform or performed services for the Corporation or any direct or indirect subsidiary of the Corporation in connection with the cessation of such employment or service, pursuant to agreements approved by the Board of Directors;

(v) amend, alter or repeal any provision of the Corporation’s Amended and Restated Certificate of Incorporation or Bylaws;

(vi) effect a Liquidation Transaction or any other merger or consolidation of the Corporation, or consent to or approve any of the foregoing;

(vii) declare or pay any dividends on any class of the Corporation’s capital stock, other than dividends payable in additional shares of Common Stock or securities convertible into or exercisable for shares of the Corporation’s Common Stock;

(viii) change the number of authorized members of the Board of Directors;

(ix) increase the number of shares reserved for issuance under any existing equity incentive plan or adopt a new equity incentive plan;
(x) create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by this Corporation, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of this Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary; or

(xi) take any action that creates, issues, or authorizes the creation or issuance of any debt security, or permits any subsidiary to take any such action with respect to any debt security, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action would exceed $10,000,000.

(b) So long as at least 10,000,000 shares of Series C Preferred Stock remain outstanding (as adjusted for Stock Split Changes), the Corporation shall not (by amendment, merger, consolidation or otherwise, and either directly or indirectly by subsidiary) without first obtaining the approval of at least 84% of the then outstanding shares of Series C Preferred Stock, voting together as a separate class:

(i) amend, alter, waive, repeal or otherwise change the rights, powers, preferences or privileges, or the restrictions, qualifications or limitations, of the shares of Series C Preferred Stock in a way that affects adversely the shares of such series; provided, however, that the designation of a new series of Preferred Stock will not be deemed to adversely affect the rights, powers, preferences or privileges, or the restrictions, qualifications or limitations of the shares of Series C Preferred Stock; or

(ii) increase or decrease (other than a decrease following conversion as contemplated in Section 7 below) the total number of authorized shares of Series C Preferred Stock.

7. **Status of Converted Stock.** In the event any shares of Preferred Stock shall be converted pursuant to Section 4 hereof, the shares so converted shall be retired and may not be re-issued by the Corporation, and the Corporation shall take all such steps as are necessary to cause this Restated Certificate to be appropriately amended to effect the corresponding reduction in the Corporation’s authorized capital stock.

8. **Repurchases of Shares.** For purposes of Section 500 of the California Corporations Code (to the extent applicable), repurchases of shares may be made without regard to any “preferential dividends arrears amount” or “preferential rights amount” (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with a repurchase of shares, the amount of any “preferential dividends arrears amount” or “preferential rights amount” (as those terms are defined therein) shall be deemed to be zero.
1. **Dividend Rights.** Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. **Liquidation Rights.** Upon the liquidation, dissolution or winding up of the Corporation, or the occurrence of a Liquidation Transaction, the assets of the Corporation shall be distributed as provided in Section 2 of Article IV(B).

3. **Redemption.** The Common Stock is not mandatorily redeemable.

4. **Voting Rights.** Each holder of Common Stock shall have the right to one vote per share of Common Stock, and shall be entitled to notice of any stockholders’ meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

(D) **Notices.**

1. **Notices.** Any notice required by the provisions of this Restated Certificate to be given to stockholders shall be deemed given, subject to the additional provisions outlined below, if deposited in the United States mail, postage prepaid, and addressed to each holder of record at the holder’s address appearing on the books of the Corporation. Notwithstanding the other provisions of this Restated Certificate, all notice periods or notice requirements in this Restated Certificate may be shortened or waived, either before or after the action for which notice is required, upon the written consent of the holders of a majority of the outstanding shares that are entitled to such notice rights.

2. **Notices of Liquidation Transaction.** The Corporation shall give each holder of record of Preferred Stock written notice of any impending Liquidation Transaction not later than 10 days before the stockholders’ meeting (if any) called to approve such Liquidation Transaction, or 10 days before the closing of such Liquidation Transaction, whichever is earlier, and shall also notify such holders in writing of the final approval (if any) and closing of such Liquidation Transaction. The first of such notices shall describe the material terms and conditions of the impending Liquidation Transaction and the provisions of Section 2 of Article IV(B) and the Corporation shall thereafter give such holders prompt notice of any material changes. Unless such notice requirements are waived, the Liquidation Transaction shall not take place sooner than 10 days after the Corporation has given the first notice provided for herein or sooner than 10 days after the Corporation has given notice of any material changes provided for herein.

3. **Notices of Record Date.** In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of each affected class, at least 10 days before the date on which a record shall be taken for such dividend, distribution or right, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.
ARTICLE V

Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter or repeal Bylaws of the Corporation.

ARTICLE VI

Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

ARTICLE VII

(A) To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(B) The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation.

(C) Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of the Corporation’s Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, before such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “Excluded Opportunity” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, “Covered Persons”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of the Corporation.

* * *

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The foregoing Amended and Restated Certificate of Incorporation has been duly adopted by this Corporation’s Board of Directors and stockholders in accordance with the applicable provisions of Sections 228, 242 and 245 of the Delaware General Corporation Law.

Executed at Hayward, California, on November 3, 2017.

/s/ Terry Rosen  
Terry Rosen, Chief Executive Officer

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Arcus Biosciences, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Arcus Biosciences, Inc., which was the name under which the corporation was originally incorporated on April 30, 2015.

2. This Amended and Restated Certificate of Incorporation, which restates, integrates and further amends the certificate of incorporation of the corporation, has been duly adopted by the corporation in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware and has been adopted by the requisite vote of the stockholders of the corporation, acting by written consent in lieu of a meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware.

3. The certificate of incorporation of the corporation is hereby amended and restated in its entirety to read as follows:

   **FIRST**: The name of the corporation is Arcus Biosciences, Inc. (hereinafter called the “Corporation”).

   **SECOND**: The address of the registered office of the Corporation in the State of Delaware is 2140 South DuPont Highway in the City of Camden, County of Kent, 19934. The name of the registered agent of the Corporation in the State of Delaware at such address is Paracorp Incorporated.

   **THIRD**: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware or any applicable successor act thereto, as the same may be amended from time to time (the “DGCL”).

   **FOURTH**: The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 410,000,000 shares, consisting of (i) 400,000,000 shares of common stock, par value $0.0001 per share (the “Common Stock”), and (ii) 10,000,000 shares of preferred stock, par value $0.0001 per share (“Preferred Stock”). Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any of the Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the capital stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL, and no vote of the holders of any of the Common Stock or Preferred Stock voting separately as a class shall be required therefor.
A. Common Stock. The powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

1. **Ranking.** The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the “Board”) upon any issuance of the Preferred Stock of any series.

2. **Voting.** Except as otherwise provided by law or by the resolution or resolutions providing for the issue of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the exclusive right to vote for the election and removal of directors and for all other purposes. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation (as amended from time to time, including the terms of any Preferred Stock Designation (as defined below), this “Certificate of Incorporation”) to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation) or the DGCL.

3. **Dividends.** Subject to the rights of the holders of Preferred Stock, holders of shares of Common Stock shall be entitled to receive such dividends and distributions and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor.

4. **Liquidation.** Subject to the rights of the holders of Preferred Stock, shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary. A liquidation, dissolution or winding up of the affairs of the Corporation, as such terms are used in this Section A(4), shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other person or a sale, lease, exchange or conveyance of all or a part of its assets.

B. Preferred Stock

Shares of Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to provide by resolution or resolutions from time to time for the issuance, out of the unissued shares of Preferred Stock, of one or more series of Preferred Stock, without stockholder approval, by filing a certificate pursuant to the applicable law of the State of Delaware (the “Preferred Stock Designation”), setting forth such resolution and, with respect to each such series, establishing the number of shares to be included in such series, and fixing the voting powers, full or limited, or no voting power of the shares of such series, and the designation, preferences and relative, participating, optional or other special rights, if any, of the
shares of each such series and any qualifications, limitations or restrictions thereof. The powers, designation, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(c) the amounts or rates at which dividends will be payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;

(d) the dates on which dividends, if any, shall be payable;

(e) the redemption rights and price or prices, if any, for shares of the series;

(f) the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series;

(g) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether the shares of the series shall be convertible into or exchangeable for, shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or any other class or series;

(j) the voting rights, if any, of the holders of shares of the series generally or upon specified events; and

(k) any other powers, preferences and relative, participating, optional or other special rights of each series of Preferred Stock, and any qualifications, limitations or restrictions of such shares, all as may be determined from time to time by the Board and stated in the resolution or resolutions providing for the issuance of such Preferred Stock.
Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

**FIFTH:** This Article FIFTH is inserted for the management of the business and for the conduct of the affairs of the Corporation.

A. **General Powers.** The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law.

B. **Number of Directors; Election of Directors.** Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be fixed from time to time by resolution of the majority of the Whole Board. For purposes of this Certificate of Incorporation, the term “Whole Board” will mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

C. **Classes of Directors.** Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective.

D. **Terms of Office.** Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation’s first annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation’s second annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation’s third annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

E. **Vacancies.** Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.
F. Removal. Any director or the entire Board may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon.

G. Committees. Pursuant to the Amended and Restated Bylaws of the Corporation (the “Bylaws”), the Board may establish one or more committees to which may be delegated any or all of the powers and duties of the Board to the full extent permitted by law.

H. Stockholder Nominations and Introduction of Business. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

SIXTH: Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot.

SEVENTH: To the fullest extent permitted by the DGCL as it now exists and as it may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that nothing contained in this Article SEVENTH shall eliminate or limit the liability of a director (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to the provisions of Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or modification of this Article SEVENTH shall apply to or have any adverse effect on any right or protection of, or any limitation of the liability of, a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

EIGHTH: The Corporation may indemnify, and advance expenses to, to the fullest extent permitted by law, any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

NINTH: Subject to the terms of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders called in accordance with the Bylaws and may not be effected by written consent in lieu of a meeting.
TENTH: Special meetings of stockholders for any purpose or purposes may be called at any time by the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer of the Corporation, and may not be called by another person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

ELEVENTH: If any provision or provisions of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the DGCL may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article ELEVENTH. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal any provision of this Certificate of Incorporation, or to adopt any new provision of this Certificate of Incorporation; provided, however, that the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with, any of Article FIFTH, Article SEVENTH, Article EIGHTH, Article NINTH, Article TENTH, Article TWELFTH, Article THIRTEENTH, and this sentence of this Certificate of Incorporation, or in each case, the definition of any capitalized terms used therein or any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other provision of this Certificate of Incorporation). Any amendment, repeal or modification of any of Article SEVENTH, Article EIGHTH, and this sentence shall not adversely affect any right or protection of any person existing thereunder with respect to any act or omission occurring prior to such repeal or modification.
TWELFTH: In furtherance and not in limitation of the powers conferred upon it by law, the Board is expressly authorized and empowered to adopt, amend and repeal the Bylaws by the affirmative vote of a majority of the Whole Board. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the Bylaws may also be amended, altered or repealed and new Bylaws may be adopted by the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon.

THIRTEENTH:

A. Forum Selection. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation’s stockholders, (3) any action arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Bylaws (as either may be amended from time to time), or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article THIRTEENTH.

B. Personal Jurisdiction. If any action the subject matter of which is within the scope of Section A immediately above is filed in a court other than a court located within the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce Section A immediately above (an “FSC Enforcement Action”) and (ii) having service of process made upon such stockholder in any such FSC Enforcement Action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder.
IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Certificate of Incorporation as of this __ day of __________, 2018.

By: ____________________________________________

Name:  Terry Rosen, PhD
Title:   Chief Executive Officer
BYLAWS

OF

ARCUS BIOSCIENCES, INC.

As adopted on April 30, 2015 and as amended on May 27, 2015
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BYLAWS

OF

ARCUS BIOSCIENCES, INC.

ARTICLE I

CORPORATE OFFICES

1.1 Registered Office.

Unless and until changed by the board of directors of the corporation (the “Board of Directors”), the registered office of the corporation shall be in the City of Camden, County of Kent, State of Delaware. The name of the registered agent of the Corporation at such location is Paracorp Incorporated.

1.2 Other Offices.

The Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place Of Meetings.

Meetings of stockholders shall be held at any place, within or outside the state of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders’ meetings shall be held at the registered office of the corporation.

2.2 Annual Meeting.

The annual meeting of stockholders shall be held on such date, time and place, either within or without the state of Delaware, as may be designated by resolution of the Board of Directors each year. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 Special Meeting.

A special meeting of the stockholders may be called at any time by the Board of Directors, the chairman of the board, the chief executive officer, the president or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent of the votes at that meeting.
If a special meeting is called by any person or persons other than the Board of Directors, the chairman of the board, the chief executive officer or the president, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the chief executive officer, the president, any vice president, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 **Notice Of Stockholders' Meetings.**

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place (if any), date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 **Manner Of Giving Notice; Affidavit Of Notice.**

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic mail or other electronic transmission, in the manner provided in Section 232 of the Delaware General Corporation Law. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 **Quorum.**

The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, shall have power to adjourn the meeting to another place (if any), date or time.

2.7 **Adjourned Meeting; Notice.**

When a meeting is adjourned to another place (if any), date or time, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place (if any), thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting, are
announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the place (if any), date and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Organization; Conduct of Business.

(a) Such person as the Board of Directors may have designated or, in the absence of such a person, the chief executive officer, or in his or her absence, the president 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 of the meeting appoints.

(b) The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The date and time of opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.9 Voting.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these Bylaws, subject to the provisions of Section 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. 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.

2.10 Waiver Of Notice.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice, or any waiver of notice by electronic transmission, unless so required by the certificate of incorporation or these Bylaws.

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2.11 **Stockholder Action By Written Consent Without A Meeting.**

Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is (i) 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 (ii) delivered to the corporation in accordance with Section 228(a) of the Delaware General Corporation Law.

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 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 this Section. A telegram, cablegram, electronic mail 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 purposes of this Section to the extent permitted by law. Any such consent shall be delivered in accordance with Section 228(d)(1) of the Delaware General Corporation Law.

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.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing (including by electronic mail or other electronic transmission as permitted by law). If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.12 **Record Date For Stockholder Notice; Voting; Giving Consents.**

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled 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, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.
If the Board of Directors does not so fix a record date:

(a) 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.

(b) The record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent (including consent by electronic mail or other electronic transmission as permitted by law) is delivered to the corporation.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the 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, if such adjournment is for thirty (30) days or less; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.13 Proxies.

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by an instrument in writing or by an electronic transmission permitted by law filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder’s name is placed on the proxy (whether by manual signature, typewriting, facsimile, electronic or telegraphic transmission or otherwise) by the stockholder or the stockholder’s attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

ARTICLE III
DIRECTORS

3.1 Powers.

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.
3.2 **Number Of Directors.**

The number of directors constituting the entire Board of Directors shall be three (3). This number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these Bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before such director’s term of office expires.

3.3 **Election, Qualification And Term Of Office Of Directors.**

Except as provided in Section 3.4 of these Bylaws, and unless otherwise provided in the certificate of incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Unless otherwise specified in the certificate of incorporation, elections of directors need not be by written ballot.

3.4 **Resignation And Vacancies.**

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Notwithstanding the provisions of Sections 223(a)(1) and 223(a)(2) of the Delaware General Corporation Law, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation or removal from office may, unless otherwise required by law, be filled by a majority vote of the directors then in office, though less than a quorum, or by a sole remaining director, and each director so chosen shall hold office until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of
any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 **Place Of Meetings; Meetings By Telephone.**

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the state of Delaware.

Unless otherwise restricted by the certificate of incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 **Regular Meetings.**

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 **Special Meetings; Notice.**

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the board, the chief executive officer, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail, facsimile, electronic transmission, or telegram, charges prepaid, addressed to each director at that director’s address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. If the notice is delivered personally or by facsimile, electronic transmission, telephone or telegram, it shall be delivered at least 48 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting. The notice need not specify the place of the meeting, if the meeting is to be held at the principal executive office of the corporation. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.8 **Quorum.**

At all meetings of the Board of Directors, a majority of the total number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of
incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 **Waiver Of Notice.**

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these Bylaws.

3.10 **Board Action By Written Consent Without A Meeting.**

Unless otherwise restricted by the certificate of incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

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.

3.11 **Fees And Compensation Of Directors.**

Unless otherwise restricted by the certificate of incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 **Approval Of Loans To Officers.**

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of
the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 **Removal Of Directors.**

Unless otherwise restricted by statute, by the certificate of incorporation or by these Bylaws, any director or the entire Board of Directors 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; provided, however, that if the stockholders of the corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director’s term of office.

3.14 **Chairman Of The Board Of Directors.**

The corporation may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors who shall not be considered an officer of the corporation.

**ARTICLE IV**

**COMMITTEES**

4.1 **Committees Of Directors.**

The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate 1 or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporate Law of Delaware to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the corporation.

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4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings And Action Of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 Officers.

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the Board of Directors, a chief executive officer, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 Appointment Of Officers.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 Subordinate Officers.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.
5.4 **Removal And Resignation Of Officers.**

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom the power of removal is conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 **Vacancies In Offices.**

Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

5.6 **Chief Executive Officer.**

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if any, the chief executive officer of the corporation (if such an officer is appointed) shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as chief executive officer shall also be the acting President of the corporation whenever no other person is then serving in such capacity.

5.7 **President.**

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board (if any) or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as president shall also be the acting chief executive officer of the corporation whenever no other person is then serving in such capacity.

5.8 **Vice Presidents.**

In the absence or disability of the chief executive officer and president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the
The president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the president or the chairman of the board.

5.9 **Secretary.**

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors’ meetings or committee meetings, the number of shares present or represented at stockholders’ meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation’s transfer agent or registrar, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

5.10 **Chief Financial Officer.**

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The chief financial officer shall render to the chief executive officer, the president, or the Board of Directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the corporation. He or she shall have the general powers and duties usually vested in the office of chief financial officer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as the chief financial officer shall also be the acting treasurer of the corporation whenever no other person is then serving in such capacity. Subject to such supervisory powers, if any, as may be given by the Board of Directors to another officer of the corporation, the chief financial officer shall supervise and direct the responsibilities of the treasurer whenever someone other than the chief financial officer is serving as treasurer of the corporation.

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5.11 **Treasurer**.

The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records with respect to all bank accounts, deposit accounts, cash management accounts and other investment accounts of the corporation. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the corporation as may be ordered by the Board of Directors and shall render to the chief financial officer, the chief executive officer, the president or the Board of Directors, upon request, an account of all his or her transactions as treasurer. He or she shall have the general powers and duties usually vested in the office of treasurer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

The person serving as the treasurer shall also be the acting chief financial officer of the corporation whenever no other person is then serving in such capacity.

5.12 **Representation Of Shares Of Other Corporations**.

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.13 **Authority And Duties Of Officers**.

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board of Directors or the stockholders.

**ARTICLE VI**

**INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS**

6.1 **Indemnification Of Directors And Officers**.

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys’ fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a “director”
or “officer” of the corporation includes any person (a) who is or was a director or officer of the corporation, (b) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 Indemnification Of Others.

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys’ fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an “employee” or “agent” of the corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the corporation, (b) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 Payment Of Expenses In Advance.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 Indemnity Not Exclusive.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the certificate of incorporation.

6.5 Insurance.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.
6.6 **Conflicts**.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the certificate of incorporation, these Bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

**ARTICLE VII**

**RECORDS AND REPORTS**

7.1 **Maintenance And Inspection Of Records**.

The corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation’s stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person’s interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

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 each such stockholder’s name, shall be open to the examination of any such stockholder for a period of at least ten (10) days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. 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.
7.2 Inspection By Directors.

Any director shall have the right to examine the corporation’s stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VIII

GENERAL MATTERS

8.1 Checks.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 Execution Of Corporate Contracts And Instruments.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 Stock Certificates; Partly Paid Shares.

The shares of a corporation shall be represented by certificates, provided that 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. 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 ceased 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 or she were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the
declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 **Special Designation On Certificates.**

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 **Lost Certificates.**

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner’s legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 **Construction; Definitions.**

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “person” includes both a corporation and a natural person.

8.7 **Dividends.**

The directors of the corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation’s capital stock.
The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 **Fiscal Year.**

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 **Seal.**

The corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 **Transfer Of Stock.**

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 **Stock Transfer Agreements.**

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 **Registered Stockholders.**

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

8.13 **Facsimile Signature.**

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.
ARTICLE IX

AMENDMENTS

The Bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.
Amended and Restated
Bylaws
of
Arcus Biosciences, Inc.
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Article I
Stockholders

1.1 **Place of Meetings.** All meetings of stockholders shall be held at such place, if any, as may be designated from time to time by the Board of Directors (the “Board”) of Arcus Biosciences, Inc. (the “Corporation”), the Chairman of the Board, the Chief Executive Officer or the President or, if not so designated, at the principal executive office of the Corporation. The Board may, in its sole discretion, determine that a meeting shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a) of the General Corporation Law of the State of Delaware or any applicable successor act thereto, as the same may be amended from time to time (the “DGCL”).

1.2 **Annual Meeting.** The annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly be brought before the meeting shall be held on a date and at a time designated by the Board, the Chairman of the Board, the Chief Executive Officer or the President (which date shall not be a legal holiday in the place, if any, where the meeting is to be held). The Board acting pursuant to a resolution adopted by the majority of the Whole Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders, before or after the notice for such meeting has been sent to the stockholders. For purposes of these Bylaws, the term “Whole Board” will mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

1.3 **Special Meetings.** Special meetings of stockholders for any purpose or purposes may be called at any time by a resolution adopted by the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer, and may not be called by any other person or persons. The Board acting pursuant to a resolution adopted by the majority of the Whole Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders, before or after the notice for such meeting has been sent to the stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 **Notice of Meetings.** Except as otherwise provided by law, notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the DGCL) by the stockholder to whom the notice is given. The notices of all meetings shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If notice is given by mail, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the Corporation. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the DGCL.
1.5 **Voting List**. The Secretary shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the 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.

1.6 **Quorum**. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum for the transaction of business; provided, however, that where a separate vote by a class or classes or series of capital stock is required by law or the Certificate of Incorporation, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of the Corporation issued and outstanding and entitled to vote on such matter, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on such matter. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

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1.7 Adjournments. Any meeting of stockholders, annual or special, may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairman of the meeting or by the stockholders present or represented at the meeting and entitled to vote thereon, although less than a quorum. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 Voting and Proxies. Each stockholder shall have such number of votes, if any, for each share of stock entitled to vote and held of record by such stockholder as may be fixed in the Certificate of Incorporation and a proportionate vote for each fractional share so held, unless otherwise provided by law or the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person (including by means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting) or may authorize another person or persons to vote for such stockholder by a proxy executed or transmitted in a manner permitted by applicable law. No such proxy shall be voted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

1.9 Action at Meeting. When a quorum is present at any meeting, any matter other than the election of directors to be voted upon by the stockholders at such meeting shall be decided by the vote of the holders of shares of stock having a majority in voting power of the votes cast by the holders of all of the shares of stock present or represented at the meeting and voting affirmatively or negatively on such matter (or if there are two or more classes or series of stock entitled to vote as separate classes, then in the case of each such class or series, the holders of a majority in voting power of the shares of stock of that class or series present or represented at the meeting and voting affirmatively or negatively on such matter), except when a different vote is required by applicable law, regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws. For the avoidance of doubt, neither abstentions nor broker non-votes will be counted as votes cast for or against such matter. Other than directors who may be elected by the holders of shares of any series of Preferred Stock or pursuant to any resolution or resolutions providing for the issuance of such stock adopted by the Board, each director shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Voting at meetings of stockholders need not be by written ballot.

1.10 Nomination of Directors.

(a) Except for (1) any directors entitled to be elected by the holders of Preferred Stock, (2) any directors elected in accordance with Section 2.9 hereof by the Board to fill a vacancy or newly-created directorship or (3) as otherwise required by applicable law or stock exchange regulation, at any meeting of stockholders, only persons who are nominated in
accordance with the procedures in this Section 1.10 shall be eligible for election or re-election as directors. Nomination for election to the Board at a meeting of stockholders may be made (i) by or at the direction of the Board (or any committee thereof) or (ii) by any stockholder of the Corporation who (x) timely complies with the notice procedures in Section 1.10(b), (y) is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and (z) is entitled to vote at such meeting.

(b) To be timely, a stockholder’s notice relating to must be received in writing by the Secretary at the principal executive offices of the Corporation as follows: (i) in the case of an election of directors at an annual meeting of stockholders, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year’s annual meeting; provided, however, that (x) in the event no annual meeting of stockholders of the Corporation was held during the preceding year or (y) in the event that the date of the annual meeting in any other year is advanced by more than thirty (30) days, or delayed by more than sixty (60) days, from the first anniversary of the preceding year’s annual meeting, a stockholder’s notice must be so received not earlier than the one hundred and twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs; or (ii) in the case of an election of directors at a special meeting of stockholders, provided that the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer has determined, in accordance with Section 1.3, that directors shall be elected at such special meeting and provided further that the nomination made by the stockholder is for one of the director positions that the Board, the Chairman of the Board or the Chief Executive Officer, as the case may be, has determined will be filled at such special meeting, not earlier than the one hundred and twentieth (120th) day prior to such special meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to such special meeting and (y) the tenth (10th) day following the day on which notice of the date of such special meeting was mailed or public disclosure of the date of such special meeting was made, whichever first occurs. In no event shall the adjournment or postponement of a meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder’s notice.

The stockholder’s notice to the Secretary shall set forth: (A) as to each proposed nominee (1) such person’s name, age, business address and, if known, residence address, (2) such person’s principal occupation or employment, (3) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such person, (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among (x) the stockholder, the beneficial owner, if any, on whose behalf the nomination is being made and the respective affiliates and associates of, or others acting in concert with, such stockholder and such beneficial owner, on the one hand, and (y) each proposed nominee, and his or her respective affiliates and associates, or others acting in concert with such nominee(s), on the other hand, including all information that would be required to be
disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith were the “registrant” for purposes of such Item and the proposed nominee were a director or executive officer of such registrant, (5) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such proposed nominee, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such proposed nominee with respect to shares of stock of the Corporation, and (6) any other information concerning such person that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and (B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being made (1) the name and address of such stockholder, as they appear on the Corporation’s books, of such beneficial owner, and any Stockholder Associated Person (as defined below), (2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder, such beneficial owner and any Stockholder Associated Person, (3) a description of any agreement, arrangement or understanding between or among such stockholder, such beneficial owner and/or any Stockholder Associated Person and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are being made or who may participate in the solicitation of proxies in favor of electing such nominee(s), (4) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder, such beneficial owner or any Stockholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder, such beneficial owner or any Stockholder Associated Person with respect to shares of stock of the Corporation, (5) any other information relating to such stockholder, such beneficial owner and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (6) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice and (7) a representation whether such stockholder, such beneficial owner and/or such Stockholder Associated Person intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock reasonably believed by such stockholder, such beneficial owner or such Stockholder Associated Person to be sufficient to elect the nominee and/or (y) otherwise to solicit proxies or votes from stockholders in support of such nomination. Such information provided and statements made as required by clauses (A) and (B) above or otherwise by this Section 1.10 are hereinafter referred to as a “Nominee Solicitation Statement.” Not later than ten (10) days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (A)(1)-(5) and (B)(1)-(5) of the prior sentence shall be supplemented by the stockholder giving the notice to
provide updated information as of such record date. In addition, to be effective, the stockholder’s notice must be accompanied by the written consent of the proposed nominee to serve as a director if elected and a written statement executed by the proposed nominee acknowledging that as a director of the Corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the Corporation and its stockholders. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation or whether such nominee would be independent under applicable Securities and Exchange Commission and stock exchange rules and the Corporation’s publicly disclosed corporate governance guidelines. A stockholder shall not have complied with this Section 1.10(b) if the stockholder (or beneficial owner, if any, on whose behalf the nomination is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder’s nominee in contravention of the representations with respect thereto required by this Section 1.10. For purposes of these Bylaws, a “Stockholder Associated Person” of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no person shall be eligible for election or re-election as a director of the Corporation at a meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 1.10. In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairman of any meeting shall have the power and duty to determine whether a nomination was made in accordance with the provisions of this Section 1.10 (including the previous sentence of this Section 1.10(c)), and if the chairman should determine that a nomination was not made in accordance with the provisions of this Section 1.10, the chairman shall so declare to the meeting and such nomination shall not be brought before the meeting.

(d) Except as otherwise required by law, nothing in this Section 1.10 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any nominee for director submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting to present a nomination, such nomination shall not be brought before the meeting, notwithstanding that proxies in respect of such nominee may have been received by the Corporation. For purposes of this Section 1.10, to be considered a “qualified representative of the stockholder”, a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.
For purposes of this Section 1.10, “public disclosure” shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.10; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 1.10 (including paragraph (a)(ii) hereof), and compliance with paragraph (a)(ii) of this Section 1.10 shall be the exclusive means for a stockholder to make nominations. Nothing in this Section 1.10 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

1.11 Notice of Business at Annual Meetings.

(a) At any annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (2) otherwise properly brought before the meeting by or at the direction of the Board (or any committee thereof), or (3) properly brought before the annual meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, (i) if such business relates to the nomination of a person for election as a director of the Corporation, the procedures in Section 1.10 must be complied with and (ii) if such business relates to any other matter, the business must constitute a proper matter under Delaware law for stockholder action and the stockholder must (x) have given timely notice thereof in writing to the Secretary in accordance with the procedures in Section 1.11(b), (y) be a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such annual meeting and (z) be entitled to vote at such annual meeting.

(b) To be timely, a stockholder’s notice must be received in writing by the Secretary at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year’s annual meeting; provided, however, that (x) in the event no annual meeting of stockholders of the Corporation was held during the preceding year or (y) in the event that the date of the annual meeting in any other year is advanced by more than thirty (30) days, or delayed by more than sixty (60) days, from the first anniversary of the preceding year’s annual meeting, a stockholder’s notice must be so received not earlier than the one hundred and twentieth (120th) day prior to such annual meeting and not later than the close of business on the
later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder’s notice.

The stockholder’s notice to the Secretary shall set forth: (A) as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting, (2) the text of the proposal (including the exact text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Bylaws, the exact text of the proposed amendment), and (3) the reasons for conducting such business at the annual meeting, and (B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is being made (1) the name and address of such stockholder, as they appear on the Corporation’s books, of such beneficial owner and of any Stockholder Associated Person, (2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder, such beneficial owner and any Stockholder Associated Person, (3) a description of any material interest of such stockholder, such beneficial owner or any Stockholder Associated Person and the respective affiliates and associates of, or others acting in concert with, such stockholder, such beneficial owner or any Stockholder Associated Person in such business, (4) a description of any agreement, arrangement or understanding between or among such stockholder, such beneficial owner and/or any Stockholder Associated Person and any other person or persons (including their names) in connection with the proposal of such business or who may participate in the solicitation of proxies in favor of such proposal, (5) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder, such beneficial owner or any Stockholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder, such beneficial owner or any Stockholder Associated Person with respect to shares of stock of the Corporation, (6) any other information relating to such stockholder, such beneficial owner and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the business proposed pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (7) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (8) a representation whether such stockholder, such beneficial owner and/or any Stockholder Associated Person intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve or adopt the proposal and/or (y) otherwise to solicit proxies or votes from stockholders in support of such proposal. Such information provided and statements made as required by clauses (A) and (B) above or otherwise by this Section 1.11 are hereinafter referred to as a “Business Solicitation Statement.” Not later than ten (10) days after the record date for determining
stockholders entitled to notice of the meeting, the information required by Items (A)(3) and (B)(1)-(6) of the prior sentence shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting of stockholders except in accordance with the procedures in this Section 1.11; provided that any stockholder proposal which complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated under the Exchange Act and is to be included in the Corporation’s proxy statement for an annual meeting of stockholders shall be deemed to comply with the notice requirements of this Section 1.11. A stockholder shall not have complied with this Section 1.11(b) if the stockholder (or beneficial owner, if any, on whose behalf the proposal is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder’s proposal in contravention of the representations with respect thereto required by this Section 1.11.

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 1.11. In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairman of any annual meeting shall have the power and duty to determine whether business was properly brought before the annual meeting in accordance with the provisions of this Section 1.11 (including the previous sentence of this Section 1.11(c)), and if the chairman should determine that business was not properly brought before the annual meeting in accordance with the provisions of this Section 1.11, the chairman shall so declare to the meeting and such business shall not be brought before the annual meeting.

(d) Except as otherwise required by law, nothing in this Section 1.11 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any proposal submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.11, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present business, such business shall not be considered, notwithstanding that proxies in respect of such business may have been received by the Corporation.

(f) For purposes of this Section 1.11, the terms “qualified representative of the stockholder” and “public disclosure” shall have the same meaning as in Section 1.10.

(g) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.11; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements
applicable to proposals as to any business to be considered pursuant to this Section 1.11 (including paragraph (a)(3) hereof), and compliance with paragraph (a)(3) of this Section 1.11 shall be the exclusive means for a stockholder to submit business (other than, as provided in the penultimate sentence of (b), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

1.12 Conduct of Meetings.

(a) Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the Chairman’s absence by the Vice Chairman of the Board, if any, or in the Vice Chairman’s absence by the Chief Executive Officer, or in the Chief Executive Officer’s absence, by the President, or in the President’s absence by a Vice President, or in the absence of all of the foregoing persons by a chairman designated by the Board. The Secretary shall act as secretary of the meeting, but in the Secretary’s absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(b) The Board may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of stockholders of the Corporation as it shall deem appropriate including, without limitation, such guidelines and procedures as it may deem appropriate regarding the participation by means of remote communication of stockholders and proxyholders not physically present at a meeting. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board, the chairman of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(c) The chairman of the meeting shall announce at the meeting when the polls for each matter to be voted upon at the meeting will be opened and closed. After the polls close, no ballots, proxies or votes or any revocations or changes thereto may be accepted.

(d) In advance of any meeting of stockholders, the Board, the Chairman of the Board, the Chief Executive Officer or the President shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons may
be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is present, ready and willing to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of such inspector’s duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector’s ability. The inspector shall have the duties prescribed by law and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law. Every vote taken by ballots shall be counted by a duly appointed inspector or duly appointed inspectors.

Article II

Directors

2.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation.

2.2 Number, Election and Qualification. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be fixed from time to time by resolution of the majority of the Whole Board. Election of directors need not be by written ballot. Directors need not be stockholders of the Corporation.

2.3 Chairman of the Board; Vice Chairman of the Board. The Board may appoint from its members a Chairman of the Board and a Vice Chairman of the Board, neither of whom need be an employee or officer of the Corporation. If the Board appoints a Chairman of the Board, such Chairman shall perform such duties and possess such powers as are assigned by the Board and, if the Chairman of the Board is also designated as the Corporation’s Chief Executive Officer, shall have the powers and duties of the Chief Executive Officer prescribed in Section 3.7 of these Bylaws. If the Board appoints a Vice Chairman of the Board, such Vice Chairman shall perform such duties and possess such powers as are assigned by the Board. Unless otherwise provided by the Board, the Chairman of the Board or, in the Chairman’s absence, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board.

2.4 Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective. If the number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.
2.5 Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, and except as set forth in the Certificate of Incorporation, at the first annual meeting of stockholders following the closing of the initial public offering pursuant to an effective registration statement under the 1933 Act (the “Initial Public Offering”), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provision of this Section 2.5, the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

2.6 Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed by the Board pursuant to Section 2.2 of these Bylaws shall constitute a quorum of the Board. If at any meeting of the Board there shall be less than a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

2.7 Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the Certificate of Incorporation or these Bylaws.

2.8 Removal. Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only as expressly provided in the Certificate of Incorporation.

2.9 Vacancies. Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

2.10 Resignation. Any director may resign only by delivering a resignation in writing or by electronic transmission to the Chairman of the Board or the Chief Executive Officer. 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.
2.11 Regular Meetings. Regular meetings of the Board may be held without notice at such time and place as shall be determined from time to time by the Board; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.12 Special Meetings. Special meetings of the Board may be held at any time and place designated in a call by the Chairman of the Board, the Chief Executive Officer, the President, two or more directors, or by one director in the event that there is only a single director in office.

2.13 Notice of Special Meetings. Notice of the date, place and time of any special meeting of the Board shall be given to each director by the Chairman of the Board, the Chief Executive Officer, the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (a) in person or by telephone at least twenty-four (24) hours in advance of the meeting, (b) by sending written notice by reputable overnight courier, telecopy, facsimile or other means of electronic transmission, or delivering written notice by hand, to such director’s last known business, home or means of electronic transmission address at least twenty-four (24) hours in advance of the meeting, or (c) by sending written notice by first-class mail to such director’s last known business or home address at least seventy-two (72) hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

2.14 Meetings by Conference Communications Equipment. Directors may participate in meetings of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.15 Action by Consent. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee thereof. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.16 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation with such lawfully delegable powers and duties as the Board thereby confers, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present
at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board and subject to the provisions of law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation. Each such committee shall keep minutes and make such reports as the Board may from time to time request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board. Except as otherwise provided in the Certificate of Incorporation, these Bylaws, or the resolution of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

2.17 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary entities in any other capacity and receiving compensation for such service.

Article III
Officers

3.1 Titles. The “Executive Officers” of the Corporation shall be such persons as are designated as such by the Board and shall include, but not be limited to, a Chief Executive Officer, a President and a Chief Financial Officer. Additional Executive Officers may be appointed by the Board from time to time. In addition to the Executive Officers of the Corporation described above, there may also be such “Non-Executive Officers” of the Corporation as may be designated and appointed from time to time by the Board or the Chief Executive Officer of the Corporation in accordance with the provisions of Section 3.2 of these Bylaws. In addition, the Secretary and Assistant Secretaries of the Corporation may be appointed by the Board from time to time.

3.2 Appointment. The Executive Officers of the Corporation shall be chosen by the Board, subject to the rights, if any, of an Executive Officer under any contract of employment. Non-Executive Officers of the Corporation shall be chosen by the Board or the Chief Executive Officer of the Corporation.

3.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.
3.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until such officer’s successor is duly elected and qualified, unless a different term is specified in the resolution electing or appointing such officer, or until such officer’s earlier death, resignation, disqualification or removal.

3.5 Removal; Resignation. Subject to the rights, if any, of an Executive Officer under any contract of employment, any Executive Officer may be removed, either with or without cause, at any time by the Board at any regular or special meeting of the Board. Any Non-Executive Officer may be removed, either with or without cause, at any time by the Chief Executive Officer of the Corporation or by the Executive Officer to whom such Non-Executive Officer reports. Any officer may resign only by delivering a resignation in writing or by electronic transmission to the Chief Executive Officer. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event.

3.6 Vacancies. The Board may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled, for such period as it may determine, any offices.

3.7 President; Chief Executive Officer. Unless the Board has designated another person as the Corporation’s Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation subject to the direction of the Board, and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to such officer by the Board. The President shall perform such other duties and shall have such other powers as the Board or the Chief Executive Officer (if the President is not the Chief Executive Officer) may from time to time prescribe.

3.8 Chief Financial Officer. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned by the Board or the Chief Executive Officer. In addition, the Chief Financial Officer shall perform such duties and have such powers as are incident to the office, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Bylaws, to disburse such funds as ordered by the Board, to make proper accounts of such funds, and to render as required by the Board statements of all such transactions and of the financial condition of the Corporation.

3.9 Vice Presidents. Each Vice President shall perform such duties and possess such powers as the Board or the Chief Executive Officer may from time to time prescribe. The Board or the Chief Executive Officer may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title.

3.10 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board or the Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board, to attend all meetings of stockholders and the Board and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.
Any Assistant Secretary shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Secretary may from time to time prescribe.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the chairman of the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 Salaries. Executive Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board or a committee thereof.

3.12 Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

3.13 Execution of Contracts. Each Executive Officer and Non-Executive Officer of the Corporation may execute, affix the corporate seal and/or deliver, in the name and on behalf of the Corporation, deeds, mortgages, notes, bonds, contracts, agreements, powers of attorney, guarantees, settlements, releases, evidences of indebtedness, conveyances or any other document or instrument which (i) is authorized by the Board or (ii) is executed in accordance with policies adopted by the Board from time to time, except in each case where the execution, affixation of the corporate seal and/or delivery thereof shall be expressly and exclusively delegated by the Board to some other officer or agent of the Corporation.

Article IV
Capital Stock

4.1 Issuance of Stock. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any shares of the authorized capital stock of the Corporation held in the Corporation’s treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such lawful consideration and on such terms as the Board may determine.

4.2 Stock Certificates; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation’s stock shall be uncertificated shares. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board, representing the number of shares held by such holder registered in certificate form. Each such certificate shall be signed in a manner that complies with Section 158 of the DGCL.
Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, these Bylaws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL or, with respect to Section 151 of DGCL, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

4.3 Transfers. Shares of stock of the Corporation shall be transferable in the manner prescribed by law, the Certificate of Incorporation and in these Bylaws. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation. Subject to applicable law, shares of stock represented by certificates shall be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

4.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate or uncertificated shares in place of any previously issued certificate alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Board may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity and posting of such bond as the Board may require for the protection of the Corporation or any transfer agent or registrar.
4.5 **Record Date.** In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, 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. 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 may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled 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 may fix a record date, which shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

4.6 **Regulations.** The issue and registration of shares of stock of the Corporation shall be governed by such other regulations as the Board may establish.

4.7 **Dividends.** Dividends on the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law, and may be paid in cash, in property or in shares of capital stock.

### Article V

#### General Provisions

5.1 **Fiscal Year.** Except as from time to time otherwise designated by the Board, the fiscal year of the Corporation shall begin on the first day of January of each year and end on the last day of December in each year.

5.2 **Corporate Seal.** The corporate seal shall be in such form as shall be approved by the Board.
5.3 **Waiver of Notice**. Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before, at or after the time of the event for which notice is to be given, shall be deemed equivalent to notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in any such waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

5.4 **Voting of Securities**. Except as the Board may otherwise designate, the Chief Executive Officer, the President or the Treasurer may waive notice, vote, consent, or appoint any person or persons to waive notice, vote or consent, on behalf of the Corporation, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) with respect to, the securities of any other entity which may be held by this Corporation.

5.5 **Evidence of Authority**. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 **Certificate of Incorporation**. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

5.7 **Severability**. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

5.8 **Pronouns**. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.9 **Electronic Transmission**. For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

### Article VI

#### Amendments

These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the Whole Board or by the stockholders as expressly provided in the Certificate of Incorporation.
Article VII
Indemnification and Advancement

7.1 Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person 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, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea or nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person’s conduct was unlawful.

7.2 Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person 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, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 Authorization of Indemnification. Any indemnification under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1 or Section 7.2, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of
the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding set forth in Section 7.1 or Section 7.2 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

7.4 Good Faith Defined. For purposes of any determination under Section 7.3, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person’s conduct was unlawful, if such person’s action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term “another enterprise” as used in this Section 7.4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 7.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 7.1 or 7.2, as the case may be.

7.5 Right of Claimant to Bring Suit. Notwithstanding any contrary determination in the specific case under Section 7.3, and notwithstanding the absence of any determination thereunder, if a claim under Sections 7.1 or 7.2 of the Article VII is not paid in full by the Corporation within (i) ninety (90) days after a written claim for indemnification has been received by the Corporation, or (ii) thirty (30) days after a written claim for an advancement of expenses has been received by the Corporation, the claimant may at any time thereafter (but not before) bring suit against the Corporation in the Court of Chancery in the State of Delaware to recover the unpaid amount of the claim, together with interest thereon, or to obtain advancement of expenses, as applicable. It shall be a defense to any such action brought to enforce a right to indemnification (but not in an action brought to enforce a right to an advancement of expenses) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither a contrary determination in the specific case under Section 7.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the claimant has not met any applicable standard of conduct. If successful, in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys’ fees incurred in connection therewith, to the fullest extent permitted by applicable law.
7.6 **Expenses Payable in Advance**. Expenses, including without limitation attorneys’ fees, incurred by a current or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such current or former director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VII.

7.7 **Nonexclusivity of Indemnification and Advancement of Expenses**. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that, subject to Section 7.11, indemnification of the persons specified in Sections 7.1 and 7.2 shall be made to the fullest extent permitted by law. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 7.1 or 7.2 but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

7.8 **Insurance**. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person’s status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VII.

7.9 **Certain Definitions**. For purposes of this Article VII, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to “fines” shall include any excise taxes assessed on a person with respect of any employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer,
employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VII.

7.10 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 Limitation on Indemnification. Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 7.5), the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with an action, suit or proceeding (or part thereof):

(a) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(b) for an accounting or disgorgement of profits pursuant to Section 16(b) of the Exchange Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(c) for any reimbursement of the Corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the corporation, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”)), or the payment to the Corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(d) initiated by such person, including any action, suit or proceeding (or part thereof) initiated by such person against the Corporation or its directors, officers, employees, agents or other indemnitees, unless (i) the Board authorized the action, suit or proceeding (or relevant part thereof) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) otherwise required to be made under Section 7.5 or (iv) otherwise required by applicable law; or

(e) if prohibited by applicable law.
7.12 **Contract Rights.** The obligations of the Corporation under this Article VII to indemnify, and advance expenses to, a person who is or was a director or officer of the Corporation shall be considered a contract between the Corporation and such person, and no modification or repeal of any provision of this Article VII shall affect, to the detriment of such person, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**Article VIII**  
**Forum Selection**

8.1 **Forum Selection.** Subject Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation’s stockholders, (3) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these Bylaws (as either may be amended from time to time), or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 8.1.

8.2 **Personal Jurisdiction.** If any action the subject matter of which is within the scope of Section 8.1 immediately above is filed in a court other than a court located within the State of Delaware (a “**Foreign Action**”) in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce Section 8.1 immediately above (an “**FSC Enforcement Action**”) and (ii) having service of process made upon such stockholder in any such FSC Enforcement Action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder.
ARCUS BIOSCIENCES, INC.

AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT

November 3, 2017
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AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors’ Rights Agreement (the “Agreement”) is made as of November 3, 2017, by and among Arcus Biosciences, Inc., a Delaware corporation (the “Company”), the investors listed on Exhibit A hereto, each of which is herein referred to as an “Investor” and collectively as the “Investors” and the Key Holders (as defined below), each of whom is herein referred to as a “Key Holder.”

RECITALS

WHEREAS, certain of the Investors (the “Existing Investors”) hold shares of the Company’s Series A Preferred Stock, par value $0.0001 per share (the “Series A Preferred Stock”), and/or shares of Common Stock issued upon conversion thereof, and/or shares of the Company’s Series B Preferred Stock, par value $0.0001 per share (the “Series B Preferred Stock”), and/or shares of Common Stock issued upon conversion thereof, and possess registration rights, information rights, rights of first offer and other rights pursuant to that certain Amended and Restated Investors’ Rights Agreement dated as of August 15, 2016, by and among the Company, certain holders of Common Stock, par value $0.0001 per share (the “Common Stock”), and such Existing Investors (the “Prior Agreement”);

WHEREAS, the Prior Agreement may be amended, and any provision therein waived, with the consent of the Company and the holders of a majority of the outstanding Registrable Securities, not including the Key Holders’ Stock (as such terms are defined in the Prior Agreement);

WHEREAS, the Existing Investors as holders of a majority of the outstanding Registrable Securities, not including the Key Holders’ Stock, desire to terminate the Prior Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain of the Investors are parties to that certain Series C Preferred Stock Purchase Agreement of even date herewith by and among the Company and such Investors (the “Series C Agreement”), which provides that as a condition to the closing of the sale of the Company’s Series C Preferred Stock, par value $0.0001 per share (the “Series C Preferred Stock,” and collectively with the Series A Preferred Stock and the Series B Preferred Stock, the “Preferred Stock”), this Agreement must be executed and delivered by such Investors, Existing Investors holding a majority of the outstanding Registrable Securities and the Company and the Key Holders.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Company and the Existing Investors hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:
1. **Registration Rights.** The Company and the Investors covenant and agree as follows:

1.1 **Definitions.** For purposes of this Section 1:

   (a) "Affiliate" means, with respect to a Holder, such Holder’s principal or any other Person who, directly or indirectly, controls, is controlled by, or is under common control with the Holder or such Holder’s principal, including, without limitation, any Affiliated Fund of the Holder and any trustee of the Holder. For purposes of this definition, the terms “controlling,” “controlled by,” or “under common control with” shall mean the possession, directly or indirectly, of (i) the power to direct or cause the direction of the management and policies of a Holder, whether through the ownership of voting securities, by contract, or otherwise, or (ii) the power to elect or appoint at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Holder;

   (b) "Affiliated Fund" means, with respect to a Holder that is a limited liability company, a limited liability partnership or a limited partnership, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company. For purposes of this definition, the terms “controlling,” “controlled by,” or “under common control with” shall mean the possession, directly or indirectly, of (i) the power to direct or cause the direction of the management and policies of a Holder, whether through the ownership of voting securities, by contract, or otherwise, or (ii) the power to elect or appoint at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Holder;

   (c) "Competitor" means a person or entity engaged, directly or indirectly (including through any partnership, limited liability company, corporation, joint venture or similar arrangement (whether now existing or formed hereafter)) in the business of the Company, but shall not include (i) any financial investment firm or collective investment vehicle solely by virtue of its ownership (and/or its Affiliates’ ownership) of an equity interest in any Competitor held solely for investment purposes or (ii) GV or any of its affiliated funds, solely as a result of any affiliation between such fund and Alphabet Inc. (including any Affiliate of Alphabet Inc.);

   (d) "Exchange Act" means the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder;

   (e) "Excluded Registration" means a registration statement relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act, or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities which are also being registered;

   (f) "Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company’s subsequent public filings under the Exchange Act;

   (g) "Founders" means Terry Rosen and Juan C. Jaen;
(h) “GV” means, collectively, GV 2016, L.P. and GV 2017, L.P.;

(i) “Holder” means any Investor or Key Holder owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement;

(j) “IPO” means a firm commitment underwritten public offering by the Company of shares of its Common Stock;

(k) “Key Holders” means (i) The Rosen 1996 Family Trust Dated June 28, 1996 and (ii) Juan Carlos Jaen and Anita Galeana, as trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust;

(l) “Key Holders’ Stock” means the shares of Common Stock issued to the Key Holders;

(m) “Major Investor” means any Investor that, individually or together with such Investor’s Affiliates, holds at least 1,300,000 shares of the Preferred Stock or the Common Stock issued upon conversion thereof (subject to adjustment for stock splits, stock dividends, combinations, reclassifications or the like);

(n) “Person” means any individual, corporation, partnership, trust, limited liability company, association or other entity;

(o) “Register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

(p) “Registrable Securities” means (i) the shares of Common Stock issuable or issued upon conversion of the Preferred Stock held by the Holders and any assignee thereof in accordance with Section 1.12 of this Agreement, (ii) the Key Holders’ Stock, provided, however, that for the purposes of Section 1.2, 1.4 and 1.13, the Key Holders’ Stock shall not be deemed Registrable Securities and the Key Holders shall not be deemed Holders, and (iii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i) and (ii); excluding, however, in all cases any Registrable Securities sold in a transaction in which the rights under this Agreement are not assigned, or any shares for which registration rights have terminated pursuant to Section 1.15 of this Agreement;

(q) The number of shares of “Registrable Securities then outstanding” shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities;

(r) “Restated Certificate” means the Company’s Amended and Restated Certificate of Incorporation, as the same may be amended from time to time hereafter;
1.2 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) five years after the date of this Agreement or (ii) six months after the effective date of the IPO, a written request from the Holders of a majority of the Registrable Securities then outstanding (the “Initiating Holders”) that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $20,000,000, then the Company shall, within 20 days after receiving such request, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use all commercially reasonable efforts to cause to be registered under the Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by the Company, which underwriter shall be reasonably acceptable to a majority in interest of the Holders whose Registrable Securities are to be included in the underwriting. In such event, the right of any Holder to include Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. The Company and all Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each participating Holder. In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded from such offering. Any Registrable Securities excluded from or withdrawn from such underwriting shall be withdrawn from registration.

(c) Notwithstanding the foregoing, if the Company shall furnish to the Initiating Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed, the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right or the
similar right set forth in Section 1.4(b)(iii) more than once in any 12-month period, and provided, further, that the Company shall not register any securities for the account of itself or any other stockholder during such 120-day period (other than in an IPO or an Excluded Registration).

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) After the Company has effected two (2) registrations pursuant to this Section 1.2 and such registrations have been declared or ordered effective;

(ii) During the period starting with the date 90 days prior to the Company’s good faith estimate of the date of filing of, and ending on a date 180 days after the effective date of, a registration subject to Section 1.3 hereof, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iii) If the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4 below.

1.3 Company Registration

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than an Excluded Registration), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within 20 days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.8, use all commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered if any stock of the Company is registered.

(b) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such registration shall be borne by the Company, in accordance with Section 1.7 hereof.

1.4 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of not less than 30% of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and
use all commercially reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder’s or Holders’ Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $10,000,000; (iii) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed, in which case the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right or the similar right set forth in Section 1.2(c) more than once in any 12-month period; (iv) if the Company has, within the 12-month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.4; (v) if the Company has already effected three registrations on Form S-3 for the Holders pursuant to this Section 1.4; (vi) in any jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already qualified to do business or subject to service of process in that jurisdiction; or (vii) during the period ending 180 days after the effective date of a registration statement subject to Section 1.3.

subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.
(c) Promptly notify the Holders of the effectiveness of such registration statement, and furnish to the Holders such numbers of copies of a prospectus, including any supplement to the prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Following the effective date of such registration statement, notify the Holders of any request by the SEC that the Company amend or supplement such registration statement, or the associated prospectus.

(e) Use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions unless the Company is already qualified to do business or subject to service of process in that jurisdiction.

(f) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder and other security holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(g) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for 120 days or until the distribution described in such registration statement is completed, if earlier.

(h) Cause all such Registrable Securities registered pursuant to this Section 1 to be listed on each national securities exchange or trading system on which similar securities issued by the Company are then listed.

(i) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereto and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(j) Make generally available to its security holders, and deliver to each Holder participating in the registration statement, an earnings statement of the Company that will satisfy the provisions of Section 11(a) of the Securities Act covering a period of 12 months beginning after the effective date of such registration statement as soon as reasonably practicable after the termination of such 12-month period.
1.6 Information From Holders. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding such Holder, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder’s Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the anticipated aggregate offering price required to originally trigger the Company’s obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b)(2), whichever is applicable.

1.7 Expenses of Registration. All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4 including (without limitation) all registration, filing and qualification fees, printers’ and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders selected by them (not to exceed $50,000) with the approval of the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2 or one right to a Form S-3 registration under Section 1.4, as the case may be.

1.8 Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company’s capital stock, the Company shall not be required under Section 1.3 to include any of the Holders’ securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling stockholders according to the total amount of securities entitled to be included therein owned by each selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders) but in no event shall (i) the amount of securities of the selling Holders included in the offering be reduced below 30% of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company’s securities, in which case the selling stockholders may be excluded if the underwriters make the determination described above and no other stockholder’s securities are included or (ii) any securities held by a Key Holder be included if any securities held by any selling Holder are excluded. For purposes of the preceding parenthetical concerning
apportionment, for any selling stockholder which is a holder of Registrable Securities and which is a venture capital fund, or a partnership or corporation, the Affiliated Funds, members, partners, retired partners and stockholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single “selling stockholder,” and any pro-rata reduction with respect to such “selling stockholder” shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such “selling stockholder,” as defined in this sentence.

1.9 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, and the partners, members, officers, directors and stockholders of each such holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder 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 they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein 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; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims,
damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this subsection 1.10(b) and any amounts payable under subsection 1.10(d) together exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.10, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that in no event shall any contribution by a Holder under this Subsection 1.10(d) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or
alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties’ relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(c) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 Reports Under the Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the IPO so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act;

(d) furnish to any Holder upon request, so long as the Holder owns any Registrable Securities, (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the IPO), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (i) of at least 1,000,000 shares of such securities (subject to adjustment for stock splits, stock dividends, reclassification or the like) (or
if the transferring Holder owns less than 1,000,000 shares of such securities, then all Registrable Securities held by the transferring Holder, (ii) that is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or stockholder of a Holder, (iii) that is an Affiliated Fund, (iv) who is a Holder’s or Founder’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (such a relation, a Holder’s “Immediate Family Member”, which term shall include adoptive and foster relationships), or (v) that is a trust for the benefit of an individual Holder or Founder or such Holder’s or Founder’s Immediate Family Member, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees in writing to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (x) a partnership who are partners or retired partners of such partnership or (y) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include any of such securities in any registration filed under Section 1.2 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in subsection 1.2(a) or within 120 days of the effective date of any registration effected pursuant to Section 1.2.

1.14 Lock-Up Agreement.

(a) Lock-Up Period: Agreement. In connection with the initial public offering of the Company’s securities and upon request of the Company or the underwriters managing such offering of the Company’s securities, each Holder agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company, held immediately before the effective date of the registration statement for such offering (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days but subject to such extension or extensions as may be required by the underwriters in order to publish research reports while complying with FINRA Rule 2711 or NYSE Rule 472(f) or any
successor provisions) from the effective date of such registration statement as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company’s initial public offering.

(b) **Limitations.** The obligations described in Section 1.14(a) shall apply only if all officers and directors of the Company and all greater than 1% stockholders of the Company enter into similar agreements, and shall not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

(c) **Stop-Transfer Instructions.** In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions in Section 1.14(a)).

(d) **Transferees Bound.** Each Holder agrees that it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.14, provided that this Section 1.14(d) shall not apply to transfers pursuant to a registration statement or transfers after the 12-month anniversary of the effective date of the Company’s initial public offering subject to this Section 1.14.

(e) Each Holder agrees that a legend reading substantially as follows shall be placed on all certificates representing all Registrable Securities of each Holder (and the shares or securities of every other person subject to the restriction contained in this Section 1.14):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS, SUBJECT TO EXTENSION, AFTER THE CORPORATION’S INITIAL PUBLIC OFFERING, AS SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE CORPORATION’S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES.

1.15 **Termination of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (i) three (3) years following the consummation of an IPO, (ii) with respect to any Holder, at such time after the IPO as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder’s shares during a three-month period without registration and such Holder’s shares represent less than 1% of the Common Stock of the Company then outstanding (calculated on an as-converted basis), or (iii) upon termination of the Agreement, as provided in Section 3.1.
2. **Covenants of the Company.**

2.1 **Delivery of Financial Statements.** The Company shall, promptly following any request by a Major Investor, deliver to such Major Investor (other than a Major Investor reasonably deemed by the Company to be a Competitor of the Company):

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company (or such longer period of time as may be required by the Company’s independent public accountants), an income statement for such fiscal year, a balance sheet of the Company and statement of stockholder’s equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and audited and certified by an independent public accounting firm of nationally recognized standing selected by the Company;

(b) within 45 days after the end of each quarter of each fiscal year of the Company, an unaudited income statement and statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter, in reasonable detail;

(c) within 30 days after the end of each of the four (4) quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period (including, in the case of convertible debt securities, the face amount, issue date, maturity date, interest rate, conversion discount and valuation cap to the extent applicable), the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company;

(d) within 30 days from the start of each fiscal year, a budget and business plan for such fiscal year; and

(e) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Subsection 2.1 to provide information which (i) it reasonably considers to be a trade secret or similarly highly confidential information or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

2.2 **Inspection.** The Company shall permit each Major Investor (except for a Major Investor reasonably deemed by the Company to be a Competitor of the Company), at such Major Investor’s expense, to visit and inspect the Company’s properties, to examine its books of account and records and to discuss the Company’s affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be a trade secret or similar confidential information.
2.3 Right of First Offer. Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock (“Shares”), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice (the “RFO Notice”) to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 15 days after delivery of the RFO Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the RFO Notice, up to that portion of such Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Major Investor bears to the sum of (A) the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities) and (B) shares of Common Stock issuable to employees, consultants or directors pursuant to a stock option plan, restricted stock plan, or other stock plan approved by the Board of Directors of the Company. Such purchase shall be completed at the same closing as that of any third party purchasers or at an additional closing. At the expiration of such fifteen (15) calendar day period, the Company shall promptly, in writing, notify each Major Investor that elects to purchase all the shares available to it (a “Fully-Exercising Investor”) of any other Major Investor’s failure to do likewise. During the ten (10) calendar day period commencing after the Company has given such notice to the Fully-Exercising Investors, each Fully-Exercising Investor may elect to purchase that portion of the Shares for which Major Investors were entitled to subscribe, but which were not subscribed for by the Major Investors, that is equal to the proportion that the number of shares of Registrable Securities issued and held by such Fully-Exercising Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and exercise of all convertible and exercisable securities then outstanding).

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the RFO Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 60 days after the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this Section 2.3 shall not be applicable to (i) Exempted Securities (as defined in the Restated Certificate); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of shares of Series C Preferred Stock to Purchasers pursuant to
Subsection 1.2(c) of the Series C Agreement and shares of Common Stock issued or issuable upon conversion thereof. In addition to the foregoing, the right of first offer in this Section 2.3 shall not be applicable with respect to any Major Investor and any subsequent securities issuance, if (i) at the time of such subsequent securities issuance, the Major Investor is not an “accredited investor,” as that term is then defined in Rule 501(a) under the Securities Act, and (ii) such subsequent securities issuance is otherwise being offered only to accredited investors.

2.4 FCPA. The Company represents that it shall not (and shall not permit any of its subsidiaries or affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to) promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, to any third party, including any Non-U.S. Official (as (as such term is then defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”)), in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall (and shall cause each of its subsidiaries and affiliates to) cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall (and shall cause each of its subsidiaries and affiliates to) maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Upon request, the Company agrees to provide responsive information and/or certifications concerning its compliance with applicable anti-corruption laws. The Company shall promptly notify each Investor if the Company becomes aware of any Enforcement Action (as defined in the Purchase Agreement). The Company shall, and shall cause any direct or indirect subsidiary or entity controlled by it, whether now in existence or formed in the future, to comply with the FCPA. The Company shall use its best efforts to cause any direct or indirect subsidiary, whether now in existence or formed in the future, to comply in all material respects with all applicable laws.

2.5 Key Person Insurance. The Company has as of the date hereof or shall within 120 days of the date hereof obtain from financially sound and reputable insurers term life insurance on the life of each of Terry Rosen and Juan C. Jaen in an amount and on terms reasonably acceptable to GV. Such policies shall name the Company as loss payee and shall not be cancelable by the Company without prior approval of the Company’s Board of Directors.

2.6 Termination of Covenants.

(a) The covenants set forth in Sections 2.1 through Section 2.4 shall terminate as to each Holder and be of no further force or effect (i) immediately prior to the consummation of an Qualified Public Offering (as defined in the Restated Certificate), or (ii) upon termination of the Agreement, as provided in Section 3.1.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.6(a) above.
3. **Miscellaneous.**

3.1 **Termination.** This Agreement shall terminate, and have no further force and effect, upon the earlier of (i) the liquidation, dissolution or winding up of the Company, or (ii) the closing of a Liquidation Transaction, as defined in the Restated Certificate.

3.2 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

3.3 **Successors and Assigns.** Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties (including transferees of any of the Preferred Stock or any Common Stock issued upon conversion thereof). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.4 **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of at least 65% of the Registrable Securities then outstanding, not including the Key Holders’ Stock; provided, however, that (a) if such amendment or waiver has the effect of affecting the Key Holders’ Stock (i) in a manner different than securities issued to the Investors and (ii) in a manner adverse to the interests of the holders of the Key Holders’ Stock, then such amendment shall require the consent of the holder or holders of a majority of the Key Holders’ Stock; (b) the provisions of Section 1.1(c) and this Section 3.4(b) may not be amended or waived (either generally or in a particular instance, and either retroactively or prospectively) without the written consent of GV; (c) any amendment or waiver of the rights granted to the Major Investors in Section 2 above shall require the consent of the Company and holders of a majority of the Registrable Securities held by the Major Investors (and no other parties), provided that the rights granted to the Major Investors in Section 2.3 may not be waived with respect to a particular transaction unless all Major Investors are provided with the opportunity to purchase Shares on similar terms and in proportionally similar amounts as the other Major Investors who are participating in such offering; and (d) any amendment of the definition of Major Investor in Section 1.1(l) shall require the consent of the Company and holders of a majority of the Registrable Securities held by the Major Investors (and no other parties), provided that if the amendment would cause a Major Investor to no longer qualify as a Major Investor, then the amendment shall also require the consent of such Major Investor. Notwithstanding the foregoing, this Agreement may be amended with only the written consent of the Company for the sole purpose of including additional purchasers of Series C Preferred Stock pursuant to the Series C Agreement as “Investors” and “Holders.” Any amendment or waiver effected in accordance with this paragraph shall be binding upon each party to the Agreement, whether or not such party has signed such amendment or waiver, each future holder of all such Registrable Securities, and the Company.
3.5 **Notices.** All notices or other communications hereunder shall be in writing and mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail (if to an Investor or Key Holder) or otherwise delivered by hand, messenger or courier service addressed:

(a) if to an Investor or Key Holder, to the Investor’s or Key Holder’s address, facsimile number or electronic mail address as set forth on the Investor’s or Key Holder’s signature page to this Agreement or on Exhibit A to the Series C Agreement (or to any other address, facsimile number or electronic mail address for the Investor or Key Holder in the Company’s records), as may be updated in accordance with the provisions hereof;

(b) if to the Company, to the attention of the Chief Executive Officer of the Company at the address set forth on the signature page to this Agreement, as may be updated in accordance with the provisions hereof.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), (ii) if delivered by mail, at the earlier of its receipt or five days after the same has been deposited in a regularly-maintained receptacle for the deposit of the United States mail, (iii) if sent by facsimile, upon confirmation of facsimile transmission if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient’s next business day, or (iv) if sent by electronic mail, upon transmission if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient’s next business day. In the event of any conflict between the Company’s books and records and this Agreement or any notice delivered hereunder, the Company’s books and records will control absent fraud.

3.6 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.7 **Additional Investors.** Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of Preferred Stock after the date hereof, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and thereafter shall be deemed an “Investor” for all purposes hereunder.

3.8 **Governing Law.** This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of laws.

3.9 **Counterparts.** This Agreement may be executed by facsimile or electronic mail 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.
3.10 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.11 **Aggregation of Stock.** All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

3.12 **Effect on Prior Agreement.** Upon the effectiveness of this Agreement, the Prior Agreement shall be superseded and replaced in its entirety by this Agreement and shall be of no further force or effect.

[Signature Pages Follow]

-19-
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

COMPANY:

ARCUS BIOSCIENCES, INC.

By: /s/ Terry Rosen
Name: Terry Rosen
Title: Chief Executive Officer

SIGNATURE PAGE TO ARCUS BIOSCIENCES, INC.
AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

INVESTOR:

CELGENE CORPORATION

By: /s/ Robert Hershberg
Name: Robert Hershberg
Title: EVP, BD

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INVESTOR:

THE ROSEN 1996 FAMILY TRUST
DATED JUNE 28, 1996

By: /s/ Terry Rosen
Name: Terry Rosen
Title: Trustee

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INVESTOR:

JUAN CARLOS JAEN AND ANITA GALEANA,
TRUSTEES OF THE JUAN CARLOS JAEN AND ANITA
GALEANA 2000 TRUST

By:  /s/ Juan C. Jaen
Name: Juan C. Jaen
Title: Trustee

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INVESTOR:

YASUNORI KANEKO AND YUMI KANEKO, TRUSTEES OF THE KANEKO FAMILY TRUST U/D/T DATED JANUARY 20, 1992

By: /s/ Yasunori Kaneko
Name: Yasunori Kaneko
Title: Trustee

By: /s/ Yumi Kaneko
Name: Yumi Kaneko
Title: Trustee

SIGNATURE PAGE TO A RCUS B IOSCIENCES, INC.
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INVESTOR:

DROIA GROUP

By:  /s/ Janwillem Naesens
Name: Janwillem Naesens,
      representing Onko Bvba
Title: Chairman of the Board of Directors
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

INVESTOR:

FORESITE CAPITAL FUND III, L.P.

By: Foresite Capital Management III, LLC
Its: General Partner

By: /s/ Dennis D. Ryan
Name: Dennis D. Ryan
Title: Chief Financial Officer

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INVESTOR:

G&H PARTNERS

By: /s/ Stefan J. Palmer Jr.
Name: Stefan J. Palmer Jr.
Title: Director of Investment & G.P.

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INVESTOR:

**GV 2016, L.P.**

By: GV 2016 GP, L.P., its General Partner  
By: GV 2016 GP, L.L.C., its General Partner  
By: /s/ Daphne M. Chang  
Name: Daphne M. Chang  
Title: Authorized Signatory

**GV 2017, L.P.**

By: GV 2017 GP, L.P., its General Partner  
By: GV 2017 GP, L.L.C., its General Partner  
By: /s/ Daphne M. Chang  
Name: Daphne M. Chang  
Title: Authorized Signatory

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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INVESTOR:

INVUS OPPORTUNITIES FUND III, LP

By: Invus Opportunities GP III, LLC

By: /s/ Sacha Lainovic
Name: Sacha Lainovic
Title: Managing Director

INVUS OPPORTUNITIES FUND III US, LP

By: Invus Opportunities GP III, LLC

By: /s/ Sacha Lainovic
Name: Sacha Lainovic
Title: Managing Director

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INVESTOR:

THE COLUMN GROUP II, LP

By: The Column Group II GP, LP
Its: General Partner

By: The Column Group, LLC
Its: General Partner

By: /s/ James Evangelista
Name: James Evangelista
Title: Chief Financial Officer

PONOI CAPITAL, LP

By: Ponoi Management, LLC
Its: General Partner

By: /s/ James Evangelista
Name: James Evangelista
Title: Chief Financial Officer

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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**INVESTOR:**

**EcoR1 Capital Fund, L.P.**
By: EcoR1 Capital, LLC, its General Partner
By: /s/ Oleg Nodelman
Name: Oleg Nodelman
Title: Managing Director

**EcoR1 Capital Fund Qualified, L.P.**
By: EcoR1 Capital, LLC, its General Partner
By: /s/ Oleg Nodelman
Name: Oleg Nodelman
Title: Managing Director
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

INVESTOR:

BIOTECHNOLOGY VALUE FUND, LP

By: /s/ Mark Lampert
Name: Mark Lampert
Title: President BVF Inc., General Partner BVF Partners LP

BIOTECHNOLOGY VALUE FUND II, LP

By: /s/ Mark Lampert
Name: Mark Lampert
Title: President BVF Inc., General Partner BVF Partners LP

BIOTECHNOLOGY VALUE TRADING FUND OS, LP

By: /s/ Mark Lampert
Name: Mark Lampert
Title: President BVF Inc., General Partner BVF Partners LP
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

**INVESTOR:**

**INVESTMENT 10, LLC**

By: /s/ Mark Lampert  
Name: Mark Lampert  
Title: President BVF Inc., General Partner BVF Partners LP

**MSI-BVF SPV, LLC**

By: /s/ Mark Lampert  
Name: Mark Lampert  
Title: President BVF Inc., General Partner BVF Partners LP

**SIGNATURE PAGE TO ARCUS BIOSCIENCES, INC.**

**AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**
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INVESTOR:
DECHENG CAPITAL CHINA LIFE SCIENCES USD FUND II, L.P.

By its General Partner,
Decheng Capital Management II (Cayman), LLC

By: /s/ Xiangmin Cui
Name: Xiangmin Cui
Title: Managing Director

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INVESTOR:

AISLING CAPITAL IV, LP

By: /s/ Robert Wenzel
Name: Robert Wenzel
Title: CFO

SIGNATURE PAGE TO ARCUS BIOSCIENCES, INC.
A MENDED AND R ESTATED I NVESTORS ’ R IGHTS A GREEMENT
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INVESTOR:

LEERINK HOLDINGS LLC

By:  /s/ Timothy A.G. Gerhold
Name:  Timothy A.G. Gerhold
Title:  General Counsel

LEERINK SWANN CO-INVESTMENT FUND, LLC

By:  /s/ Jeffrey A. Leerink
Name:  Jeffrey A. Leerink
Title:  Manager

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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INVESTOR:

RIBAS-ARMENGOL FAMILY TRUST

By:  /s/ Antoni Ribas
Name:  Antoni Ribas
Title:  Trustee

SIGNATURE PAGE TO ARCUS BIOSCIENCES, INC.
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INVESTOR:

FALBERG-PEDROVIC FAMILY TRUST DTD 6-11-12

By: /s/ Kathryn E. Falberg

Name: Kathryn E. Falberg

Title: Trustee

SIGNATURE PAGE TO ARCS BIOSCIENCES, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT
The parties have executed this Amended and Restated Investors’ Rights Agreement as of the date first written above.

INVESTOR:

/s/ Joyson Karakunnel
JOYSON KARAKUNNEL

SIGNATURE PAGE TO ACUS BIOSCIENCES, INC.
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INVESTOR:

TAIHO VENTURES, LLC

By: /s/ Sakae Asanuma

Name: Sakae Asanuma

Title: President

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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INVESTOR:

CURIOSITY GROUP TRUST I – 2017A U/T/A
OCTOBER 31, 2016

By: /s/ Brook H. Byers

Name: Brook H. Byers
Title: Trustee

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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**INVESTOR:**

**HADLEY HARBOR MASTER INVESTORS (CAYMAN) II L.P.**

By: Wellington Management Company LLP, as investment adviser

By: /s/ Emily Babalas

Name: Emily Babalas

Title: Managing Director and Counsel

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.

AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT
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INVESTOR:

HH RSV-ARK HOLDINGS LIMITED

By: /s/ Colm O’Connell
Name: Colm O’Connell
Title: Director

SIGNATURE PAGE TO A RCUS BIOSCIENCES, INC.
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INVESTOR:

FAIR BLESS LIMITED

By: /s/ Yuan Sun
Name: Yuan Sun
Title: Director

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INVESTOR:

CURIOUSITY GROUP TRUST II – 2017A U/T/A
OCTOBER 31, 2016

By:  /s/ Shawn S. Byers
Name: Shawn S. Byers
Title: Trustee

SIGNATURE PAGE TO ARCUS BIOSCIENCES, INC.
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KEY HOLDERS:

THE ROSEN 1996 FAMILY TRUST DATED JUNE 28, 1996

By:  /s/ Terry Rosen

Name:  Terry Rosen
Title:  Trustee

SIGNATURE PAGE TO RCUS BIOSCIENCES, INC.
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KEY HOLDERS:

JUAN CARLOS JAEN AND ANITA GALEANA, TRUSTEES OF THE JUAN CARLOS JAEN AND ANITA GALEANA 2000 TRUST

By: /s/Juan C. Jaen

Name: Juan C. Jaen
Title: Trustee
Exhibit A

SCHEDULE OF INVESTORS

The Rosen 1996 Family Trust Dated June 28, 1996
Juan Carlos Jaen and Anita Galeana, Trustees of the Juan Carlos Jaen and Anita Galeana 2000 Trust

Yasunori Kaneko and Yumi Kaneko, Trustees of the Kaneko Family Trust U/D/T dated January 20, 1992

Brian Landan

Stephen and Sandra Young Revocable Trust
Rieflin Family Trust u/a dtd 4/3/00, William J. Rieflin and Prudence H. Rieflin Trustees

McEvoy Worsencroft Family Trust DTD 7/29/94, Dennis L. McEvoy and Kim Worsencroft

Trustees

Jay P. Powers

Sharlene Stein Trust A Restated 03-16-2005

Nigel and Josephine Walker Living Trust dtd. 02/19/2013

Frank and Lorelei Chambers

Frank E. Galeana

Manolita Galeana, Trustee of the Manolita Galeana November 4, 1993 Revocable Living Trust

Tim Yuen and Samantha Stein

The Simke Family Revocable Trust, Separate Property of Jack G. Simke

Karl Handelsman

Julio C. Medina

Shichang Miao

Harvey S. Rosen and Marsha E. Novick, JT WROS

Matthew Walters

Cozad Investments, LP

Brandon Reid Rosen Trust U/A/D 11-22-1996, Sharlene Stein Trustee

Cameron Clark Rosen Trust U/A/D 6-22-1999, Sharlene Stein Trustee

Connor Edwin Rosen Trust U/A/D 11-22-1996, Sharlene Stein Trustee

Frank Edward Galeana, Trustee of the Grace Alexandra Jaen Irrevocable Trust, dated December 11, 2013

Frank Edward Galeana, Trustee of the John David Jaen Irrevocable Trust, dated December 11, 2013

Frank Edward Galeana, Trustee of the Katherine Emily Jaen Irrevocable Trust, dated December 11, 2013

Frank Edward Galeana, Trustee of the Marie Elizabeth Jaen Irrevocable Trust, dated December 11, 2013

Frederick J. Dotzler and Cassandra L. Dotzler, Trustees of the Dotzler Family Trust UDT Dated August 9, 2001

Mark E. Hayes and Patricia M. Hayes

David L. Lacey

The Sanjay Popli and Rekha Hemrajani Revocable Living Trust

Judy M. Wong Living Trust Dated May 1, 2015

The Simke Family Revocable Trust, Separate Property of Robin D. Raphael-Simke
Exhibit 10.1

Indemnification Agreement

This Indemnification Agreement ("Agreement") is made as of ___________, 2018 by and between Arcus Biosciences, Inc., a Delaware corporation (the "Company"), and ___________("Indemnitee"). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering the subject matter of this Agreement.

Recitals

WHEREAS, the Board of Directors of the Company (the "Board") believes that highly competent persons have become more reluctant to serve publicly-held corporations as directors or 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 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 Bylaws, as amended and/or restated, of the Company (the "Bylaws") and the Certificate of Incorporation, as amended and/or restated, of the Company (the "Certificate of Incorporation") 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 (the "DGCL"). The Bylaws, 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 may increase 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 and its 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 Bylaws, Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

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WHEREAS, Indemnitee does not regard the protection available under the Bylaws, Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve or continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve, as applicable, as a director, officer, employee or agent of the Company or, at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee’s employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Company’s Bylaws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve, as applicable, as an officer, director, agent or employee of the Company or, at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to “agent” shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A “Change in Control” shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company’s then outstanding securities unless the change in relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors; provided, however, that the foregoing shall not include any Person having such status prior to the consummation of the initial public offering of the Company’s securities unless after the initial public offering such Person is or becomes the Beneficial Owner, directly or indirectly, of additional securities of the Company representing in the aggregate an additional five percent (5%) or more of the combined voting power of the Company’s then outstanding securities;
ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trust or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) “Beneficial Owner” shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) “Corporate Status” describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

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(d) “Disinterested Director” shall mean 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.

(e) “Enterprise” shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) “Expenses” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee’s counsel as being reasonable in the good faith judgment of such counsel shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “Independent Counsel” shall mean 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 the 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 and expenses 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.

(h) The term “Proceeding” shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Arcus Biosciences, Inc.

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Indemnitee’s part while acting pursuant to Indemnitee’s Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise tax assessed with respect to any employee benefit plan; references to “serving at the request of the Company” shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries, including as a deemed fiduciary thereto; and a person who acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner “not opposed to the best interests of the Company” as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor, by reason of Indemnitee’s Corporate Status. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee’s conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of its stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor, by reason of Indemnitee’s Corporate Status. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court (as hereinafter defined) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or Arcus Biosciences, Inc.

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otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee 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 Indemnitee or on Indemnitee’s behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 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.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of Indemnitee’s Corporate Status, a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) by reason of Indemnitee’s Corporate Status.

(b) For purposes of Section 8(a), the meaning of the phrase “to the fullest extent permitted by applicable law” shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim involving Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) 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

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Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) except as provided in Section 14(d) of this Agreement, 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 or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law; provided, however, that this Section 9(c) shall not apply to (A) counterclaims or affirmative defenses asserted by Indemnitee in an action brought against Indemnitee or (B) any action brought by Indemnitee for indemnification or advancement from the Company under this Agreement or under any directors’ and officers’ liability insurance policies maintained by the Company in the suit for which indemnification or advancement is being sought as described in Section 14.

Section 10, Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board as provided in Section 9(c), and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee’s ability to repay the Expenses and without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement.

Section 11, Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is

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reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee’s entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, or (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. 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 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. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, 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 2 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 such written objection is so made and substantiated, the

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Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such 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 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).


(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. 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 Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) proof of 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.

(c) 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 Indemnitee 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 Indemnitee’s conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee’s action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or

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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, financial advisor or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(c) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the second to last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee’s entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee’s option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce Indemnitee’s rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee’s right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) proof of 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.

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(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, 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 therefor) 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 advancement of Expenses from the Company under this Agreement or under any directors’ and officers’ liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses 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 Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. 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 Indemnitee in Indemnitee’s Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee 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 of the Enterprise, Indemnitee 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 such director, officer, employee or agent 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 such claim or of the commencement of a Proceeding, as the case may be, 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 Indemnitee, all amounts payable as a result of such

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Proceeding in accordance with the terms of such policies. In the event of a Change in Control, or the Company becoming insolvent (including being placed into receivership or entering the federal bankruptcy process and the like), the Company shall maintain in force any and all insurance policies then maintained by the Company in respect of Indemnitee (including directors’ and officers’ liability, fiduciary, employment practices or otherwise), for a period of six years thereafter (“Tail Policy”). The Tail Policy shall be placed by the broker of the Company’s choice with incumbent insurance carriers using the policies that were in place at the time of the Change in Control (unless the incumbent carriers do not offer such policies, in which case the Tail Policy shall be substantially comparable in scope and amount as the expiring policies, and the insurance carriers for the Tail Policy shall have an AM Best rating that is the same or better than the AM Best ratings of the expiring policies).

(c) In the event of any payment made by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, 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.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) 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, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, limited liability company, 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, limited liability company, partnership, joint venture, trust or other enterprise.

Section 16. Duration of Agreement; Successors.

(a) This Agreement shall continue until and terminate upon the later of: (i) ten (10) years after the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or, at the request of the Company, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or (ii) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. For the avoidance of doubt, this Agreement shall provide for rights of indemnification and advancement of Expenses as set forth herein for any event or occurrence related to Indemnitee’s service for the Company, regardless of whether such events or occurrences occurred before or after the date of this Agreement.

(b) The indemnification and advancement of expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (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), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and Indemnitee’s spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by written agreement, in form and substance.
reasonably satisfactory to Indemnitee, expressly to 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 succession had taken place.

Section 17. **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer 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; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. **Modification and Waiver.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by 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 of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. **Notice by Indemnitee.** Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. **Notices.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

Arcus Biosciences, Inc.

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Section 22. Contribution. To the fullest extent permissible under applicable law, 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 Indemnitee 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 Indemnitee in connection with such event(s) and/or transaction(s).

Applicable 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. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee 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) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably Paracorp Incorporated, 2140 South Dupont Highway, Camden, DE 19934 County of Kent, as its agent in the State of Delaware as such party’s agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) 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.

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Section 23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings 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.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

Arcus Biosciences, Inc. INDEMNITEE

By: ____________________________
Name: __________________________
Office: __________________________
Address: _________________________

Arcus Biosciences, Inc.
Indemnification Agreement
ARCUS BIOSCIENCES, INC.

AMENDED AND RESTATED 2015 STOCK PLAN

Adopted on May 8, 2015

Amended and Restated November 24, 2015

Amended August 12, 2016

Amended October 11, 2016

Amended November 2, 2017
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SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of this Plan is to offer persons selected by the Company an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by acquiring Shares of the Company’s Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may be ISOs intended to qualify under Code Section 422 or NSOs which are not intended to so qualify.

Capitalized terms are defined in Section 11.

SECTION 2. ADMINISTRATION.

(a) Committees of the Board of Directors. The Plan may be administered by one or more Committees. Each Committee shall consist, as required by applicable law, of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) Authority of the Board of Directors. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. Notwithstanding anything to the contrary in the Plan, with respect to the terms and conditions of awards granted to Participants outside the United States, the Board of Directors may vary from the provisions of the Plan to the extent it determines it necessary and appropriate to do so; provided that it may not vary from those Plan terms requiring stockholder approval pursuant to Section 10(d) below. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

SECTION 3. ELIGIBILITY.

(a) General Rule. Only Employees, Outside Directors and Consultants shall be eligible for the grant of NSOs or the direct award or sale of Shares.

1 Only Employees shall be eligible for the grant of ISOs.

Note that special considerations apply if the Company proposes to grant awards to an Employee or Consultant of a Parent company.
(b) **Ten-Percent Stockholders**. A person who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for the grant of an ISO unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the Date of Grant and (ii) such ISO by its terms is not exercisable after the expiration of five years from the Date of Grant. For purposes of this Subsection (b), in determining stock ownership, the attribution rules of Code Section 424(d) shall be applied.

**SECTION 4. STOCK SUBJECT TO PLAN.**

(a) **Basic Limitation**. Not more than 14,641,444 Shares may be issued under the Plan, subject to Subsection (b) below and Section 8(a). All of these Shares may be issued upon the exercise of ISOs. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan may not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan. Shares offered under the Plan may be authorized but unissued Shares or treasury Shares.

(b) **Additional Shares**. In the event that Shares previously issued under the Plan are reacquired by the Company, such Shares shall be added to the number of Shares then available for issuance under the Plan. In the event that Shares that otherwise would have been issuable under the Plan are withheld by the Company in payment of the Purchase Price, Exercise Price or withholding taxes, such Shares shall remain available for issuance under the Plan. In the event that an outstanding Option or other right for any reason expires or is canceled, the Shares allocable to the unexercised portion of such Option or other right shall be added to the number of Shares then available for issuance under the Plan.

**SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.**

(a) **Stock Grant or Purchase Agreement**. Each award of Shares under the Plan shall be evidenced by a Stock Grant Agreement between the Grantee and the Company. Each sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Grant Agreement or Stock Purchase Agreement. The provisions of the various Stock Grant Agreements and Stock Purchase Agreements entered into under the Plan need not be identical.

(b) **Duration of Offers and Nontransferability of Rights**. Any right to purchase Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days (or such other period as may be specified in the Award Agreement) after the grant of such right was communicated to the Purchaser by the Company. Such right is not transferable and may be exercised only by the Purchaser to whom such right was granted.

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2 Please refer to Exhibit A for a schedule of the initial share reserve and any subsequent increases in the reserve.
(c) Purchase Price. The Board of Directors shall determine the Purchase Price of Shares to be offered under the Plan at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. The Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or an NSO.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant, and in the case of an ISO a higher percentage may be required by Section 3(b). Subject to the preceding sentence, the Exercise Price shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7. This Subsection (c) shall not apply to an Option granted pursuant to an assumption of, or substitution for, another option in a manner that complies with Code Section 424(a) (whether or not the Option is an ISO).

(d) Exercisability. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. No Option shall be exercisable unless the Optionee (i) has delivered an executed copy of the Stock Option Agreement to the Company or (ii) otherwise agrees to be bound by the terms of the Stock Option Agreement. The Board of Directors shall determine the exercisability provisions of the Stock Option Agreement at its sole discretion.

(e) Basic Term. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the Date of Grant, and in the case of an ISO, a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(f) Termination of Service (Except by Death). If an Optionee’s Service terminates for any reason other than the Optionee’s death, then the Optionee’s Options shall expire on the earliest of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above;
(ii) The date three months after the termination of the Optionee’s Service for any reason other than Disability, or such earlier or later date as the Board of Directors may determine (but in no event earlier than 30 days after the termination of the Optionee’s Service); or

(iii) The date six months after the termination of the Optionee’s Service by reason of Disability, or such later date as the Board of Directors may determine.

The Optionee may exercise all or part of the Optionee’s Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee’s Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee’s Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee’s Service terminates. In the event that the Optionee dies after the termination of the Optionee’s Service but before the expiration of the Optionee’s Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee’s estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee’s Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee’s Service terminated (or vested as a result of the termination).

(g) **Leaves of Absence**. For purposes of Subsection (f) above, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(h) **Death of Optionee**. If an Optionee dies while the Optionee is in Service, then the Optionee’s Options shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above; or

(ii) The date 12 months after the Optionee’s death, or such earlier or later date as the Board of Directors may determine (but in no event earlier than six months after the Optionee’s death).

All or part of the Optionee’s Options may be exercised at any time before the expiration of such Options under the preceding sentence by the executors or administrators of the Optionee’s estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee’s death (or became exercisable as a result of the death) and the underlying Shares had vested before the Optionee’s death (or vested as a result of the Optionee’s death). The balance of such Options shall lapse when the Optionee dies.
Restrictions on Transfer of Options. An Option shall be transferable by the Optionee only by (i) a beneficiary designation, (ii) a will or (iii) the laws of descent and distribution, except as provided in the next sentence. If the applicable Stock Option Agreement so provides, an NSO shall also be transferable by gift or domestic relations order to a Family Member of the Optionee. An ISO may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee’s guardian or legal representative.

No Rights as a Stockholder. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by the Optionee’s Option until such person files a notice of exercise, pays the Exercise Price and satisfies all applicable withholding taxes pursuant to the terms of such Option.

Modification, Extension and Assumption of Options. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options or a different type of award for the same or a different number of Shares and at the same or a different Exercise Price (if applicable). The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee’s rights or increase the Optionee’s obligations under such Option.

Company’s Right to Cancel Certain Options. Any other provision of the Plan or a Stock Option Agreement notwithstanding, the Company shall have the right at any time to cancel an Option that was not granted in compliance with Rule 701 under the Securities Act. Prior to canceling such Option, the Company shall give the Optionee not less than 30 days’ notice in writing. If the Company elects to cancel such Option, it shall deliver to the Optionee consideration with an aggregate Fair Market Value equal to the excess of (i) the Fair Market Value of the Shares subject to such Option as of the time of the cancellation over (ii) the Exercise Price of such Option. The consideration may be delivered in the form of cash or cash equivalents, in the form of Shares, or a combination of both. If the consideration would be a negative amount, such Option may be cancelled without the delivery of any consideration.

SECTION 7. PAYMENT FOR SHARES.

General Rule. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7. In addition, the Board of Directors in its sole discretion may also permit payment through any of the methods described in (b) through (g) below.

Services Rendered. Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award.

Promissory Note. All or a portion of the Purchase Price or Exercise Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of
additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.

(d) **Surrender of Stock.** All or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when the Option is exercised.

(e) **Exercise/Sale.** If the Stock is publicly traded, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company.

(f) **Net Exercise.** An Option may permit exercise through a “net exercise” arrangement pursuant to which the Company will reduce the number of Shares issued upon exercise by the largest whole number of Shares having an aggregate Fair Market Value (determined by the Board of Directors as of the exercise date) that does not exceed the aggregate Exercise Price or the sum of the aggregate Exercise Price plus all or a portion of the minimum amount required to be withheld under applicable tax law (with the Company accepting from the Optionee payment of cash or cash equivalents to satisfy any remaining balance of the aggregate Exercise Price and, if applicable, any additional withholding obligation not satisfied through such reduction in Shares); provided that to the extent Shares subject to an Option are withheld in this manner, the number of Shares subject to the Option following the net exercise will be reduced by the sum of the number of Shares withheld and the number of Shares delivered to the Optionee as a result of the exercise.

(g) **Other Forms of Payment.** To the extent that an Award Agreement so provides, the Purchase Price or Exercise Price of Shares issued under the Plan may be paid in any other form permitted by the Delaware General Corporation Law, as amended.

**SECTION 8. ADJUSTMENT OF SHARES.**

(a) **General.** In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a reclassification, or any other increase or decrease in the number of issued shares of Stock effected without receipt of consideration by the Company, proportionate adjustments shall automatically be made in each of (i) the number and kind of Shares available for future grants under Section 4, (ii) the number and kind of Shares covered by each outstanding Option and any outstanding and unexercised right to purchase Shares that has not yet expired pursuant to Section 5(b), (iii) the Exercise Price under each outstanding Option and the Purchase Price applicable to any unexercised stock purchase right described in clause (ii) above, and (iv) any repurchase price that applies to Shares granted under the Plan pursuant to the terms of a Company repurchase right under the applicable Award Agreement. In the event of a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a recapitalization, a spin-off, or a similar occurrence, the Board of Directors at its sole discretion may make appropriate adjustments.
(b) **Corporate Transactions**. In the event that the Company is a party to a merger or consolidation, or in the event of a sale of all or substantially all of the Company’s stock or assets, all Shares acquired under the Plan and all Options and other Plan awards outstanding on the effective date of the transaction shall be treated in the manner described in the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which the Company is party, in the manner determined by the Board of Directors in its capacity as administrator of the Plan, with such determination having final and binding effect on all parties), which agreement or determination need not treat all Options and awards (or all portions of an Option or an award) in an identical manner. The treatment specified in the transaction agreement or as determined by the Board of Directors may include (without limitation) one or more of the following with respect to each outstanding Option or award:

   (i) Continuation of the Option or award by the Company (if the Company is the surviving corporation).

   (ii) Assumption of the Option by the surviving corporation or its parent in a manner that complies with Code Section 424(a) (whether or not the Option is an ISO).

   (iii) Substitution by the surviving corporation or its parent of a new option for the Option in a manner that complies with Code Section 424(a) (whether or not the Option is an ISO).

   (iv) Cancellation of the Option and a payment to the Optionee with respect to each Share subject to the portion of the Option that is vested as of the transaction date equal to the excess of (A) the value, as determined by the Board of Directors in its absolute discretion, of the property (including cash) received by the holder of a share of Stock as a result of the transaction, over (B) the per-Share Exercise Price of the Option (such excess, the “Spread”). Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving corporation or its parent having a value equal to the Spread. In addition, any escrow, holdback, earn-out or similar provisions in the transaction agreement may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Stock. If the Spread applicable to an Option is zero or a negative number, then the Option may be cancelled without making a payment to the Optionee.

   (v) Cancellation of the Option without the payment of any consideration; provided that the Optionee shall be notified of such treatment and given an opportunity to exercise the Option (to the extent the Option is vested or becomes vested as of the effective date of the transaction) during a period of not
less than five (5) business days preceding the effective date of the transaction, unless (A) a shorter period is required to permit a timely closing of the transaction and (B) such shorter period still offers the Optionee a reasonable opportunity to exercise the Option. Any exercise of the Option during such period may be contingent upon the closing of the transaction.

(vi) Suspension of the Optionee’s right to exercise the Option during a limited period of time preceding the closing of the transaction if such suspension is administratively necessary to permit the closing of the transaction.

(vii) Termination of any right the Optionee has to exercise the Option prior to vesting in the Shares subject to the Option (i.e., “early exercise”), such that following the closing of the transaction the Option may only be exercised to the extent it is vested.

For the avoidance of doubt, the Board of Directors has discretion to accelerate, in whole or part, the vesting and exercisability of an Option or other Plan award in connection with a corporate transaction covered by this Section 8(b).

(c) Reservation of Rights. Except as provided in this Section 8, a Participant shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. MISCELLANEOUS PROVISIONS.

(a) Securities Law Requirements. Shares shall not be issued under the Plan unless, in the opinion of counsel acceptable to the Board of Directors, the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company’s securities may then be traded. The Company shall not be liable for a failure to issue Shares as a result of such requirements.

(b) No Retention Rights. Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Participant any right to continue in Service for any period of specific duration or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.
(c) **Treatment as Compensation**. Any compensation that an individual earns or is deemed to earn under this Plan shall not be considered a part of his or her compensation for purposes of calculating contributions, accruals or benefits under any other plan or program that is maintained or funded by the Company, a Parent or a Subsidiary.

(d) **Governing Law**. The Plan and all awards, sales and grants under the Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

(e) **Conditions and Restrictions on Shares**. Shares issued under the Plan shall be subject to such forfeiture conditions, rights of repurchase, rights of first refusal, other transfer restrictions and such other terms and conditions as the Board of Directors may determine. Such conditions and restrictions shall be set forth in the applicable Award Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. In addition, Shares issued under the Plan shall be subject to conditions and restrictions imposed either by applicable law or by Company policy, as adopted from time to time, designed to ensure compliance with applicable law or laws with which the Company determines in its sole discretion to comply including in order to maintain any statutory, regulatory or tax advantage.

(f) **Tax Matters**.

(i) As a condition to the award, grant, issuance, vesting, purchase, exercise or transfer of any award, or Shares issued pursuant to any award, granted under this Plan, the Participant shall make such arrangements as the Board of Directors may require or permit for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such event.

(ii) Unless otherwise expressly set forth in an Award Agreement, it is intended that awards granted under the Plan shall be exempt from Code Section 409A, and any ambiguity in the terms of an Award Agreement and the Plan shall be interpreted consistently with this intent. To the extent an award is not exempt from Code Section 409A (any such award, a “409A Award”), any ambiguity in the terms of such award and the Plan shall be interpreted in a manner that to the maximum extent permissible supports the award’s compliance with the requirements of that statute. Notwithstanding anything to the contrary permitted under the Plan, in no event shall a modification of an Award not already subject to Code Section 409A be given effect if such modification would cause the Award to become subject to Code Section 409A unless the parties explicitly acknowledge and consent to the modification as one having that effect. A 409A Award shall be subject to such additional rules and requirements as specified by the Board of Directors from time to time in order for it to comply with the requirements of Code Section 409A. In this regard, if any amount under a 409A Award is payable upon a “separation from service” to an individual who is considered a “specified employee” (as each term is defined under Code Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Participant’s separation from service or (ii)
the Participant’s death, but only to the extent such delay is necessary to prevent such payment from being subject to Section 409A(a)(1). In addition, if a transaction subject to Section 8(b) constitutes a payment event with respect to any 409A Award, then the transaction with respect to such award must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

(iii) Neither the Company nor any member of the Board of Directors shall have any liability to a Participant in the event an award held by the Participant fails to achieve its intended characterization under applicable tax law.

SECTION 10. DURATION AND AMENDMENTS; STOCKHOLDER APPROVAL.

(a) **Term of the Plan**. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to approval of the Company’s stockholders under Subsection (d) below. The Plan shall terminate automatically 10 years after the later of (i) the date when the Board of Directors adopted the Plan or (ii) the date when the Board of Directors approved the most recent increase in the number of Shares reserved under Section 4 that was also approved by the Company’s stockholders. The Plan may be terminated on any earlier date pursuant to Subsection (b) below.

(b) **Right to Amend or Terminate the Plan**. Subject to Subsection (d) below, the Board of Directors may amend, suspend or terminate the Plan at any time and for any reason.

(c) **Effect of Amendment or Termination**. No Shares shall be issued or sold and no Option granted under the Plan after the termination thereof, except upon exercise of an Option (or any other right to purchase Shares) granted under the Plan prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

(d) **Stockholder Approval**. To the extent required by applicable law, the Plan will be subject to approval of the Company’s stockholders within 12 months of its adoption date. To the extent required by applicable law, any amendment of the Plan will be subject to the approval of the Company’s stockholders within 12 months of the amendment date if it (i) increases the number of Shares available for issuance under the Plan (except as provided in Section 8), or (ii) materially changes the class of persons who are eligible for the grant of ISOs. In addition, an amendment effecting any other material change to the Plan terms will be subject to approval of the Company’s stockholder only if required by applicable law. Stockholder approval shall not be required for any other amendment of the Plan.

SECTION 11. DEFINITIONS.

(a) **Award Agreement** means a Stock Grant Agreement, Stock Option Agreement or Stock Purchase Agreement.
(b) “Board of Directors” means the Board of Directors of the Company, as constituted from time to time.

(c) “Code” means the Internal Revenue Code of 1986, as amended.

(d) “Committee” means a committee of the Board of Directors, as described in Section 2(a).

(e) “Company” means Arcus Biosciences, Inc., a Delaware corporation.

(f) “Consultant” means a person, excluding Employees and Outside Directors, who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor and who qualifies as a consultant or advisor under Rule 701(c)(1) of the Securities Act or under Instruction A.1.(a)(1) of Form S-8 under the Securities Act.

(g) “Date of Grant” means the date of grant specified in the applicable Stock Option Agreement, which date shall be the later of (i) the date on which the Board of Directors resolved to grant the Option or (ii) the first day of the Optionee’s Service.

(h) “Disability” means that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(i) “Employee” means any individual who is a common-law employee of the Company, a Parent or a Subsidiary.


(k) “Exercise Price” means the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(l) “Fair Market Value” means the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(m) “Family Member” means (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, (ii) any person sharing the Optionee’s household (other than a tenant or employee), (iii) a trust in which persons described in Clause (i) or (ii) have more than 50% of the beneficial interest, (iv) a foundation in which persons described in Clause (i) or (ii) or the Optionee control the management of assets and (v) any other entity in which persons described in Clause (i) or (ii) or the Optionee own more than 50% of the voting interests.

3 Note that special considerations apply if the Company proposes to grant awards to consultant or advisor of a Parent company.

4 Note that special considerations apply if the Company proposes to grant awards to an Employee of a Parent company.
(n) “Grantee” means a person to whom the Board of Directors has awarded Shares under the Plan.

(o) “ISO” means an Option that qualifies as an incentive stock option as described in Code Section 422(b). Notwithstanding its designation as an ISO, an Option that does not qualify as an ISO under applicable law shall be treated for all purposes as an NSO.

(p) “NSO” means an Option that does not qualify as an incentive stock option as described in Code Section 422(b) or 423(b).

(q) “Option” means an ISO or NSO granted under the Plan and entitling the holder to purchase Shares.

(r) “Optionee” means a person who holds an Option.

(s) “Outside Director” means a member of the Board of Directors who is not an Employee.

(t) “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(u) “Participant” means a Grantee, Optionee or Purchaser.

(v) “Plan” means this Arcus Biosciences, Inc. Amended and Restated 2015 Stock Plan.

(w) “Purchase Price” means the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(x) “Purchaser” means a person to whom the Board of Directors has offered the right to purchase Shares under the Plan (other than upon exercise of an Option).

(y) “Securities Act” means the Securities Act of 1933, as amended.

(z) “Service” means service as an Employee, Outside Director or Consultant.

(aa) “Share” means one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(bb) “Stock” means the Common Stock of the Company.
(cc) “Stock Grant Agreement” means the agreement between the Company and a Grantee who is awarded Shares under the Plan that contains the terms, conditions and restrictions pertaining to the award of such Shares.

(dd) “Stock Option Agreement” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to the Optionee’s Option.

(ce) “Stock Purchase Agreement” means the agreement between the Company and a Purchaser who purchases Shares under the Plan that contains the terms, conditions and restrictions pertaining to the purchase of such Shares.

(ff) “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation 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.
## Schedule of Shares Reserved for Issuance under the Plan

<table>
<thead>
<tr>
<th>Approval</th>
<th>Date of Stockholder Approval</th>
<th>Number of Shares Added</th>
<th>Cumulative Number of Shares</th>
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<td>May 8, 2015</td>
<td>May 13, 2015</td>
<td>3,970,000</td>
<td>3,970,000</td>
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<tr>
<td>November 24, 2015</td>
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<td>Not Applicable</td>
<td>3,970,000</td>
</tr>
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<td>August 12, 2016</td>
<td>August 15, 2016</td>
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<td>8,460,590</td>
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<tr>
<td>October 11, 2016</td>
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<td>8,430,590</td>
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<td>November 2, 2017</td>
<td>November 2, 2017</td>
<td>6,210,854</td>
<td>14,641,444</td>
</tr>
</tbody>
</table>

E-1
The Optionee has been granted the following option to purchase shares of the Common Stock of Arcus Biosciences, Inc.:

Name of Optionee: «Name»
Total Number of Shares: «TotalShares»
Type of Option: «ISO» Incentive Stock Option (ISO)
«NSO» Nonstatutory Stock Option (NSO)
Exercise Price per Share: $«PricePerShare»
Date of Grant: «DateGrant»
Date Exercisable: This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option.
Vesting Commencement Date: «VestComDate»
Vesting Schedule: The Right of Repurchase shall lapse with respect to the first «Percent»% of the Shares subject to this option when the Optionee completes «CliffPeriod» months of continuous Service beginning with the Vesting Commencement Date set forth above. The Right of Repurchase shall lapse with respect to an additional «Fraction»% of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.
Expiration Date: «ExpDate». This option expires earlier if the Optionee’s Service terminates earlier, as provided in Section 6 of the Stock Option Agreement, or if the Company engages in certain corporate transactions, as provided in Section 8(b) of the Plan.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the Amended and Restated 2015 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. **Section 14 of the Stock Option Agreement includes important acknowledgements of the Optionee.**

**OPTIONEE:**

«Name»

By: __________________________
Title: __________________________
THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

ACUS BIOSCIENCES, INC. AMENDED AND RESTATED 2015 STOCK OPTION AGREEMENT (EARLY EXERCISE)

SECTION 1. GRANT OF OPTION.

(a) Option. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) $100,000 Limitation. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) Stock Plan and Defined Terms. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Except as otherwise defined in this Agreement (including without limitation Section 15 hereof), capitalized terms shall have the meaning ascribed to such terms in the Plan.

SECTION 2. RIGHT TO EXERCISE.

(a) Exercisability. Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. Shares purchased by exercising this option may be subject to the Right of Repurchase under Section 7.

(b) Stockholder Approval. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company’s stockholders.
SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) **Notice of Exercise**. The Optionee or the Optionee’s representative may exercise this option by: (i) signing and delivering written notice to the Company pursuant to Section 13(c) specifying the election to exercise this option, the number of Shares for which it is being exercised and the form of payment and (ii) delivering payment, in a form permissible under Section 5, for the full amount of the Purchase Price (together with any applicable withholding taxes under Subsection (b)). In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative’s right to exercise this option. In the event of a partial exercise of this option, Shares shall be deemed to have been purchased in the order in which they vest in accordance with the Notice of Stock Option Grant.

(b) **Withholding Taxes**. In the event that the Company determines that it is required to withhold any tax (including without limitation any income tax, social insurance contributions, payroll tax, payment on account or other tax-related items arising in connection with the Optionee’s participation in the Plan and legally applicable to the Optionee (the “Tax-Related Items”)) as a result of the grant, vesting or exercise of this option, or as a result of the vesting or transfer of shares acquired upon exercise of this option, the Optionee, as a condition of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all Tax-Related Items. The Optionee acknowledges that the responsibility for all Tax-Related Items is the Optionee’s and may exceed the amount actually withheld by the Company (or its affiliate or agent).

(c) **Issuance of Shares**. After satisfying all requirements for exercise of this option, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company’s consent, in the name of a revocable trust. Until the issuance of the Shares has been entered into the books and records of the Company or a duly authorized transfer agent of the Company, no right to vote, receive dividends or any other right as a stockholder will exist with respect to such Shares. In the case of Restricted Shares, the Company shall cause such certificates to be deposited in escrow under Section 7(c). In the case of other Shares, the Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) **Cash**. All or part of the Purchase Price may be paid in cash or cash equivalents.
(b) **Surrender of Stock**. At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.

(c) **Exercise/Sale**. All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

SECTION 6. TERM AND EXPIRATION.

(a) **Basic Term**. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) **Termination of Service (Except by Death)**. If the Optionee’s Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

   (i) The expiration date determined pursuant to Subsection (a) above;

   (ii) The date three months after the termination of the Optionee’s Service for any reason other than Disability; or

   (iii) The date six months after the termination of the Optionee’s Service by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option is exercisable for vested Shares on or before the date when the Optionee’s Service terminates. When the Optionee’s Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee’s estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option was exercisable for vested Shares on or before the date when the Optionee’s Service terminated. Once this option (or portion thereof) has terminated, the Optionee shall have no further rights with respect to the option (or portion thereof) or to the underlying Shares.

(c) **Death of the Optionee**. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:
(i) The expiration date determined pursuant to Subsection (a) above; or
(ii) The date 12 months after the Optionee’s death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee’s estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option is exercisable for vested Shares on or before the date of the Optionee’s death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares. Once this option (or portion thereof) has terminated, the Optionee shall have no further rights with respect to the option (or portion thereof) or to the underlying Shares.

(d) Extension of Post-Terminal Exercise Periods. Following the date on which the Company’s Stock is first listed for trading on an established securities market, if during any part of the exercise period described in Subsections (b)(ii) or (iii) or Subsection (c)(ii) above the exercise of this option would be prohibited solely because the issuance of Shares upon such exercise would violate the registration requirements under the Securities Act or a similar provision of other applicable law, then instead of terminating at the end of such prescribed period, the then-vested portion of this option will instead remain outstanding and not expire until the earlier of (i) the expiration date determined pursuant to Section 6(a) above or (ii) the date on which the then-vested portion of this option has been exercisable without violation of applicable law for the aggregate period (which need not be consecutive) after termination of the Optionee’s Service specified in the applicable Subsection above.

(e) Part-Time Employment and Leaves of Absence. If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company’s leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a bona fide leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(f) Notice Concerning ISO Treatment. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code);
(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of permanent and total disability (as defined in Section 22(e)(3) of the Code); or

(iii) More than three months after the date when the Optionee has been on a leave of absence for three months, unless the Optionee’s reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF REPURCHASE.

(a) **Scope of Repurchase Right**. Until they vest in accordance with the Notice of Stock Option Grant and Subsection (b) below, the Shares acquired under this Agreement shall be Restricted Shares and shall be subject to the Company’s Right of Repurchase. The Company, however, may decline to exercise its Right of Repurchase or may exercise its Right of Repurchase only with respect to a portion of the Restricted Shares. The Company may exercise its Right of Repurchase only during the Repurchase Period following the termination of the Optionee’s Service, but the Right of Repurchase may be exercised automatically under Subsection (d) below. If the Right of Repurchase is exercised, the Company shall pay the Optionee an amount equal to the lower of (i) the Exercise Price of each Restricted Share being repurchased or (ii) the Fair Market Value of such Restricted Share at the time the Right of Repurchase is exercised.

(b) **Lapse of Repurchase Right**. The Right of Repurchase shall lapse with respect to the Restricted Shares in accordance with the vesting schedule set forth in the Notice of Stock Option Grant.

(c) **Escrow**. Upon issuance, the certificate(s) for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any additional or exchanged securities or other property described in Subsection (f) below shall immediately be delivered to the Company to be held in escrow. All ordinary cash dividends on Restricted Shares (or on other securities held in escrow) shall be paid directly to the Optionee and shall not be held in escrow. Restricted Shares, together with any other assets held in escrow under this Agreement, shall be (i) surrendered to the Company for repurchase upon exercise of the Right of Repurchase or the Right of First Refusal or (ii) released to the Optionee upon his or her request to the extent that the Shares have ceased to be Restricted Shares (but not more frequently than once every six months). In any event, all Shares that have ceased to be Restricted Shares, together with any other vested assets held in escrow under this Agreement, shall be released within 90 days after the earlier of (i) the termination of the Optionee’s Service or (ii) the lapse of the Right of First Refusal.

(d) **Exercise of Repurchase Right**. The Company shall be deemed to have exercised its Right of Repurchase automatically for all Restricted Shares as of the commencement of the Repurchase Period, unless the Company during the Repurchase Period notifies the holder of the Restricted Shares pursuant to Section 13(c) that it will not exercise its Right of Repurchase for some or all of the Restricted Shares. The Company shall pay to the holder of the Restricted Shares the purchase price determined under Subsection (a) above for the
Restricted Shares being repurchased. Payment shall be made in cash or cash equivalents and/or by canceling indebtedness to the Company incurred by the Optionee in the purchase of the Restricted Shares. The certificate(s) representing the Restricted Shares being repurchased shall be delivered to the Company.

(c) **Termination of Rights as Stockholder**. If the Right of Repurchase is exercised in accordance with this Section 7 and the Company makes available the consideration for the Restricted Shares being repurchased, then the person from whom the Restricted Shares are repurchased shall no longer have any rights as a holder of the Restricted Shares (other than the right to receive payment of such consideration). Such Restricted Shares shall be deemed to have been repurchased pursuant to this Section 7, whether or not the certificate(s) for such Restricted Shares have been delivered to the Company or the consideration for such Restricted Shares has been accepted.

(f) **Additional or Exchanged Securities and Property**. In the event of a merger or consolidation of the Company, a sale of all or substantially all of the Company’s stock or assets, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company’s outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall immediately be subject to the Right of Repurchase. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also be made to the price per share to be paid upon the exercise of the Right of Repurchase, provided that the aggregate purchase price payable for the Restricted Shares shall remain the same. In the event of any transaction described in Section 8(b) of the Plan or any other corporate reorganization, the Right of Repurchase may be exercised by the Company’s successor.

(g) **Transfer of Restricted Shares**. The Optionee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company’s written consent, except as provided in the following sentence. The Optionee may transfer Restricted Shares to one or more members of the Optionee’s Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee’s Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Restricted Shares, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(h) **Assignment of Repurchase Right**. The Board of Directors may freely assign the Company’s Right of Repurchase, in whole or in part. Any person who accepts an assignment of the Right of Repurchase from the Company shall assume all of the Company’s rights and obligations under this Section 7.
SECTION 8. RIGHT OF FIRST REFUSAL.

(a) Right of First Refusal. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) Transfer of Shares. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) Additional or Exchanged Securities and Property. In the event of a merger or consolidation of the Company, a sale of all or substantially all of the Company’s stock or assets, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company’s outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 8 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 8.
(d) **Termination of Right of First Refusal**. Any other provision of this Section 8 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) **Permitted Transfers**. This Section 8 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee’s Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee’s Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) **Termination of Rights as Stockholder**. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 8, then after such time the person from whom such Shares are to be purchased 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 to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) **Assignment of Right of First Refusal**. The Board of Directors may freely assign the Company’s Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company’s rights and obligations under this Section 8.

**SECTION 9. LEGALITY OF INITIAL ISSUANCE.**

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

(c) Any other applicable provision of federal, State or foreign law has been satisfied.
SECTION 10. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 11. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Securities Law Restrictions. Regardless of whether the offer and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State or other relevant jurisdiction, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on the stock certificates (or electronic equivalent) or the imposition of stop-transfer instructions) and may refuse (or may be required to refuse) to transfer Shares acquired hereunder (or Shares proposed to be transferred in a subsequent transfer) if, in the judgment of the Company, such restrictions, legends or refusal are necessary or appropriate to achieve compliance with the Securities Act or other relevant securities or other laws, including without limitation under Regulation S of the Securities Act or pursuant to another available exemption from registration.

(b) Market Stand-Off. 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 or a Transferee 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 managing underwriter. Such restriction (the “Market Stand-Off”) shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company’s initial public offering. 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 which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company’s underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.
(c) **Investment Intent at Grant.** The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) **Investment Intent at Exercise.** In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel, including (if applicable because the Company is relying on Regulation S under the Securities Act) that as of the date of exercise the Optionee is (i) not a U.S. Person; (ii) not acquiring the Shares on behalf, or for the account or benefit, of a U.S. Person; and (iii) is not exercising the option in the United States.

(e) **Legends.** All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

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All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

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"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY SECURITIES LAWS OF ANY U.S. STATE, AND MAY NOT BE SOLD, REOFFERED, PLEDGED, ASSIGNED, ENCUMBERED OR OTHERWISE TRANSFERRED OR DISPOSED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL,"
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THAT SUCH REGISTRATION IS NOT REQUIRED. IN THE ABSENCE OF REGISTRATION OR THE AVAILABILITY (CONFIRMED BY OPINION OF COUNSEL) OF AN ALTERNATIVE EXEMPTION FROM REGISTRATION UNDER THE ACT (INCLUDING WITHOUT LIMITATION IN ACCORDANCE WITH REGULATION S UNDER THE ACT), THESE SHARES MAY NOT BE SOLD, REOFFERED, PLEDGED, ASSIGNED, ENCUMBERED OR OTHERWISE TRANSFERRED OR DISPOSED OF. HEDGING TRANSACTIONS INVOLVING THESE SHARES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT.”

(f) **Removal of Legends**. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) **Administration**. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on the Optionee and all other persons.

SECTION 12. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation or in the event of a sale of all or substantially all of the Company’s stock or assets, this option shall be subject to the treatment provided by the Board of Directors in its sole discretion, as provided in Section 8(b) of the Plan.

SECTION 13. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Stockholder**. Neither the Optionee nor the Optionee’s representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee’s representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) **No Retention Rights**. Nothing in this option or in the Plan shall confer upon the Optionee 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 Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) **Notice**. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation, with shipping charges prepaid or (iv) deposit with any internationally recognized express mail courier service. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).
(d) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Optionee and by an authorized officer of the Company (other than the Optionee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Entire Agreement**. The Notice of Stock Option Grant, this Agreement and the Plan 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.

(f) **Choice of Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

**SECTION 14. ACKNOWLEDGEMENTS OF THE OPTIONEE.**

In addition to the other terms, conditions and restrictions imposed on this option and the Shares issuable under this option pursuant to this Agreement and the Plan, the Optionee expressly acknowledges being subject to Sections 7 (Right of Repurchase), 8 (Right of First Refusal), 9 (Legality of Initial Issuance) and 11 (Restrictions on Transfer of Shares, including without limitation the Market Stand-Off), as well as the following provisions:

(a) **Tax Consequences**. The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee’s tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee’s other compensation. In particular, any Optionee subject to U.S. taxation acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) **Electronic Delivery of Documents**. The Optionee agrees to accept by email all documents relating to the Company, the Plan or this option and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the
Company posts these documents on a website, it shall notify the Optionee by email of their availability. The Optionee acknowledges that he or she may incur costs in connection with electronic delivery, including the cost of accessing the internet and printing fees, and that an interruption of internet access may interfere with his or her ability to access the documents. This consent shall remain in effect until this option expires or until the Optionee gives the Company written notice that it should deliver paper documents.

(c) **No Notice of Expiration Date**. The Optionee agrees that the Company and its officers, employees, attorneys and agents do not have any obligation to notify him or her prior to the expiration of this option pursuant to Section 6, regardless of whether this option will expire at the end of its full term or on an earlier date related to the termination of the Optionee’s Service. The Optionee further agrees that he or she has the sole responsibility for monitoring the expiration of this option and for exercising this option, if at all, before it expires. This Subsection (c) shall supersede any contrary representation that may have been made, orally or in writing, by the Company or by an officer, employee, attorney or agent of the Company.

(d) **Waiver of Statutory Information Rights**. The Optionee acknowledges and agrees that, upon exercise of this option and until the first sale of the Company’s Stock to the general public pursuant to a registration statement filed under the Securities Act, he or she will be deemed to have waived any rights the Optionee might otherwise have had under Section 220 of the Delaware General Corporation Law (or under similar rights under other applicable law) to inspect for any proper purpose and to make copies and extracts from the Company’s stock ledger, a list of its stockholders and its other books and records or the books and records of any subsidiary. This waiver applies only in the Optionee’s capacity as a stockholder and does not affect any other inspection rights the Optionee may have under other law or pursuant to a written agreement with the Company.

(e) **Plan Discretionary**. The Optionee understands and acknowledges that (i) the Plan is entirely discretionary, (ii) the Company and the Optionee’s employer have reserved the right to amend, suspend or terminate the Plan at any time, (iii) the grant of an option does not in any way create any contractual or other right to receive additional grants of options (or benefits in lieu of options) at any time or in any amount and (iv) all determinations with respect to any additional grants, including (without limitation) the times when options will be granted, the number of Shares offered, the Exercise Price and the vesting schedule, will be at the sole discretion of the Company.

(f) **Termination of Service**. The Optionee understands and acknowledges that participation in the Plan ceases upon termination of his or her Service for any reason, except as may explicitly be provided otherwise in the Plan or this Agreement.

(g) **Extraordinary Compensation**. The value of this option shall be an extraordinary item of compensation outside the scope of the Optionee’s employment contract, if any, and shall not be considered a part of his or her normal or expected compensation for purposes of calculating severance, resignation, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
(h) **Authorization to Disclose**. The Optionee hereby authorizes and directs the Optionee’s employer to disclose to the Company or any Subsidiary any information regarding the Optionee’s employment, the nature and amount of the Optionee’s compensation and the fact and conditions of the Optionee’s participation in the Plan, as the Optionee’s employer deems necessary or appropriate to facilitate the administration of the Plan.

(i) **Personal Data Authorization**. The Optionee consents to the collection, use and transfer of personal data as described in this Subsection (i). The Optionee understands and acknowledges that the Company, the Optionee’s employer and the Company’s other Subsidiaries hold certain personal information regarding the Optionee for the purpose of managing and administering the Plan, including (without limitation) the Optionee’s name, home address, telephone number, date of birth, social insurance number, salary, nationality, job title, any Shares or directorships held in the Company and details of all options or any other entitlements to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Optionee’s favor (the “Data”). The Optionee further understands and acknowledges that the Company and/or its Subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of the Optionee’s participation in the Plan and that the Company and/or any Subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Optionee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere. The Optionee authorizes such recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purpose of administering the Optionee’s participation in the Plan, including a transfer to any broker or other third party with whom the Optionee elects to deposit Shares acquired under the Plan of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on the Optionee’s behalf. The Optionee may, at any time, view the Data, require any necessary modifications of Data or withdraw the consents set forth in this Subsection (i) by contacting the Company in writing.

**SECTION 15. DEFINITIONS.**

(a) “**Agreement**” shall mean this Stock Option Agreement.

(b) “**Board of Directors**” shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) “**Company**” shall mean Arcus Biosciences, Inc., a Delaware corporation.

(d) “**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.

(e) “**Optionee**” shall mean the person named in the Notice of Stock Option Grant.

(f) “**Plan**” shall mean the Arcus Biosciences, Inc. Amended and Restated 2015 Stock Plan, as in effect on the Date of Grant.
(g) “Purchase Price” shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(h) “Repurchase Period” shall mean a period of 90 consecutive days commencing on the date when the Optionee’s Service terminates for any reason, including (without limitation) death or disability.

(i) “Restricted Share” shall mean a Share that is subject to the Right of Repurchase.

(j) “Right of First Refusal” shall mean the Company’s right of first refusal described in Section 8.

(k) “Right of Repurchase” shall mean the Company’s right of repurchase described in Section 7.

(l) “Service” means service as an Employee, Outside Director or Consultant.

(m) “Transferee” shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(n) “Transfer Notice” shall mean the notice of a proposed transfer of Shares described in Section 8.

(o) “U.S. Person” shall mean a person described in Rule 902(k) of Regulation S of the Securities Act (or any successor rule or provision), which generally defines a U.S. person as any natural person resident in the United States, any estate of which any executor or administrator is a U.S. Person, or any trust of which any trustee is a U.S. Person.
The Optionee has been granted the following option to purchase shares of the Common Stock of Arcus Biosciences, Inc.:

Name of Optionee: «Name»
Total Number of Shares: «TotalShares»
Type of Option: «ISO» Incentive Stock Option (ISO)
 «NSO» Nonstatutory Stock Option (NSO)
Exercise Price per Share: $«PricePerShare»
Date of Grant: «DateGrant»

Date Exercisable: This option may be exercised with respect to the first «Percent»% of the Shares subject to this option when the Optionee completes «CliffPeriod» months of continuous Service beginning with the Vesting Commencement Date set forth below. This option may be exercised with respect to an additional «Fraction»% of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.

Vesting Commencement Date: «VestComDate»
Expiration Date: «ExpDate». This option expires earlier if the Optionee’s Service terminates earlier, as provided in Section 6 of the Stock Option Agreement, or if the Company engages in certain corporate transactions, as provided in Section 8(b) of the Plan.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the Amended and Restated 2015 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. Section 13 of the Stock Option Agreement includes important acknowledgements of the Optionee.
THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

SECTION 1. GRANT OF OPTION.

(a) **Option**. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) **$100,000 Limitation**. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) **Stock Plan and Defined Terms**. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Except as otherwise defined in this Agreement (including without limitation Section 14 hereof), capitalized terms shall have the meaning ascribed to such terms in the Plan.

SECTION 2. RIGHT TO EXERCISE.

(a) **Exercisability**. Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant.

(b) **Stockholder Approval**. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company’s stockholders.
SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) Notice of Exercise. The Optionee or the Optionee’s representative may exercise this option by: (i) signing and delivering written notice to the Company pursuant to Section 12(c) specifying the election to exercise this option, the number of Shares for which it is being exercised and the form of payment and (ii) delivering payment, in a form permissible under Section 5, for the full amount of the Purchase Price (together with any applicable withholding taxes under Subsection (b)). In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative’s right to exercise this option.

(b) Withholding Taxes. In the event that the Company determines that it is required to withhold any tax (including without limitation any income tax, social insurance contributions, payroll tax, payment on account or other tax-related items arising in connection with the Optionee’s participation in the Plan and legally applicable to the Optionee (the “Tax-Related Items”)) as a result of the grant, vesting or exercise of this option, or as a result of the transfer of shares acquired upon exercise of this option, the Optionee, as a condition of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all Tax-Related Items. The Optionee acknowledges that the responsibility for all Tax-Related Items is the Optionee’s and may exceed the amount actually withheld by the Company (or its affiliate or agent).

(c) Issuance of Shares. After satisfying all requirements for exercise of this option, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company’s consent, in the name of a revocable trust. Until the issuance of the Shares has been entered into the books and records of the Company or a duly authorized transfer agent of the Company, no right to vote, receive dividends or any other right as a stockholder will exist with respect to such Shares. The Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) Cash. All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) Surrender of Stock. At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.
(c) **Exercise/Sale**. All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

**SECTION 6. TERM AND EXPIRATION.**

(a) **Basic Term**. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) **Termination of Service (Except by Death)**. If the Optionee’s Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

   (i) The expiration date determined pursuant to Subsection (a) above;

   (ii) The date three months after the termination of the Optionee’s Service for any reason other than Disability; or

   (iii) The date six months after the termination of the Optionee’s Service by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee’s Service terminated. When the Optionee’s Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee’s estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee’s Service terminated. Once this option (or portion thereof) has terminated, the Optionee shall have no further rights with respect to the option (or portion thereof) or to the underlying Shares.

(c) **Death of the Optionee**. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:

   (i) The expiration date determined pursuant to Subsection (a) above; or

   (ii) The date 12 months after the Optionee’s death.
All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee’s estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee’s death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable. Once this option (or portion thereof) has terminated, the Optionee shall have no further rights with respect to the option (or portion thereof) or to the underlying Shares.

(d) **Extension of Post-Termination Exercise Periods**. Following the date on which the Company’s Stock is first listed for trading on an established securities market, if during any part of the exercise period described in Subsections (b)(ii) or (iii) or Subsection (c)(ii) above the exercise of this option would be prohibited solely because the issuance of Shares upon such exercise would violate the registration requirements under the Securities Act or a similar provision of other applicable law, then instead of terminating at the end of such prescribed period, the then-vested portion of this option will instead remain outstanding and not expire until the earlier of (i) the expiration date determined pursuant to Section 6(a) above or (ii) the date on which the then-vested portion of this option has been exercisable without violation of applicable law for the aggregate period (which need not be consecutive) after termination of the Optionee’s Service specified in the applicable Subsection above.

(e) **Part-Time Employment and Leaves of Absence**. If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company’s leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a *bona fide* leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(f) **Notice Concerning ISO Treatment**. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code);

(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of permanent and total disability (as defined in Section 22(e)(3) of the Code); or
(iii) More than three months after the date when the Optionee has been on a leave of absence for three months, unless the Optionee’s reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF FIRST REFUSAL.

(a) **Right of First Refusal**. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) **Transfer of Shares**. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) **Additional or Exchanged Securities and Property**. In the event of a merger or consolidation of the Company, a sale of all or substantially all of the Company’s stock or assets, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company’s outstanding securities, any securities or other property (including cash or cash
equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 7 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 7.

(d) **Termination of Right of First Refusal.** Any other provision of this Section 7 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) **Permitted Transfers.** This Section 7 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee’s Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee’s Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) **Termination of Rights as Stockholder.** If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 7, then after such time the person from whom such Shares are to be purchased 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 to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) **Assignment of Right of First Refusal.** The Board of Directors may freely assign the Company’s Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company’s rights and obligations under this Section 7.

**SECTION 8. LEGALITY OF INITIAL ISSUANCE.**

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

(c) Any other applicable provision of federal, State or foreign law has been satisfied.
SECTION 9. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 10. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Securities Law Restrictions. Regardless of whether the offer and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State or other relevant jurisdiction, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on the stock certificates (or electronic equivalent) or the imposition of stop-transfer instructions) and may refuse (or may be required to refuse) to transfer Shares acquired hereunder (or Shares proposed to be transferred in a subsequent transfer) if, in the judgment of the Company, such restrictions, legends or refusal are necessary or appropriate to achieve compliance with the Securities Act or other relevant securities or other laws, including without limitation under Regulation S of the Securities Act or pursuant to another available exemption from registration.

(b) Market Stand-Off. 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 or a Transferee 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 managing underwriter. Such restriction (the “Market Stand-Off”) shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company’s initial public offering. 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 which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares.
acquired under this Agreement until the end of the applicable stand-off period. The Company’s underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.

(c) **Investment Intent at Grant**. The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) **Investment Intent at Exercise**. In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel, including (if applicable because the Company is relying on Regulation S under the Securities Act) that as of the date of exercise the Optionee is (i) not a U.S. Person; (ii) not acquiring the Shares on behalf, or for the account or benefit, of a U.S. Person; and (iii) is not exercising the option in the United States.

(e) **Legends**. All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

“The Shares represented hereby may not be sold, assigned, transferred, encumbered or in any manner disposed of, except in compliance with the terms of a written agreement between the Company and the registered holder of the Shares (or the predecessor in interest to the Shares). Such agreement grants to the Company certain rights of first refusal upon an attempted transfer of the Shares. In addition, the Shares are subject to restrictions on transfer for a limited period following the effective date of the underwritten public offering of the Company’s securities and may not be sold or otherwise disposed of by the holder without the consent of the Company or the managing underwriter. The Secretary of the Company will upon written request furnish a copy of such agreement to the holder hereof without charge.”

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

“The shares represented hereby have not been registered under the Securities Act of 1933, as amended (the “Act”) or any securities laws of any U.S. State, and may not be sold, reoffered, pledged, assigned, encumbered or otherwise
TRANSFERRED OR DISPOSED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. IN THE ABSENCE OF REGISTRATION OR THE AVAILABILITY (CONFIRMED BY OPINION OF COUNSEL) OF AN ALTERNATIVE EXEMPTION FROM REGISTRATION UNDER THE ACT (INCLUDING WITHOUT LIMITATION IN ACCORDANCE WITH REGULATION S UNDER THE ACT), THESE SHARES MAY NOT BE SOLD, REOFFERED, PLEDGED, ASSIGNED, ENCUMBERED OR OTHERWISE TRANSFERRED OR DISPOSED OF. HEDGING TRANSACTIONS INVOLVING THESE SHARES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT.”

(f) Removal of Legends. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) Administration. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 10 shall be conclusive and binding on the Optionee and all other persons.

SECTION 11. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation or in the event of a sale of all or substantially all of the Company’s stock or assets, this option shall be subject to the treatment provided by the Board of Directors in its sole discretion, as provided in Section 8(b) of the Plan.

SECTION 12. MISCELLANEOUS PROVISIONS.

(a) Rights as a Stockholder. Neither the Optionee nor the Optionee’s representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee’s representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) No Retention Rights. Nothing in this option or in the Plan shall confer upon the Optionee 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 Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) Notice. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit
with Federal Express Corporation, with shipping charges prepaid or (iv) deposit with any internationally recognized express mail courier service. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).

(d) Modifications and Waivers. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Optionee and by an authorized officer of the Company (other than the Optionee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) Entire Agreement. The Notice of Stock Option Grant, this Agreement and the Plan 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.

(f) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 13. ACKNOWLEDGEMENTS OF THE OPTIONEE.

In addition to the other terms, conditions and restrictions imposed on this option and the Shares issuable under this option pursuant to this Agreement and the Plan, the Optionee expressly acknowledges being subject to Sections 7 (Right of First Refusal), 8 (Legality of Initial Issuance) and 10 (Restrictions on Transfer of Shares, including without limitation the Market Stand-Off), as well as the following provisions:

(a) Tax Consequences (No Liability for Discounted Options). The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee’s tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee’s other compensation. In particular, any Optionee subject to U.S. taxation acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) Electronic Delivery of Documents. The Optionee agrees to accept by email all documents relating to the Company, the Plan or this option and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee
also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Optionee by email of their availability. The Optionee acknowledges that he or she may incur costs in connection with electronic delivery, including the cost of accessing the internet and printing fees, and that an interruption of internet access may interfere with his or her ability to access the documents. This consent shall remain in effect until this option expires or until the Optionee gives the Company written notice that it should deliver paper documents.

(c) **No Notice of Expiration Date.** The Optionee agrees that the Company and its officers, employees, attorneys and agents do not have any obligation to notify him or her prior to the expiration of this option pursuant to Section 6, regardless of whether this option will expire at the end of its full term or on an earlier date related to the termination of the Optionee’s Service. The Optionee further agrees that he or she has the sole responsibility for monitoring the expiration of this option and for exercising this option, if at all, before it expires. This Subsection (c) shall supersede any contrary representation that may have been made, orally or in writing, by the Company or by an officer, employee, attorney or agent of the Company.

(d) **Waiver of Statutory Information Rights.** The Optionee acknowledges and agrees that, upon exercise of this option and until the first sale of the Company’s Stock to the general public pursuant to a registration statement filed under the Securities Act, he or she will be deemed to have waived any rights the Optionee might otherwise have had under Section 220 of the Delaware General Corporation Law (or under similar rights under other applicable law) to inspect for any proper purpose and to make copies and extracts from the Company’s stock ledger, a list of its stockholders and its other books and records or the books and records of any subsidiary. This waiver applies only in the Optionee’s capacity as a stockholder and does not affect any other inspection rights the Optionee may have under other law or pursuant to a written agreement with the Company.

(e) **Plan Discretionary.** The Optionee understands and acknowledges that (i) the Plan is entirely discretionary, (ii) the Company and the Optionee’s employer have reserved the right to amend, suspend or terminate the Plan at any time, (iii) the grant of an option does not in any way create any contractual or other right to receive additional grants of options (or benefits in lieu of options) at any time or in any amount and (iv) all determinations with respect to any additional grants, including (without limitation) the times when options will be granted, the number of Shares offered, the Exercise Price and the vesting schedule, will be at the sole discretion of the Company.

(f) **Termination of Service.** The Optionee understands and acknowledges that participation in the Plan ceases upon termination of his or her Service for any reason, except as may explicitly be provided otherwise in the Plan or this Agreement.

(g) **Extraordinary Compensation.** The value of this option shall be an extraordinary item of compensation outside the scope of the Optionee’s employment contract, if any, and shall not be considered a part of his or her normal or expected compensation for purposes of calculating severance, resignation, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
(h) **Authorization to Disclose**. The Optionee hereby authorizes and directs the Optionee’s employer to disclose to the Company or any Subsidiary any information regarding the Optionee’s employment, the nature and amount of the Optionee’s compensation and the fact and conditions of the Optionee’s participation in the Plan, as the Optionee’s employer deems necessary or appropriate to facilitate the administration of the Plan.

(i) **Personal Data Authorization**. The Optionee consents to the collection, use and transfer of personal data as described in this Subsection (i). The Optionee understands and acknowledges that the Company, the Optionee’s employer and the Company’s other Subsidiaries hold certain personal information regarding the Optionee for the purpose of managing and administering the Plan, including (without limitation) the Optionee’s name, home address, telephone number, date of birth, social insurance number, salary, nationality, job title, any Shares or directorships held in the Company and details of all options or any other entitlements to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Optionee’s favor (the “Data”). The Optionee further understands and acknowledges that the Company and/or its Subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of the Optionee’s participation in the Plan and that the Company and/or any Subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Optionee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere. The Optionee authorizes such recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purpose of administering the Optionee’s participation in the Plan, including a transfer to any broker or other third party with whom the Optionee elects to deposit Shares acquired under the Plan of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on the Optionee’s behalf. The Optionee may, at any time, view the Data, require any necessary modifications of Data or withdraw the consents set forth in this Subsection (i) by contacting the Company in writing.

**SECTION 14. DEFINITIONS.**

(a) **“Agreement”** shall mean this Stock Option Agreement.

(b) **“Board of Directors”** shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) **“Company”** shall mean Arcus Biosciences, Inc., a Delaware corporation.

(d) **“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.

(e) **“Optionee”** shall mean the person named in the Notice of Stock Option Grant.

(f) **“Plan”** shall mean the Arcus Biosciences, Inc. Amended and Restated 2015 Stock Plan, as in effect on the Date of Grant.
(g) “Purchase Price” shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(h) “Right of First Refusal” shall mean the Company’s right of first refusal described in Section 7.

(i) “Service” means service as an Employee, Outside Director or Consultant.

(j) “Transferee” shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(k) “Transfer Notice” shall mean the notice of a proposed transfer of Shares described in Section 7.

(l) “U.S. Person” shall mean a person described in Rule 902(k) of Regulation S of the Securities Act (or any successor rule or provision), which generally defines a U.S. person as any natural person resident in the United States, any estate of which any executor or administrator is a U.S. Person, or any trust of which any trustee is a U.S. Person.
The Transferee is acquiring shares of the Common Stock of Arcus Biosciences, Inc. on the following terms:

<table>
<thead>
<tr>
<th>Name of Transferee:</th>
<th>«Name»</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Transferred Shares:</td>
<td>«TotalShares»</td>
</tr>
<tr>
<td>Date of Transfer:</td>
<td>«DateTransfer»</td>
</tr>
<tr>
<td>Vesting Commencement Date:</td>
<td>«VestComDate»</td>
</tr>
<tr>
<td>Vesting Schedule:</td>
<td>The Forfeiture Condition shall lapse with respect to the first «Percent»% of the Transferred Shares when the Transferee completes «CliffPeriod» months of continuous Service beginning with the Vesting Commencement Date set forth above. The Forfeiture Condition shall lapse with respect to an additional «Fraction»% of the Transferred Shares when the Transferee completes each month of continuous Service thereafter.</td>
</tr>
</tbody>
</table>

By signing below, the Transferee and the Company agree that the acquisition of the Transferred Shares is governed by the terms and conditions of the Amended and Restated 2015 Stock Plan and the Stock Grant Agreement. Both of these documents are attached to, and made a part of, this Summary of Stock Grant. The Transferee agrees to accept by email all documents relating to the Company, the Plan or this grant and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Transferee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Transferee by email of their availability. The Transferee acknowledges that he or she may incur costs in connection with electronic delivery, including the cost of accessing the internet and printing fees, and that an interruption of internet access may interfere with his or her ability to access the documents. This consent shall remain in effect until the Transferee gives the Company written notice that it should deliver paper documents.

**TRANSFEREE:**

__________________________
Address for Mailing Stock Certificate:

**ARCUS BIOSCIENCES, INC.**

By: __________________________
Title: ____________________________________
SECTION 1. ACQUISITION OF SHARES.

(a) **Transfer**. On the terms and conditions set forth in the Summary of Stock Grant and this Agreement, the Company agrees to transfer to the Transferee the number of Shares set forth in the Summary of Stock Grant. The transfer shall occur at the offices of the Company on the date of transfer set forth in the Summary of Stock Grant or at such other place and time as the parties may agree.

(b) **Consideration**. The Transferee and the Company agree that the Transferred Shares are being issued to the Transferee as consideration for a portion of the services performed by the Transferee for the Company. The value of such portion is agreed to be not less than 100% of the Fair Market Value of the Transferred Shares.

(c) **Stock Plan and Defined Terms**. The transfer of the Transferred Shares is subject to the Plan, a copy of which the Transferee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Except as otherwise defined in this Agreement (including without limitation Section 11 hereof), capitalized terms shall have the meaning ascribed to such terms in the Plan.

SECTION 2. FORFEITURE CONDITION.

(a) **Scope of Forfeiture Condition**. All Transferred Shares initially shall be Restricted Shares and shall be subject to forfeiture to the Company. The Transferee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company’s written consent, except as provided in the following sentence. The Transferee may transfer Restricted Shares to one or more members of the Transferee’s Immediate Family or to a trust established by the Transferee for the benefit of the Transferee and/or one or more members of the Transferee’s Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Transferee transfers any Restricted Shares, then this Agreement shall apply to the Subsequent Transferee to the same extent as to the Transferee.

(b) **Vesting**. The Forfeiture Condition shall lapse and the Restricted Shares shall become vested in accordance with the vesting schedule set forth in the Summary of Stock Grant.

(c) **Execution of Forfeiture**. The Forfeiture Condition shall be applicable only if the Transferee’s Service terminates for any reason, with or without cause, including (without limitation) death or disability, before all Restricted Shares have become vested. In the
event that the Transferee’s Service terminates for any reason, the certificate(s) representing any remaining Restricted Shares shall be delivered to the Company. The Company shall make no payment for Restricted Shares that are forfeited.

(d) **Additional or Exchanged Securities and Property**. In the event of a merger or consolidation of the Company, a sale of all or substantially all of the Company’s stock or assets, any other corporate reorganization, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company’s outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Forfeiture Condition. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.

(e) **Termination of Rights as Stockholder**. If Restricted Shares are forfeited in accordance with this Section 2, then the person who is to forfeit such Restricted Shares shall no longer have any rights as a holder of such Restricted Shares. Such Restricted Shares shall be deemed to have been forfeited in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(f) **Escrow**. Upon issuance, the certificates for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any new, substituted or additional securities or other property described in Subsection (d) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the Transferred Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities at the time held in escrow) shall be paid directly to the Transferee and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for forfeiture and cancellation in the event that the Forfeiture Condition or Right of First Refusal applies or (ii) released to the Transferee upon the Transferee’s request to the extent the Transferred Shares are no longer Restricted Shares (but not more frequently than once every six months). In any event, all Transferred Shares that have vested (and any other vested assets and securities attributable thereto) shall be released within 60 days after the earlier of (i) the termination of the Transferee’s Service or (ii) the lapse of the Right of First Refusal.

(g) **Part-Time Employment and Leaves of Absence**. If the Transferee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Summary of Stock Grant. If the Transferee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Summary of Stock Grant in accordance with the Company’s leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue while the Transferee is on a bona fide leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Transferee immediately returns to active work.
SECTION 3. RIGHT OF FIRST REFUSAL.

(a) **Right of First Refusal**. In the event that the Transferee proposes to sell, pledge or otherwise transfer to a third party any Transferred Shares, or any interest in Transferred Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Transferred Shares. If the Transferee desires to transfer Transferred Shares, the Transferee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Transferred Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Subsequent Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Transferee and by the proposed Subsequent Transferee and must constitute a binding commitment of both parties to the transfer of the Transferred Shares. The Company shall have the right to purchase all, and not less than all, of the Transferred Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) **Transfer of Shares**. If the Company fails to exercise its Right of First Refusal within 30 days after receiving the Transfer Notice, the Transferee may, not later than 90 days after the Company received the Transfer Notice, conclude a transfer of the Transferred Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Transferee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Transferred Shares on the terms set forth in the Transfer Notice within 60 days after the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Transferred Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Transferred Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) **Additional or Exchanged Securities and Property**. In the event of a merger or consolidation of the Company, a sale of all or substantially all of the Company’s stock or assets, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company’s outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to,
any Transferred Shares subject to this Section 3 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Transferred Shares subject to this Section 3.

(d) **Termination of Right of First Refusal**. Any other provision of this Section 3 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Transferee desires to transfer Transferred Shares, the Company shall have no Right of First Refusal, and the Transferee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) **Permitted Transfers**. This Section 3 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Transferee’s Immediate Family or to a trust established by the Transferee for the benefit of the Transferee and/or one or more members of the Transferee’s Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Transferee transfers any Transferred Shares, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Subsequent Transferee to the same extent as to the Transferee.

(f) **Termination of Rights as Stockholder**. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 3, then after such time the person from whom such Shares are to be purchased 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 to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) **Assignment of Right of First Refusal**. The Board of Directors may freely assign the Company’s Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company’s rights and obligations under this Section 3.

**SECTION 4. OTHER RESTRICTIONS ON TRANSFER.**

(a) **Transferee Representations**. In connection with the issuance and acquisition of Shares under this Agreement, the Transferee hereby represents and warrants to the Company as follows:

(i) The Transferee is acquiring and will hold the Transferred Shares for investment for his or her account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act.
(ii) The Transferee understands that the Transferred Shares have not been registered under the Securities Act by reason of a specific exemption therefrom and that the Transferred Shares must be held indefinitely, unless their sale or other transfer is subsequently registered under the Securities Act or the Transferee obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required. The Transferee further acknowledges and understands that the Company is under no obligation to register the Transferred Shares.

(iii) The Transferee is aware of Rule 144 under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions. These conditions may include (without limitation) that certain current public information about the issuer be available, that the resale occur only after a holding period required by Rule 144 has been satisfied, that the sale occur through an unsolicited “broker’s transaction,” and that the amount of securities being sold during any three-month period not exceed specified limitations. The Transferee acknowledges and understands that the conditions for resale set forth in Rule 144 have not been satisfied as of the Date of Transfer and that the Company is not required to take action to satisfy any such conditions.

(iv) The Transferee will not sell, transfer or otherwise dispose of the Transferred Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Transferee agrees that he or she will not dispose of the Transferred Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Transferred Shares and he or she has provided the Company with written assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Transferred Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Transferred Shares under applicable state law.

(v) The Transferee has received and has had access to such information as he or she considers necessary or appropriate for deciding whether to invest in the Transferred Shares, and the Transferee has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Transferred Shares.

(vi) The Transferee is aware that his or her investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Transferee is able, without impairing his or her financial condition, to hold the Transferred Shares for an indefinite period and to suffer a complete loss of his or her investment in the Transferred Shares.
Securities Law Restrictions. Regardless of whether the offer and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State or other relevant jurisdiction, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Transferred Shares (including the placement of appropriate legends on the stock certificates (or electronic equivalent) or the imposition of stop-transfer instructions) and may refuse (or may be required to refuse) to transfer Shares acquired hereunder (or Shares proposed to be transferred in a subsequent transfer) if, in the judgment of the Company, such restrictions, legends or refusal are necessary or appropriate to achieve compliance with the Securities Act or other relevant securities or other laws, including without limitation under Regulation S of the Securities Act or pursuant to another available exemption from registration.

Market Stand-Off. 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 Transferee or a Subsequent Transferee 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 Transferred Shares without the prior written consent of the Company or its managing underwriter. Such restriction (the “Market Stand-Off”) shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company’s initial public offering. 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 which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Transferred Shares until the end of the applicable stand-off period. The Company’s underwriters shall be beneficiaries of the agreement set forth in this Subsection (c). This Subsection (c) shall not apply to Shares registered in the public offering under the Securities Act.

Rights of the Company. The Company shall not be required to (i) transfer on its books any Transferred Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Transferred Shares, or otherwise to accord voting, dividend or liquidation rights to, any Subsequent Transferee to whom Transferred Shares have been transferred in contravention of this Agreement.
SECTION 5. SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Transferee and the Transferee’s legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof.

SECTION 6. NO RETENTION RIGHTS.

Nothing in this Agreement or in the Plan shall confer upon the Transferee any right to continue providing services to the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Transferee) or of the Transferee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 7. TAX ELECTION.

The acquisition of the Transferred Shares may result in adverse tax consequences that may be avoided or mitigated by filing an election under Code Section 83(b). Such election may be filed only within 30 days after the date of transfer set forth in the Summary of Stock Grant. The form for making the Code Section 83(b) election is attached to this Agreement as an Exhibit. The Transferee should consult with his or her tax advisor to determine the tax consequences of acquiring the Transferred Shares and the advantages and disadvantages of filing the Code Section 83(b) election. The Transferee acknowledges that it is his or her sole responsibility, and not the Company’s, to file a timely election under Code Section 83(b), even if the Transferee requests the Company or its representatives to make this filing on his or her behalf.

SECTION 8. LEGENDS.

All certificates evidencing Transferred Shares shall bear the following legends:

“The Shares represented hereby may not be sold, assigned, transferred, encumbered or in any manner disposed of, except in compliance with the terms of a written agreement between the Company and the registered holder of the Shares (or the predecessor in interest to the Shares). Such agreement grants to the Company certain rights of first refusal upon an attempted

All certificates evidencing the Transferred Shares acquired under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) OR ANY SECURITIES LAWS OF ANY U.S. STATE, AND MAY NOT BE SOLD, REOFFERED, PLEDGED, ASSIGNED, ENCUMBERED OR OTHERWISE TRANSFERRED OR DISPOSED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. IN THE ABSENCE OF REGISTRATION OR THE AVAILABILITY (CONFIRMED BY OPINION OF COUNSEL) OF AN ALTERNATIVE EXEMPTION FROM REGISTRATION UNDER THE ACT (INCLUDING WITHOUT LIMITATION IN ACCORDANCE WITH REGULATION S UNDER THE ACT), THESE SHARES MAY NOT BE SOLD, REOFFERED, PLEDGED, ASSIGNED, ENCUMBERED OR OTHERWISE TRANSFERRED OR DISPOSED OF. HEDGING TRANSACTIONS INVOLVING THESE SHARES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT.”

If required by the authorities of any State in connection with the issuance of the Transferred Shares, the legend or legends required by such State authorities shall also be endorsed on all such certificates.

SECTION 9. MISCELLANEOUS PROVISIONS.

(a) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

(b) Notice. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation, with shipping charges prepaid or (iv) deposit with any
internationally recognized express mail courier service. Notice shall be addressed to the Company at its principal executive office and to the Transferee at the address that he or she most recently provided to the Company in accordance with this Subsection (b).

(c) **Entire Agreement**. The Summary of Stock Grant, this Agreement and the Plan 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.

SECTION 10. ACKNOWLEDGEMENTS OF THE TRANSFEREE.

In addition to the other terms, conditions and restrictions imposed on the Shares acquired pursuant to this Agreement, the Transferee expressly acknowledges being subject to Sections 2 (Forfeiture Condition), 3 (Right of First Refusal) and 4 (Other Restrictions on Transfer, including without limitation the Market Stand-Off), as well as the following provisions:

(a) **Waiver of Statutory Information Rights**. The Transferee acknowledges and agrees that, until the first sale of the Company’s Stock to the general public pursuant to a registration statement filed under the Securities Act, he or she will be deemed to have waived any rights the Transferee might otherwise have had under Section 220 of the Delaware General Corporation Law (or under similar rights under other applicable law) to inspect for any proper purpose and to make copies and extracts from the Company’s stock ledger, a list of its stockholders and its other books and records or the books and records of any subsidiary. This waiver applies only in the Transferee’s capacity as a stockholder and does not affect any other inspection rights the Transferee may have under other law or pursuant to a written agreement with the Company.

(b) **Plan Discretionary**. The Transferee understands and acknowledges that (i) the Plan is entirely discretionary, (ii) the Company and the Transferee’s employer have reserved the right to amend, suspend or terminate the Plan at any time, (iii) the transfer of the Transferred Shares does not in any way create any contractual or other right to receive additional awards under the Plan at any time or in any amount and (iv) all determinations with respect to any additional awards, including (without limitation) the times when awards will be granted, the number of Shares offered and the vesting schedule, will be at the sole discretion of the Company.

(c) **Termination of Service**. The Transferee understands and acknowledges that participation in the Plan ceases upon termination of his or her Service for any reason, except as may explicitly be provided otherwise in the Plan or this Agreement.

(d) **Extraordinary Compensation**. The value of the Transferred Shares shall be an extraordinary item of compensation outside the scope of the Transferee’s employment contract, if any, and shall not be considered a part of his or her normal or expected compensation for purposes of calculating severance, resignation, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
c) **Authorization to Disclose.** The Transferee hereby authorizes and directs the Transferee’s employer to disclose to the Company or any Subsidiary any information regarding the Transferee’s employment, the nature and amount of the Transferee’s compensation and the fact and conditions of the Transferee’s participation in the Plan, as the Transferee’s employer deems necessary or appropriate to facilitate the administration of the Plan.

f) **Personal Data Authorization.** The Transferee consents to the collection, use and transfer of personal data as described in this Subsection (f). The Transferee understands and acknowledges that the Company, the Transferee’s employer and the Company’s other Subsidiaries hold certain personal information regarding the Transferee for the purpose of managing and administering the Plan, including (without limitation) the Transferee’s name, home address, telephone number, date of birth, social insurance number, salary, nationality, job title, any Shares or directorships held in the Company and details of all options or any other entitlements to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Transferee’s favor (the “Data”). The Transferee further understands and acknowledges that the Company and/or its Subsidiaries will transfer Data among themselves as necessary for the purpose of implementation, administration and management of the Transferee’s participation in the Plan and that the Company and/or any Subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Transferee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere. The Transferee authorizes such recipients to receive, possess, use, retain and transfer Data, in electronic or other form, for the purpose of administering the Transferee’s participation in the Plan and that the Company and/or any Subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Transferee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere. The Transferee may, at any time, view the Data, require any necessary modifications of Data or withdraw the consents set forth in this Subsection (f) by contacting the Company in writing.

SECTION 11. DEFINITIONS.

(a) “**Agreement**” shall mean this Stock Grant Agreement.

(b) “**Board of Directors**” shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) “**Company**” shall mean Arcus Biosciences, Inc., a Delaware corporation.

(d) “**Forfeiture Condition**” shall mean the forfeiture condition described in Section 2.

(e) “**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.

(f) “**Plan**” shall mean the Arcus Biosciences, Inc. Amended and Restated 2015 Stock Plan, as amended.
(g) “Restricted Share” shall mean a Transferred Share that is subject to the Forfeiture Condition.

(h) “Right of First Refusal” shall mean the Company’s right of first refusal described in Section 3.

(i) “Service” means service as an Employee, Outside Director or Consultant.

(j) “Subsequent Transferee” shall mean any person to whom the Transferee has directly or indirectly transferred any Transferred Shares.

(k) “Transferee” shall mean the individual named in the Summary of Stock Grant.

(l) “Transfer Notice” shall mean the notice of a proposed transfer of Transferred Shares described in Section 3.

(m) “Transferred Shares” shall mean the Shares acquired by the Transferee pursuant to this Agreement.
The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, and pursuant to Treasury Regulations Section 1.83-2, to include in gross income as compensation for services the fair market value of the shares described below.

(1) The taxpayer who performed the services is:
   Name: ________________________________
   Address: ________________________________
   Social Security No.: ________________________________

(2) The property with respect to which the election is made is ___________ shares of the common stock of Arcus Biosciences, Inc.

(3) The property was transferred to the taxpayer on ___________.

(4) The taxable year for which the election is made is the calendar year ___________.

(5) The property is subject to forfeiture if for any reason taxpayer’s service with the issuer terminates. The forfeiture condition lapses in a series of installments over a ___________ -year period ending on ___________.

(6) The fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction that by its terms will never lapse) is $_________ per share x ___________ shares = $_________.

(7) No amount was paid for such property.

(8) The amount to include in gross income is $_________. [The amount in Line 6.]

(9) A copy of this statement was furnished to Arcus Biosciences, Inc., for whom taxpayer rendered the services underlying the transfer of such property.

(10) This statement is executed on ___________.

Spouse (if any) ________________________________  Taxpayer ________________________________

Within 30 days after the date of transfer of the property, this election must be filed with the Internal Revenue Service office where the taxpayer files his or her annual federal income tax return. The filing should be made by registered or certified mail, return receipt requested. The taxpayer must (a) include a copy of the completed form with his or her federal income tax return for the taxable year in which the property is transferred and (b) deliver an additional copy to the Company.
**ARCUS BIOSCIENCES, INC.**
**AMENDED AND RESTATED 2015 STOCK PLAN**
**NOTICE OF STOCK OPTION EXERCISE (EARLY EXERCISE)**

*You must sign this Notice on Page 3 before submitting it to the Company.*

**OPTIONEE INFORMATION:**

<table>
<thead>
<tr>
<th>Name:</th>
<th>Social Security Number:</th>
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</table>

<table>
<thead>
<tr>
<th>Address:</th>
<th>Employee Number:</th>
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</table>

**OPTION INFORMATION:**

<table>
<thead>
<tr>
<th>Date of Grant:</th>
<th>Type of Stock Option:</th>
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<tbody>
<tr>
<td>20</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Exercise Price per Share:</th>
<th>$</th>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Total number of shares of Common Stock of Arcus Biosciences, Inc. (the “Company”)</th>
<th></th>
</tr>
</thead>
<tbody>
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<td></td>
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</table>

**EXERCISE INFORMATION:**

<table>
<thead>
<tr>
<th>Number of shares of Common Stock of the Company for which the option is being exercised now:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>(These shares are referred to below as the “Purchased Shares.”)</td>
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</table>

<table>
<thead>
<tr>
<th>Total Exercise Price for the Purchased Shares:</th>
<th>$</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

**Form of payment enclosed [check all that apply]:**

- [ ] Check for $ , payable to “Arcus Biosciences, Inc.”
- [ ] Certificate(s) for shares of Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. [Requires Company consent.]
- [ ] Attestation Form covering shares of Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. [Requires Company consent.]

**Name(s) in which the Purchased Shares should be registered [please review the attached explanation of the available forms of ownership, and then check one box]:**

- [ ] In my name only
- [ ] In the names of my spouse and myself as community property
  - My spouse’s name (if applicable):
- [ ] In the names of my spouse and myself as community property with the right of survivorship
☐ In the names of my spouse and myself as joint tenants with
the right of survivorship

☐ In the name of an eligible revocable trust [requires Stock Transfer Agreement]

Full legal name of revocable trust:

The certificate for the Purchased Shares should be sent to the following address:

REPRESENTATIONS AND ACKNOWLEDGEMENTS OF THE OPTIONEE:

1. I represent and warrant to the Company that I am acquiring and will hold the Purchased Shares for investment for my account only, and not with a view to, or for resale in connection with, any “distribution” of the Purchased Shares within the meaning of the Securities Act of 1933, as amended (the “Securities Act”).

2. I understand that my purchase of the Purchased Shares has not been registered under the Securities Act by reason of a specific exemption therefrom and that the Purchased Shares must be held indefinitely, unless they are subsequently registered under the Securities Act or I obtain an opinion of counsel (in form and substance satisfactory to the Company and its counsel) that registration is not required.

3. I acknowledge that the Company is under no obligation to register the Purchased Shares or any sale or transfer thereof.

4. I am aware of Rule 144 under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions. These conditions may include (without limitation) that certain current public information about the issuer be available, that the resale occur only after a holding period required by Rule 144 has been satisfied, that the sale occur through an unsolicited “broker’s transaction” and that the amount of securities being sold during any three-month period not exceed specified limitations. I understand that the conditions for resale set forth in Rule 144 have not been satisfied as of the date set forth below and that the Company is not required to take action to satisfy any conditions applicable to it.

5. I will not sell, transfer or otherwise dispose of the Purchased Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act.

6. I acknowledge that I have received and had access to such information as I consider necessary or appropriate for deciding whether to invest in the Purchased Shares and that I had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Purchased Shares.

7. I am aware that my investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. I am able, without impairing my financial condition, to hold the Purchased Shares for an indefinite period and to suffer a complete loss of my investment in the Purchased Shares.
8. I acknowledge that the Purchased Shares remain subject to the Company’s right of first refusal and the market stand-off (sometimes referred to as the “lock-up”) and may remain subject to the Company’s right of repurchase, all in accordance with the applicable Notice of Stock Option Grant and Stock Option Agreement.

9. I acknowledge that I am acquiring the Purchased Shares subject to all other terms of the Notice of Stock Option Grant and Stock Option Agreement.

10. I acknowledge that I have received a copy of the Company’s explanation of the forms of ownership available for my Purchased Shares. I acknowledge that the Company has encouraged me to consult my own adviser to determine the form of ownership that is appropriate for me. In the event that I choose to transfer my Purchased Shares to a trust, I agree to sign a Stock Transfer Agreement. In the event that I choose to transfer my Purchased Shares to a trust that does not satisfy the requirements described in the attached explanation (i.e., a trust that is not an eligible revocable trust), I also acknowledge that the transfer will be treated as a “disposition” for tax purposes. As a result, the favorable ISO tax treatment will be unavailable and other unfavorable tax consequences may occur.

11. I acknowledge that I have received a copy of the Company’s explanation of the federal income tax consequences of an option exercise and the tax election under section 83(b) of the Internal Revenue Code. In the event that I choose to make a section 83(b) election, I acknowledge that it is my responsibility—and not the Company’s responsibility—to file the election in a timely manner, even if I ask the Company or its agents to make the filing on my behalf. I acknowledge that the Company has encouraged me to consult my own adviser to determine the tax consequences of acquiring the Purchased Shares at this time.

12. I agree that the Company does not have a duty to design or administer the Amended and Restated 2015 Stock Plan or its other compensation programs in a manner that minimizes my tax liabilities. I will not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from my options or my other compensation. In particular, I acknowledge that my options are exempt from section 409A of the Internal Revenue Code only if the exercise price per share is at least equal to the fair market value per share of the Company’s Common Stock at the time the option was granted by the Company’s Board of Directors. Since shares of the Company’s Common Stock are not traded on an established securities market, the determination of their fair market value was made by the Company’s Board of Directors or by an independent valuation firm retained by the Company. I acknowledge that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and I will not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

13. I agree to seek the consent of my spouse to the extent required by the Company to enforce the foregoing.

SIGNATURE: ____________________________________________________________

DATE: ____________________________
**EXPLANATION OF FORMS OF STOCK OWNERSHIP**

**PURPOSE OF THIS EXPLANATION**

The purpose of this explanation is to provide you with a brief summary of the forms of legal ownership available for the shares that you are purchasing (the “Purchased Shares”). For a number of reasons, this explanation is no substitute for personal legal advice:

- To make the explanation short and readable, only the highlights are covered. Some legal rules are not addressed, even though they may be important in particular cases.
- While the summary attempts to deal with the most common situations, your own situation may well be different from the norm.
- The law may change, and the Company is not responsible for updating this summary.
- The form in which you own your shares may have a substantial impact on the estate tax treatment that applies to those shares when you die or the income tax treatment that applies when your survivors sell the shares after your death.

**FOR THESE REASONS, THE COMPANY STRONGLY ENCOURAGES YOU TO CONSULT YOUR OWN ADVISER BEFORE EXERCISING YOUR OPTION AND BEFORE MAKING A DECISION ABOUT THE FORM OF OWNERSHIP FOR YOUR SHARES.**

**OVERVIEW**

The Notice of Stock Option Exercise offers five forms of taking title to the Purchased Shares:

- In your name only,
- In your name and the name of your spouse as community property,
- In your name and the name of your spouse as community property with the right of survivorship,
- In your name and the name of your spouse as joint tenants with the right of survivorship, or
- In the name of an eligible revocable trust.

Title in the Purchased Shares depends upon (a) your marital status, (b) the marital property laws of your state of residence and (c) any agreement with your spouse altering the existing marital property laws of your state of residence. If you are not married, you generally will take title in your name alone. If you are married, title depends upon the marital property laws of your state of residence. In general, states are classified either as “community property” states or as “common-law property” states. (But individual state law may vary within these classifications.)
COMMUNITY PROPERTY AND JOINT TENANCY

Community property states include California, Texas, Washington, Arizona, Nevada, New Mexico, Idaho, Louisiana and Wisconsin. In a community property state, property acquired during marriage by either spouse is presumed to be one-half owned by each spouse. All other property is classified as the separate property of the spouse who acquires the property. While either spouse has equal management and control over the community property and may sell, spend or encumber all community property, neither spouse may gift community property or partition his/her one-half interest without the consent of the other spouse. Upon divorce, all community property is divided equally among the spouses and each spouse is entitled to retain all of his/her separate property. Upon the death of a spouse, one-half of the community property (and all of the decedent spouse’s separate property) will pass to the decedent spouse’s heirs. The other one-half of the community property remains the property of the surviving spouse.

Other states are common-law property states. In a common-law property state, each spouse is generally deemed to own whatever he/she earns or acquires.

A married couple may elect to alter the marital property rules by mutually agreeing to take title to property in other forms. For example, a couple residing in a community property state may generally enter into an agreement and transform what otherwise would be community property into the separate property of the spouse who earns or acquires the property.

In addition, many community property and common-law property states allow married couples to take joint title in property acquired during marriage. For example, California allows a married couple to take title in a joint tenancy with the right of survivorship. In a joint tenancy, each spouse owns a one-half interest in the property as separate property. This means that each spouse may transfer or sell his/her one-half interest in the property while he/she is alive. However, unlike traditional separate property, a spouse cannot transfer his/her one-half interest to heirs at death. Instead, the surviving spouse automatically receives the decedent spouse’s one-half interest and becomes the full owner of the property. (This is called the “right of survivorship.”) Both spouses must consent to taking property in a joint tenancy in lieu of having the community property laws apply.

California also allows a married couple to take title in the shares as community property with the right of survivorship. This means that the shares are treated like community property while both spouses are alive. However, if one spouse dies, then the other spouse automatically receives the decedent spouse’s one-half interest and becomes the full owner of the shares. In other words, the decedent spouse’s will or trust does not control the disposition of the shares.

If you have the Purchased Shares issued in a form other than those described above, then the transfer will be treated as a “disposition” for tax purposes. This means that the effect, for tax purposes, will be the same as selling the Purchased Shares. Please refer to the attached tax summary for additional information.
Trusts

A transfer to a trust generally should not be treated as a “disposition” of the Purchased Shares for tax purposes if the trust satisfies each of the following conditions:

• You are the sole grantor of the trust,
• You are the sole trustee, or you and your spouse are the sole co-trustees,
• The trustee or trustees are not required to distribute the income of the trust to any person other than you and/or your spouse while you are alive, and
• The trust permits you to revoke all or part of the trust and to have the trust’s assets returned to you, without the consent of any other person (including your spouse).

If you have the Purchased Shares issued to a trust that does not meet these requirements, then the transfer will be treated as a “disposition” for tax purposes. This means that the effect, for tax purposes, will be the same as selling the Purchased Shares. Please refer to the attached tax summary for additional information.

If you have the Purchased Shares issued to any trust, you will be required to sign a Stock Transfer Agreement in your capacity as trustee. Under the Stock Transfer Agreement, the Purchased Shares remain subject to the Company’s right of first refusal and may remain subject to the Company’s right of repurchase, all in accordance with the applicable Notice of Stock Option Grant and Stock Option Agreement.

The company will not check to determine whether the form of ownership that you elect in your Notice of Stock Option Exercise is appropriate. You should consult your own advisers on this subject. If an inappropriate election is made, the form of ownership may not withstand legal scrutiny or may have adverse tax consequences.
EXPLANATION OF FEDERAL INCOME TAX CONSEQUENCES AND SECTION 83(b) ELECTION

CURRENT AS OF SEPTEMBER 2015

PURPOSE OF THIS EXPLANATION

The purpose of this explanation is to provide you with a brief summary of the tax consequences of exercising your option. For a number of reasons, this explanation is no substitute for personal tax advice:

- To make the explanation short and readable, only the highlights are covered. Some tax rules are not addressed, even though they may be important in particular cases.
- While the summary attempts to deal with the most common situations, your own tax situation may well be different from the norm.
- State and foreign income taxes are not addressed at all, even though they could have a significant impact on your tax planning. Likewise, federal gift and estate taxes and state inheritance taxes are not discussed.
- Tax planning involving incentive stock options is exceedingly complex, in part because of the possible application of the alternative minimum tax.
- The explanation assumes that you are paying the exercise price of your option in cash (or in the form of a full-recourse promissory note with an interest rate that meets IRS requirements). If you are paying the exercise price in the form of stock, you become subject to special rules that are not addressed here.
- This explanation assumes that your option is not subject to section 409A of the Internal Revenue Code. However, the Company cannot be certain that section 409A is inapplicable to your option. (Please refer to the last segment of this summary for more information about section 409A.)
- The tax rules change often, and the Company is not responsible for updating this summary. (Please refer to the date at the top of this page.)

FOR THESE REASONS, THE COMPANY STRONGLY ENCOURAGES YOU TO CONSULT YOUR OWN TAX ADVISER BEFORE EXERCISING YOUR OPTION AND BEFORE MAKING A DECISION ABOUT FILING OR NOT FILING A SECTION 83(b) ELECTION.

EXERCISE OF NSO TO PURCHASE VESTED SHARES

The Notice of Stock Option Grant indicates whether your Purchased Shares are already vested. Vested shares are no longer subject to the Company’s right to repurchase them, although they are still subject to the Company’s right of first refusal. If you know that your Purchased Shares are already vested, there is no need to file a section 83(b) election.
If you are exercising an NSO to purchase vested shares, you will be taxed at the time of exercise. You will recognize ordinary income in an amount equal to the excess of (a) the fair market value of the Purchased Shares on the date of exercise over (b) the exercise price you are paying. If you are an employee or former employee of the Company, this amount is subject to withholding for income and payroll taxes. Your tax basis in the Purchased Shares (to calculate capital gain when you sell the shares) is equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as income on the exercise date.

**Exercise of NSO to Purchase Non-Vested Shares**

If you are exercising an NSO to purchase non-vested shares, and if you do not file a timely election under section 83(b) of the Internal Revenue Code, then you will not be taxed at the time of exercise. Instead, you will be taxed whenever an increment of Purchased Shares vests—in other words, when the Company no longer has the right to repurchase those shares. The Notice of Stock Option Grant indicates when this occurs, generally over a period of several years. Whenever an increment of Purchased Shares vests, you will recognize ordinary income in an amount equal to the excess of (a) the fair market value of those Purchased Shares on the date of vesting over (b) the exercise price you are paying for those Purchased Shares. If you are an employee or former employee of the Company, this amount will be subject to withholding for income and payroll taxes. Your tax basis in the Purchased Shares (to calculate capital gain when you sell the shares) will be equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as income on the vesting date.

If you are exercising an NSO to purchase non-vested shares, and if you file a timely election under section 83(b) of the Internal Revenue Code, then you will be taxed at the time of exercise. You will recognize ordinary income in an amount equal to the excess of (a) the fair market value of the Purchased Shares on the date of exercise over (b) the exercise price you are paying. If you are an employee or former employee of the Company, this amount is subject to withholding for income and payroll taxes. Your tax basis in the Purchased Shares (to calculate capital gain when you sell the shares) is equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as income as a result of filing the section 83(b) election. Even if the fair market value of the Purchased Shares on the date of exercise equals the exercise price (and thus no tax is payable), the section 83(b) election must be made in order to avoid having any subsequent appreciation taxed as ordinary income at the time of vesting. You must file a section 83(b) election with the Internal Revenue Service within 30 days after the Notice of Stock Option Exercise is signed. The 30-day filing period cannot be extended. If you miss the deadline, you will be taxed as the Purchased Shares vest, based on the value of the shares at that time. (See above.) The form for making the 83(b) election is attached. Additional copies of the form must be filed with the Company and with your tax return for the year in which you make the election.
When you dispose of the Purchased Shares, you will recognize a capital gain equal to the excess of (a) the sale proceeds over (b) your tax basis in the Purchased Shares. If the sale proceeds are less than your tax basis, you will recognize a capital loss. The capital gain or loss will be long-term if you held the Purchased Shares for more than 12 months. The holding period normally starts when you exercise your NSO. In general, the maximum marginal federal income tax rate on long-term capital gains is 20% under current law, but lower long-term capital gain rates may apply to taxpayers in the 15% and 10% marginal federal income tax brackets.

Effective January 1, 2013, as a result of the Health Care and Education Reconciliation Act of 2010, an additional Medicare contribution tax is imposed at a rate of 3.8% on the “net investment income” of individuals with adjusted gross incomes in excess of $200,000 ($250,000 in the case of a joint return, and $125,000 in the case of a married taxpayer filing separately). “Net investment income” includes income from interest, dividends, and capital gains, reduced by the deductions properly allocated to such income.

Depending on the level of your adjusted gross income, the additional Medicare contribution tax may be imposed on any short-term and long-term capital gain income and can increase your marginal tax rate.

LIMIT ON ISO TREATMENT

The Notice of Stock Option Grant indicates whether your option is a nonstatutory stock option (NSO) or an incentive stock option (ISO). The favorable tax treatment for ISOs is limited, regardless of what the Notice of Stock Option Grant indicates. Of the options that become exercisable in any calendar year, only options covering the first $100,000 of stock are eligible for ISO treatment. The excess over $100,000 automatically receives NSO treatment. For this purpose, stock is valued at the time of grant. This means that the value is generally equal to the exercise price.

For example, assume that you hold an option to buy 50,000 shares for $4 per share. Assume further that the entire option is exercisable immediately after the date of grant. (It is irrelevant when the underlying stock vests.) Only the first 25,000 shares qualify for ISO treatment. (25,000 times $4 equals $100,000.) The remaining 25,000 shares will be treated as if they had been acquired by exercising an NSO. This is true regardless of when the option is actually exercised; what matters is when it first could have been exercised.

EXERCISE OF ISO AND ISO HOLDING PERIODS

If you are exercising an ISO, you will not be taxed under the regular tax rules until you dispose of the Purchased Shares. 1 (The alternative minimum tax rules are described below.) The tax treatment at the time of disposition depends on how long you hold the shares. You will satisfy the ISO holding periods if you hold the Purchased Shares until the later of the following dates:

- More than two years after the ISO was granted, and

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1 Generally, a “disposition” of shares purchased under an ISO encompasses any transfer of legal title, such as a transfer by sale, exchange or gift. It generally does not include a transfer to your spouse, a transfer into joint ownership with right of survivorship (if you remain one of the joint owners), a pledge, a transfer by bequest or inheritance, or certain tax-free exchanges permitted under the Internal Revenue Code. A transfer to a trust is a “disposition” unless the trust is an eligible revocable trust, as described in the attached explanation.
• More than one year after the ISO is exercised.

**Disposition of ISO Shares**

If you dispose of the Purchased Shares after satisfying both of the ISO holding periods, then you will recognize only a long-term capital gain at the time of disposition. The amount of the capital gain is equal to the excess of (a) the sale proceeds over (b) the exercise price. In general, the maximum marginal federal income tax rate on long-term capital gains is 20% under current law, but lower long-term capital gain rates may apply to taxpayers in the 15% and 10% marginal federal income tax brackets.

Effective January 1, 2013, as a result of the Health Care and Education Reconciliation Act of 2010, an additional Medicare contribution tax is imposed at a rate of 3.8% on the “net investment income” of individuals with adjusted gross incomes in excess of $200,000 ($250,000 in the case of a joint return, and $125,000 in the case of a married taxpayer filing separately). “Net investment income” includes income from interest, dividends, and capital gains, reduced by the deductions properly allocated to such income.

If you dispose of the Purchased Shares before either or both of the ISO holding periods are met, then you will recognize ordinary income at the time of disposition. The calculation of the ordinary income amount depends on whether the shares are vested at the time of exercise.

• **Shares Vested**. If the shares are vested at the time of exercise, the amount of ordinary income will be equal to the excess of (a) the fair market value of the Purchased Shares on the date of exercise over (b) the exercise price. But if the disposition is an arm’s length sale to an unrelated party, the amount of ordinary income will not exceed the total gain from the sale. Under current IRS rules, the ordinary income amount will not be subject to withholding for income or payroll taxes. Your tax basis in the Purchased Shares will be equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as ordinary income. Any gain in excess of your basis will be taxed as a capital gain—either long-term or short-term, depending on how long you held the Purchased Shares after the date of exercise.

• **Shares Not Vested**. If the Purchased Shares are not vested at the time of exercise, then the amount of ordinary income will be equal to the excess of (a) the fair market value of the Purchased Shares on the date of vesting over (b) the exercise price. But if the disposition is an arm’s length sale to an unrelated party, the amount of ordinary income will not exceed the total gain from the sale. Under current IRS rules, the ordinary income amount will not be subject to withholding for income or payroll taxes. Your tax basis in the Purchased Shares...
will be equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as ordinary income. Any gain in excess of your basis will be taxed as a capital gain—either long-term or short-term, depending on how long you held the Purchased Shares after the date of vesting. Please note that it makes no difference under the regular tax rules whether or not you filed a section 83(b) election at the time you exercised your ISO. In either case, your regular taxable income is measured as of the time of vesting rather than the time of exercise.

**SUMMARY OF ALTERNATIVE MINIMUM TAX**

The alternative minimum tax (AMT) must be paid to the extent that it exceeds your regular federal income tax for the year. For 2015, the first $185,400 ($92,700 for a married taxpayer filing a separate return) of your alternative minimum taxable income for the year over the allowable exemption amount (see below) is subject to alternative minimum taxation at the rate of 26%. The balance of your alternative minimum taxable income is subject to alternative minimum taxation at the rate of 28%. The dollar thresholds dividing the 26% and 28% rates are indexed for inflation in future years. Your alternative minimum tax base is equal to your alternative minimum taxable income (AMTI) minus your exemption amount.

- **Alternative Minimum Taxable Income.** Your AMTI is equal to your regular taxable income, subject to certain adjustments and increased by items of tax preference. Among the many adjustments made in computing AMTI are the following:
  - State and local income and property taxes are not allowed as a deduction.
  - Miscellaneous itemized deductions are not allowed.
  - Certain interest deductions are not allowed.
  - The standard deduction and personal exemptions are not allowed.
  - When an ISO is exercised, the spread is added to income for AMT purposes. (See discussion below.)

- **Exemption Amount.** Before AMT is calculated, AMTI is reduced by the exemption amount. Under current law, the exemption amount is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Joint Returns</th>
<th>Single Returns</th>
<th>Separate Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$82,100</td>
<td>$52,800</td>
<td>$41,700</td>
</tr>
<tr>
<td>2015</td>
<td>$83,400</td>
<td>$53,600</td>
<td>$41,700</td>
</tr>
</tbody>
</table>

2 Amounts are indexed for inflation in future years.
The allowable exemption amount is reduced by $0.25 for each $1.00 by which alternative minimum taxable income for the year exceeds the following amounts:

<table>
<thead>
<tr>
<th>Year</th>
<th>Joint Returns</th>
<th>Single Returns</th>
<th>Separate Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$156,500</td>
<td>$117,300</td>
<td>$78,250</td>
</tr>
<tr>
<td>2015</td>
<td>$158,900</td>
<td>$119,200</td>
<td>$79,450</td>
</tr>
</tbody>
</table>

This means, for example, in 2015, the $83,400 exemption amount is phased out completely for married individuals filing joint returns when their alternative minimum taxable income reaches $492,500 (($83,400 ÷ $0.25) + $158,900).

**APPLICATION OF AMT WHEN ISO IS EXERCISED**

As noted above, when an ISO is exercised, the spread is included in AMTI at the time of exercise, unless the Purchased Shares are not yet vested at the time of exercise. If the Purchased Shares are not yet vested, the value of the shares minus the exercise price is included in AMTI when the shares vest. However, if you make an election under section 83(b) within 30 days after exercise, then the spread is included in AMTI at the time of exercise. **YOU MUST FILE AN 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE WITHIN 30 DAYS AFTER THE NOTICE OF STOCK OPTION EXERCISE IS SIGNED.** The 30-day filing period cannot be extended.

A special rule applies if you dispose of the Purchased Shares in the same year in which you exercised the ISO. If the amount you realize on the sale is less than the value of the stock at the time of exercise, then the amount includible in AMTI on account of the ISO exercise is limited to the gain realized on the sale.  

To the extent that your AMT is attributable to the spread on exercising an ISO (and certain other items), you may be able to apply the AMT that you paid as a credit against your income tax liability in future years. But the rules on calculating the available tax credits were amended frequently in recent years and have become extraordinarily complex. On this issue in particular, you must consult your own tax adviser.

When Purchased Shares are sold, your basis for purposes of computing the capital gain or loss under the AMT system is increased by the option spread that exists at the time of exercise. Again, an ISO is treated under the AMT system much like an NSO is treated under the regular tax system. But your basis in the ISO shares for purposes of computing gain or loss under the regular tax system does not reflect any AMT that you pay on the spread at exercise. Therefore, if you pay AMT in the year of the ISO exercise and regular income tax in the year of selling the Purchased Shares, you could pay tax twice on the same gain (except to the extent that you can use the AMT credit described above).

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3 Amounts are indexed for inflation in future years.
4 This is similar to the rule that applies under the regular tax system in the event of a disqualifying disposition of ISO stock. The amount of ordinary income that must be recognized in that case generally does not exceed the amount of the gain realized in the disposition.
SECTION 409A OF THE INTERNAL REVENUE CODE

The preceding summary assumes that section 409A of the Internal Revenue Code does not apply to your option. In general, your option is exempt from section 409A if the exercise price per share is at least equal to the fair market value per share of the Company’s Common Stock at the time the option was granted by the Board of Directors. Since shares of Common Stock are not traded on an established securities market, the determination of their fair market value generally is made by the Board of Directors or by an independent appraisal firm retained by the Company. In either case, there is no guarantee that the Internal Revenue Service will agree with the valuation.

If your option were found to be subject to section 409A, then you would be required to recognize ordinary income as early as the year in which the option (or portion thereof) vests. This amount would also be subject to a 20% federal tax in addition to the federal income tax at your usual marginal rate for ordinary income. Additional state income taxes may apply in some states.

DISCLAIMER UNDER IRS CIRCULAR 230

To ensure compliance with requirements imposed by U.S. tax authorities, we inform you that any U.S. tax advice contained in the foregoing summary is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding United States federal, state or local tax penalties, or (ii) promoting, marketing or recommending to another party any matters addressed herein (including any attachments).
The undersigned taxpayer hereby elects, pursuant to Sections 55 and 83(b) of the Internal Revenue Code of 1986, as amended, and pursuant to Treasury Regulations Section 1.83-2, to include in gross income as compensation for services the excess (if any) of the fair market value of the shares described below over an amount paid for those shares.

A. The taxpayer who performed the services is:
   Name: ________________________________
   Address: ________________________________
   Social Security No.: ________________________________

B. The property with respect to which the election is made is _______ shares of the common stock of Arcus Biosciences, Inc.

C. The property was transferred to the taxpayer on ________.

D. The taxable year for which the election is made is the calendar year ________.

E. The property is subject to a repurchase right pursuant to which the issuer has the right to acquire the property if for any reason taxpayer’s service with the issuer terminates. The issuer’s repurchase right lapses in a series of installments over a _______ -year period ending on ________.

F. The fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction that by its terms will never lapse) is $ _____ per share x _______ shares = $ ________.

G. For the property transferred, the taxpayer paid $ _____ per share x _______ shares = $ ________.

H. The amount to include in gross income is $ _____ [The amount in Item F less the amount in Item G]

I. This statement is executed on ________.

Signature of Spouse (if any) ________________________________ Signature of Taxpayer ________________________________

Within 30 days after the date of transfer of the property, this election must be filed with the Internal Revenue Service office where the taxpayer files his or her annual federal income tax return. The filing should be made by registered or certified mail, return receipt requested. The taxpayer must (a) include a copy of the completed form with his or her federal income tax return for the taxable year in which the property is transferred and (b) deliver an additional copy to the Company.
Notice of Stock Option Exercise (Instalment Exercise)

You must sign this Notice on Page 3 before submitting it to the Company.

Optionee Information:

Name: ___________________________________________ Social Security Number: __________________________
Address: _________________________________________ Employee Number: __________________________

Option Information:

Date of Grant: __________, 20__ Type of Stock Option:
Exercise Price per Share: $ ______ □ Nonstatutory (NSO)
Total number of shares of Common Stock of Arcus Biosciences, Inc. (the □ Incentive (ISO)
“Company”) covered by the option: __________

Exercise Information:

Number of shares of Common Stock of the Company for which the option is being exercised now: _______. (These shares are referred to below as the “Purchased Shares.”)
Total Exercise Price for the Purchased Shares: $ ___
Form of payment enclosed [check all that apply]:
☐ Check for $ ____, payable to “Arcus Biosciences, Inc.”
☐ Certificate(s) for _______ shares of Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. [Requires Company consent.]
☐ Attestation Form covering _______ shares of Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. [Requires Company consent.]

Name(s) in which the Purchased Shares should be registered [please review the attached explanation of the available forms of ownership, and then check one box]:
☐ In my name only
☐ In the names of my spouse and myself as community property

☐ In the names of my spouse and myself as community property with the right of survivorship

☐ In the names of my spouse and myself as joint tenants with the right of survivorship

☐ In the name of an eligible revocable trust [requires Stock Transfer Agreement]

The certificate for the Purchased Shares should be sent to the following address:

My spouse’s name (if applicable):

Full legal name of revocable trust:

___________________________________________________________

___________________________________________________________

___________________________________________________________

___________________________________________________________

___________________________________________________________

REPRESENTATIONS AND ACKNOWLEDGEMENTS OF THE OPTIONEE:

1. I represent and warrant to the Company that I am acquiring and will hold the Purchased Shares for investment for my account only, and not with a view to, or for resale in connection with, any “distribution” of the Purchased Shares within the meaning of the Securities Act of 1933, as amended (the “Securities Act”).

2. I understand that my purchase of the Purchased Shares has not been registered under the Securities Act by reason of a specific exemption therefrom and that the Purchased Shares must be held indefinitely, unless they are subsequently registered under the Securities Act or I obtain an opinion of counsel (in form and substance satisfactory to the Company and its counsel) that registration is not required.

3. I acknowledge that the Company is under no obligation to register the Purchased Shares or any sale or transfer thereof.

4. I am aware of Rule 144 under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions. These conditions may include (without limitation) that certain current public information about the issuer be available, that the resale occur only after a holding period required by Rule 144 has been satisfied, that the sale occur through an unsolicited “broker’s transaction” and that the amount of securities being sold during any three-month period not exceed specified limitations. I understand that the conditions for resale set forth in Rule 144 have not been satisfied as of the date set forth below, and that the Company is not required to take action to satisfy any conditions applicable to it.

5. I will not sell, transfer or otherwise dispose of the Purchased Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act.

6. I acknowledge that I have received and had access to such information as I consider necessary or appropriate for deciding whether to invest in the Purchased Shares and that I had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Purchased Shares.
7. I am aware that my investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. I am able, without impairing my financial condition, to hold the Purchased Shares for an indefinite period and to suffer a complete loss of my investment in the Purchased Shares.

8. I acknowledge that the Purchased Shares remain subject to the Company’s right of first refusal and the market stand-off (sometimes referred to as the “lock-up”), all in accordance with the applicable Notice of Stock Option Grant and Stock Option Agreement.

9. I acknowledge that I am acquiring the Purchased Shares subject to all other terms of the Notice of Stock Option Grant and Stock Option Agreement.

10. I acknowledge that I have received a copy of the Company’s explanation of the forms of ownership available for my Purchased Shares. I acknowledge that the Company has encouraged me to consult my own adviser to determine the form of ownership that is appropriate for me. In the event that I choose to transfer my Purchased Shares to a trust, I agree to sign a Stock Transfer Agreement. In the event that I choose to transfer my Purchased Shares to a trust that does not satisfy the requirements described in the attached explanation (i.e., a trust that is not an eligible revocable trust), I also acknowledge that the transfer will be treated as a “disposition” for tax purposes. As a result, the favorable ISO tax treatment will be unavailable and other unfavorable tax consequences may occur.

11. I acknowledge that I have received a copy of the Company’s explanation of the federal income tax consequences of an option exercise. I acknowledge that the Company has encouraged me to consult my own adviser to determine the tax consequences of acquiring the Purchased Shares at this time.

12. I agree that the Company does not have a duty to design or administer the Amended and Restated 2015 Stock Plan or its other compensation programs in a manner that minimizes my tax liabilities. I will not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from my options or my other compensation. In particular, I acknowledge that my options are exempt from section 409A of the Internal Revenue Code only if the exercise price per share is at least equal to the fair market value per share of the Company’s Common Stock at the time the option was granted by the Company’s Board of Directors. Since shares of the Company’s Common Stock are not traded on an established securities market, the determination of their fair market value was made by the Company’s Board of Directors or by an independent valuation firm retained by the Company. I acknowledge that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and I will not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

13. I agree to seek the consent of my spouse to the extent required by the Company to enforce the foregoing.

SIGNATURE: ________________________________ DATE: ________________________________
EXPLANATION OF FORMS OF STOCK OWNERSHIP

PURPOSE OF THIS EXPLANATION
The purpose of this explanation is to provide you with a brief summary of the forms of legal ownership available for the shares that you are purchasing (the “Purchased Shares”). For a number of reasons, this explanation is no substitute for personal legal advice:

• To make the explanation short and readable, only the highlights are covered. Some legal rules are not addressed, even though they may be important in particular cases.
• While the summary attempts to deal with the most common situations, your own situation may well be different from the norm.
• The law may change, and the Company is not responsible for updating this summary.
• The form in which you own your shares may have a substantial impact on the estate tax treatment that applies to those shares when you die or the income tax treatment that applies when your survivors sell the shares after your death.

FOR THESE REASONS, THE COMPANY STRONGLY ENCOURAGES YOU TO CONSULT YOUR OWN ADVISER BEFORE EXERCISING YOUR OPTION AND BEFORE MAKING A DECISION ABOUT THE FORM OF OWNERSHIP FOR YOUR SHARES.

OVERVIEW
The Notice of Stock Option Exercise offers five forms of taking title to the Purchased Shares:

• In your name only,
• In your name and the name of your spouse as community property,
• In your name and the name of your spouse as community property with the right of survivorship,
• In your name and the name of your spouse as joint tenants with the right of survivorship, or
• In the name of an eligible revocable trust.

Title in the Purchased Shares depends upon (a) your marital status, (b) the marital property laws of your state of residence and (c) any agreement with your spouse altering the existing marital property laws of your state of residence. If you are not married, you generally will take title in your name alone. If you are married, title depends upon the marital property laws of your state of residence. In general, states are classified either as “community property” states or as “common-law property” states. (But individual state law may vary within these classifications.)
Community property states include California, Texas, Washington, Arizona, Nevada, New Mexico, Idaho, Louisiana and Wisconsin. In a community property state, property acquired during marriage by either spouse is presumed to be one-half owned by each spouse. All other property is classified as the separate property of the spouse who acquires the property. While either spouse has equal management and control over the community property and may sell, spend or encumber all community property, neither spouse may gift community property or partition his/her one-half interest without the consent of the other spouse. Upon divorce, all community property is divided equally among the spouses and each spouse is entitled to retain all of his/her separate property. Upon the death of a spouse, one-half of the community property (and all of the decedent spouse’s separate property) will pass to the decedent spouse’s heirs. The other one-half of the community property remains the property of the surviving spouse.

Other states are common-law property states. In a common-law property state, each spouse is generally deemed to own whatever he/she earns or acquires.

A married couple may elect to alter the marital property rules by mutually agreeing to take title to property in other forms. For example, a couple residing in a community property state may generally enter into an agreement and transform what otherwise would be community property into the separate property of the spouse who earns or acquires the property.

In addition, many community property and common-law property states allow married couples to take joint title in property acquired during marriage. For example, California allows a married couple to take title in a joint tenancy with the right of survivorship. In a joint tenancy, each spouse owns a one-half interest in the property as separate property. This means that each spouse may transfer or sell his/her one-half interest in the property while he/she is alive. However, unlike traditional separate property, a spouse cannot transfer his/her one-half interest to heirs at death. Instead, the surviving spouse automatically receives the decedent spouse’s one-half interest and becomes the full owner of the property. (This is called the “right of survivorship.”) Both spouses must consent to taking property in a joint tenancy in lieu of having the community property laws apply.

California also allows a married couple to take title in the shares as community property with the right of survivorship. This means that the shares are treated like community property while both spouses are alive. However, if one spouse dies, then the other spouse automatically receives the decedent spouse’s one-half interest and becomes the full owner of the shares. In other words, the decedent spouse’s will or trust does not control the disposition of the shares.

If you have the Purchased Shares issued in a form other than those described above, then the transfer will be treated as a “disposition” for tax purposes. This means that the effect, for tax purposes, will be the same as selling the Purchased Shares. Please refer to the attached tax summary for additional information.
A transfer to a trust generally should not be treated as a “disposition” of the Purchased Shares for tax purposes if the trust satisfies each of the following conditions:

- You are the sole grantor of the trust,
- You are the sole trustee, or you and your spouse are the sole co-trustees,
- The trustee or trustees are not required to distribute the income of the trust to any person other than you and/or your spouse while you are alive, and
- The trust permits you to revoke all or part of the trust and to have the trust’s assets returned to you, without the consent of any other person (including your spouse).

If you have the Purchased Shares issued to a trust that does not meet these requirements, then the transfer will be treated as a “disposition” for tax purposes. This means that the effect, for tax purposes, will be the same as selling the Purchased Shares. Please refer to the attached tax summary for additional information.

If you have the Purchased Shares issued to any trust, you will be required to sign a Stock Transfer Agreement in your capacity as trustee. Under the Stock Transfer Agreement, the Purchased Shares remain subject to the Company’s right of first refusal in accordance with the applicable Notice of Stock Option Grant and Stock Option Agreement.

**The Company will not check to determine whether the form of ownership that you elect in your Notice of Stock Option Exercise is appropriate. You should consult your own advisers on this subject. If an inappropriate election is made, the form of ownership may not withstand legal scrutiny or may have adverse tax consequences.**
EXPLANATION OF U.S. FEDERAL INCOME TAX CONSEQUENCES
(Current as of September 2015)

PURPOSE OF THIS EXPLANATION
The purpose of this explanation is to provide you with a brief summary of the tax consequences of exercising your option. For a number of reasons, this explanation is no substitute for personal tax advice:

• To make the explanation short and readable, only the highlights are covered. Some tax rules are not addressed, even though they may be important in particular cases.
• While the summary attempts to deal with the most common situations, your own tax situation may well be different from the norm.
• State and foreign income taxes are not addressed at all, even though they could have a significant impact on your tax planning. Likewise, federal gift and estate taxes and state inheritance taxes are not discussed.
• Tax planning involving incentive stock options is exceedingly complex, in part because of the possible application of the alternative minimum tax.
• This explanation assumes that your option is not subject to section 409A of the Internal Revenue Code. However, the Company cannot be certain that section 409A is inapplicable to your option. (Please refer to the last segment of this summary for more information about section 409A.)
• The tax rules change often, and the Company is not responsible for updating this summary. (Please refer to the date at the top of this page.)

FOR THESE REASONS, THE COMPANY STRONGLY ENCOURAGES YOU TO CONSULT YOUR OWN TAX ADVISER BEFORE EXERCISING YOUR OPTION.

EXERCISE OF NSO
If you are exercising an NSO, you will be taxed at the time of exercise. You will recognize ordinary income in an amount equal to the excess of (a) the fair market value of the Purchased Shares on the date of exercise over (b) the exercise price you are paying. If you are an employee or former employee of the Company, this amount is subject to withholding for income and payroll taxes. Your tax basis in the Purchased Shares (to calculate capital gain when you sell the shares) is equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as income on the exercise date.
When you dispose of the Purchased Shares, you will recognize a capital gain equal to the excess of (a) the sale proceeds over (b) your tax basis in the Purchased Shares. If the sale proceeds are less than your tax basis, you will recognize a capital loss. The capital gain or loss will be long-term if you held the Purchased Shares for more than 12 months. The holding period starts when you exercise your NSO. In general, the maximum marginal federal income tax rate on long-term capital gains is 20% under current law, but lower long-term capital gain rates may apply to taxpayers in the 15% and 10% marginal federal income tax brackets.

Effective January 1, 2013, as a result of the Health Care and Education Reconciliation Act of 2010, an additional Medicare contribution tax is imposed at a rate of 3.8% on the “net investment income” of individuals with adjusted gross incomes in excess of $200,000 ($250,000 in the case of a joint return, and $125,000 in the case of a married taxpayer filing separately). “Net investment income” includes income from interest, dividends, and capital gains, reduced by the deductions properly allocated to such income.

Depending on the level of your adjusted gross income, the additional Medicare contribution tax may be imposed on any short-term and long-term capital gain income and can increase your marginal tax rate.

Limit on ISO Treatment

The Notice of Stock Option Grant indicates whether your option is a nonstatutory stock option (NSO) or an incentive stock option (ISO). The favorable tax treatment for ISOs is limited, regardless of what the Notice of Stock Option Grant indicates. Of the options that become exercisable in any calendar year, only options covering the first $100,000 of stock are eligible for ISO treatment. The excess over $100,000 automatically receives NSO treatment. For this purpose, stock is valued at the time of grant. This means that the value is generally equal to the exercise price.

For example, assume that you hold an option to buy 60,000 shares for $8 per share. Assume further that the entire option becomes exercisable in four equal annual installments. Only the first 50,000 shares qualify for ISO treatment. (12,500 times $8 equals $100,000.) The remaining 10,000 shares will be treated as if they had been acquired by exercising an NSO. This is true regardless of when the option is actually exercised; what matters is when it first could have been exercised.
EXERCISE OF ISO AND ISO HOLDING PERIODS

If you are exercising an ISO, you will not be taxed under the *regular* tax rules until you dispose of the Purchased Shares. 1 (The alternative minimum tax rules are described below.) The tax treatment at the time of disposition depends on how long you hold the shares. You will satisfy the ISO holding periods if you hold the Purchased Shares until the *later* of the following dates:

- More than two years after the ISO was granted, and
- More than one year after the ISO is exercised.

DISPOSITION OF ISO SHARES

If you dispose of the Purchased Shares after satisfying *both* of the ISO holding periods, then you will recognize only a long-term capital gain at the time of disposition. The amount of the capital gain is equal to the excess of (a) the sale proceeds over (b) the exercise price. In general, the maximum marginal federal income tax rate on long-term capital gains is 20% under current law, but lower long-term capital gain rates may apply to taxpayers in the 15% and 10% marginal federal income tax brackets.

Effective January 1, 2013, as a result of the Health Care and Education Reconciliation Act of 2010, an additional Medicare contribution tax is imposed at a rate of 3.8% on the “net investment income” of individuals with adjusted gross incomes in excess of $200,000 ($250,000 in the case of a joint return, and $125,000 in the case of a married taxpayer filing separately). “Net investment income” includes income from interest, dividends, and capital gains, reduced by the deductions properly allocated to such income.

If you dispose of the Purchased Shares before either or both of the ISO holding periods are met, then you will recognize ordinary income at the time of disposition. The amount of ordinary income will be equal to the excess of (a) the fair market value of the Purchased Shares on the date of exercise over (b) the exercise price. But if the disposition is an arm’s length sale to an unrelated party, the amount of ordinary income will not exceed the total gain from the sale. Under current IRS rules, the ordinary income amount will not be subject to withholding for income or payroll taxes.

Your tax basis in the Purchased Shares will be equal to the sum of the exercise price you paid for the Purchased Shares plus any additional amount you recognized as ordinary income. Any gain in excess of your basis will be taxed as a capital gain—either long-term or short-term, depending on how long you held the Purchased Shares after the date of exercise.

SUMMARY OF ALTERNATIVE MINIMUM TAX

The alternative minimum tax (AMT) must be paid to the extent that it exceeds your regular federal income tax for the year. For 2015, the first $185,400 ($92,700 for a married taxpayer filing a separate return) of your alternative minimum taxable income for the year over the allowable exemption amount (see below) is subject to alternative minimum taxation at the rate of 26%. The balance of your alternative minimum taxable income is subject to alternative minimum taxation at the rate of 28%. The dollar thresholds dividing the 26% and 28% rates are indexed for inflation in future years. Your alternative minimum tax base is equal to your alternative minimum taxable income (AMTI) minus your exemption amount.

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1 Generally, a “disposition” of shares purchased under an ISO encompasses any transfer of legal title, such as a transfer by sale, exchange or gift. It generally does not include a transfer to your spouse, a transfer into joint ownership with right of survivorship (if you remain one of the joint owners), a pledge, a transfer by bequest or inheritance, or certain tax-free exchanges permitted under the Internal Revenue Code. A transfer to a trust is a “disposition” unless the trust is an eligible revocable trust, as described in the attached explanation.
• **Alternative Minimum Taxable Income**. Your AMTI is equal to your regular taxable income, subject to certain adjustments and increased by items of tax preference. Among the many adjustments made in computing AMTI are the following:
  
  • State and local income and property taxes are not allowed as a deduction.
  • Miscellaneous itemized deductions are not allowed.
  • Certain interest deductions are not allowed.
  • The standard deduction and personal exemptions are not allowed.
  • When an ISO is exercised, the spread is added to income for AMT purposes. (See discussion below.)

• **Exemption Amount**. Before AMT is calculated, AMTI is reduced by the exemption amount. Under current law, the exemption amount is as follows:

<table>
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<th>Year</th>
<th>Joint Returns:</th>
<th>Single Returns:</th>
<th>Separate Returns:</th>
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<td>2015</td>
<td>$83,400</td>
<td>$53,600</td>
<td>$41,700</td>
</tr>
</tbody>
</table>

The allowable exemption amount is reduced by $0.25 for each $1.00 by which alternative minimum taxable income for the year exceeds the following amounts:

<table>
<thead>
<tr>
<th>Year</th>
<th>Joint Returns:</th>
<th>Single Returns:</th>
<th>Separate Returns:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$156,500</td>
<td>$117,300</td>
<td>$78,250</td>
</tr>
<tr>
<td>2015</td>
<td>$158,900</td>
<td>$119,200</td>
<td>$79,450</td>
</tr>
</tbody>
</table>

This means, for example, in 2015, the $83,400 exemption amount is phased out completely for married individuals filing joint returns when their alternative minimum taxable income reaches $492,500 [($83,400 ÷ $0.25) + $158,900].

**APPLICATION OF AMT WHEN ISO IS EXERCISED**

As noted above, when an ISO is exercised, the spread is included in AMTI at the time of exercise.

A special rule applies if you dispose of the Purchased Shares in the same year in which you exercised the ISO. If the amount you realize on the sale is less than the value of the stock at the time of exercise, then the amount includible in AMTI on account of the ISO exercise is limited to the gain realized on the sale.  

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2 Amounts are indexed for inflation in future years.
3 Amounts are indexed for inflation in future years.
4 This is similar to the rule that applies under the regular tax system in the event of a disqualifying disposition of ISO stock. The amount of ordinary income that must be recognized in that case generally does not exceed the amount of the gain realized in the disposition.
To the extent that your AMT is attributable to the spread on exercising an ISO (and certain other items), you may be able to apply the AMT that you paid as a credit against your income tax liability in future years. But the rules on calculating the available tax credits were amended frequently in recent years and have become extraordinarily complex. On this issue in particular, you must consult your own tax adviser.

When Purchased Shares are sold, your basis for purposes of computing the capital gain or loss under the AMT system is increased by the option spread that exists at the time of exercise. Again, an ISO is treated under the AMT system much like an NSO is treated under the regular tax system. But your basis in the ISO shares for purposes of computing gain or loss under the regular tax system does not reflect any AMT that you pay on the spread at exercise. Therefore, if you pay AMT in the year of the ISO exercise and regular income tax in the year of selling the Purchased Shares, you could pay tax twice on the same gain (except to the extent that you can use the AMT credit described above).

SECTI 0N 409A OF THE I NTERNAL R EVENUE C ODE

The preceding summary assumes that section 409A of the Internal Revenue Code does not apply to your option. In general, your option is exempt from section 409A if the exercise price per share is at least equal to the fair market value per share of the Company’s Common Stock at the time the option was granted by the Board of Directors. Since shares of Common Stock are not traded on an established securities market, the determination of their fair market value generally is made by the Board of Directors or by an independent appraisal firm retained by the Company. In either case, there is no guarantee that the Internal Revenue Service will agree with the valuation.

If your option were found to be subject to section 409A, then you would be required to recognize ordinary income as early as the year in which the option (or portion thereof) vests. This amount would also be subject to a 20% federal tax in addition to the federal income tax at your usual marginal rate for ordinary income. Additional state income taxes may apply in some states.

DISCLAIMER U NDER IRS C IRCULAR 230

To ensure compliance with requirements imposed by U.S. tax authorities, we inform you that any U.S. tax advice contained in the foregoing summary is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding United States federal, state or local tax penalties, or (ii) promoting, marketing or recommending to another party any matters addressed herein (including any attachments).
Dear Terry:

This letter amends and restates the terms of employment between you and Arcus Biosciences, Inc. (the “Company”):

1. **Position**. Your initial title will be Chief Executive Officer, and you will report to the Company’s Board of Directors. This is a full-time position. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company.

2. **Cash Compensation**. Effective January 1, 2018, the Company will pay you a salary at the rate of $295,000 per year. Your salary will be payable in accordance with the Company’s standard payroll schedule and will be subject to adjustment pursuant to the Company’s employee compensation policies in effect from time to time. In addition, you will be eligible to participate in any incentive bonus program established by the Company.

3. **Employee Benefits**. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company’s vacation policy, as in effect from time to time.

4. **Equity Awards**. Any future equity compensation awards granted to you by the Company shall provide that if the Company (or its successor, if applicable) terminates your employment without Cause or if you resign as an employee for Good Reason in connection with or following a Change in Control, then as of the date of such termination or resignation, all shares covered by the award that remain subject to vesting conditions at that time shall become immediately vested; **provided, however**., that as a condition to your receipt of such benefits, you will be required to satisfy the Benefit Conditions (as defined in Section 5(a) below).
5. Severance Benefits

(a) General. If you are subject to an Involuntary Termination, then you will be entitled to the benefits described in this Section 5. However, this Section 5 will not apply unless you (i) have returned all Company property in your possession, (ii) have resigned as a member of the Boards of Directors of the Company and all of its subsidiaries, to the extent applicable, and (iii) have executed a general release of all claims that you may have against the Company or persons affiliated with the Company. The release must be in the form prescribed by the Company, without alterations. You must execute and return the release on or before the date specified by the Company in the prescribed form (the “Release Deadline”). The Release Deadline will in no event be later than 50 days after your Separation. If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described in this Section 5. The conditions and requirements described in this Section 5(a) are referred to herein as the “Benefit Conditions.”

(b) Salary Continuation. If you are subject to an Involuntary Termination, then the Company will continue to pay your base salary for a period of six months after your Separation. Your base salary will be paid at the rate in effect at the time of your Separation and in accordance with the Company’s standard payroll procedures. The salary continuation payments will commence within 60 days after your Separation and, once they commence, will include any unpaid amounts accrued from the date of your Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the payments will in any event begin in the second calendar year.

6. Confidential Information and Inventions Assignment Agreement. You will continue to be bound by the Confidential Information and Inventions Assignment Agreement dated May 8, 2015 between you and the Company.

7. Employment Relationship. Employment with the Company is for no specific period of time. Your employment with the Company will be “at will,” meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company’s personnel policies and procedures, may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

8. Tax Matters.

(a) Withholding. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

(b) Section 409A. For purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), each salary continuation payment under Section 5(b) is hereby designated as a separate payment. If the Company determines that you are a “specified employee” under Section 409A(a)(2)(B)(i) of the Code at the time of your Separation, then (i) the salary continuation payments under Section 5(b), to the extent that they are subject to Section 409A of the Code, will commence on the first business day following the earlier of (A) expiration of the six-month period measured from your Separation or (B) the date of your death and (ii) the installments that otherwise would have been paid prior to such date will be paid in a
lump sum when the salary continuation payments commence. In addition, if a Change in Control constitutes a payment event with respect to any amount that is subject to Code Section 409A (pursuant to this letter agreement or otherwise), then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

(c) **Tax Advice.** You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

9. **Interpretation, Amendment and Enforcement.** This letter agreement supersedes and replaces any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company regarding the subject matter set forth herein and constitutes the complete agreement between you and the Company regarding such subject matter. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company (other than you). The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the “Disputes”) will be governed by California law, excluding laws relating to conflicts or choice of law.

10. **Definitions.** The following terms have the meaning set forth below wherever they are used in this letter agreement:

“**Cause**” for the Company (or its successor, if applicable) to terminate your employment shall exist only under the following conditions: (i) your willful failure to substantially perform your material duties and responsibilities to the Company after having received written notice of such failure and at least 30 days to remedy such failure; (ii) your conviction or plea of no contest to a felony; (iii) your commission of any act of fraud, misappropriation or embezzlement against the Company; (iv) your material breach of the terms of any confidentiality, invention assignment or proprietary information agreement with the Company; or (v) your willful failure to comply in any material respect with lawful written policies of the Company of general applicability that have been communicated to you.

“**Change in Control**” means (i) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (ii) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (iii) the direct or
indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company; provided, however, that a Change in Control shall not include any transaction or series of related transactions (A) principally for bona fide equity financing purposes or (B) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Change in Control has occurred.

“Resignation for Good Reason” means a Separation as a result of your resignation from the Company (or its successor, if applicable) only under the following conditions: (i) if there is a material adverse change in your position causing such position to be of materially reduced stature or responsibility, (ii) if there is a reduction in your base salary compensation or other benefits, or (iii) if you refuse to relocate to a facility or location more than 25 miles from the then current facility or location at which you provide services; provided, however, that a Resignation for Good Reason shall not be deemed to have occurred unless (1) you shall have provided the Company with written notice of the condition within 30 days following the initial existence of such conditions, and the Company shall not have remedied such conditions within 30 days after such notice and (2) you resign within two years following the initial existence of the condition.

“Involuntary Termination” means either (a) your Termination Without Cause or (b) your Resignation for Good Reason.

“Separation” means a “separation from service,” as defined in the regulations under Section 409A of the Code.

“Termination Without Cause” means a Separation as a result of a termination of your employment by the Company without Cause, provided you are willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).
You may indicate your agreement with these terms by signing and dating this letter agreement and returning it to me.

Very truly yours,

A RCUS B IOSCIENCES, I NC.

By: /s/ Yasunori Kaneko
Yasunori Kaneko, Member of the Board
of Directors

I have read and accept the terms of this letter agreement:

/s/ Terry Rosen
Signature of Terry Rosen

Dated: 2/14/2018
Juan Jaen

Dear Juan:

This letter amends and restates the terms of employment between you and Arcus Biosciences, Inc. (the “Company”):

1. **Position**. Your initial title will be President, and you will report to the Company’s Chief Executive Officer. This is a full-time position. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company.

2. **Cash Compensation**. The Company will pay you a salary at the rate of $350,000 per year. Your salary will be payable in accordance with the Company’s standard payroll schedule and will be subject to adjustment pursuant to the Company’s employee compensation policies in effect from time to time. In addition, you will be eligible to participate in any incentive bonus program established by the Company.

3. **Employee Benefits**. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company’s vacation policy, as in effect from time to time.

4. **Equity Awards**. Any future equity compensation awards granted to you by the Company shall provide that if the Company (or its successor, if applicable) terminates your employment without Cause or if you resign as an employee for Good Reason in connection with or following a Change in Control, then as of the date of such termination or resignation, all shares covered by the award that remain subject to vesting conditions at that time shall become immediately vested; provided, however, that as a condition to your receipt of such benefits, you will be required to satisfy the Benefit Conditions (as defined in Section 5(a) below).

5. **Severance Benefits**.

   (a) **General**. If you are subject to an Involuntary Termination, then you will be entitled to the benefits described in this Section 5. However, this Section 5 will not apply unless you (i) have returned all Company property in your possession, (ii) have resigned as a member of the Boards of Directors of the Company and all of its subsidiaries, to the extent
applicable, and (iii) have executed a general release of all claims that you may have against the Company or persons affiliated with the Company. The release must be in the form prescribed by the Company, without alterations. You must execute and return the release on or before the date specified by the Company in the prescribed form (the “Release Deadline”). The Release Deadline will in no event be later than 50 days after your Separation. If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described in this Section 5. The conditions and requirements described in this Section 5(a) are referred to herein as the “Benefit Conditions.”

(b) **Salary Continuation**. If you are subject to an Involuntary Termination, then the Company will continue to pay your base salary for a period of six months after your Separation. Your base salary will be paid at the rate in effect at the time of your Separation and in accordance with the Company’s standard payroll procedures. The salary continuation payments will commence within 60 days after your Separation and, once they commence, will include any unpaid amounts accrued from the date of your Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the payments will in any event begin in the second calendar year.

6. **Confidential Information and Inventions Assignment Agreement**. You will continue to be bound by the Confidential Information and Inventions Assignment Agreement dated May 8, 2015 between you and the Company.

7. **Employment Relationship**. Employment with the Company is for no specific period of time. Your employment with the Company will be “at will,” meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company’s personnel policies and procedures, may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

8. **Tax Matters**.

   (a) **Withholding**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

   (b) **Section 409A**. For purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), each salary continuation payment under Section 5(b) is hereby designated as a separate payment. If the Company determines that you are a “specified employee” under Section 409A(a)(2)(B)(i) of the Code at the time of your Separation, then (i) the salary continuation payments under Section 5(b), to the extent that they are subject to Section 409A of the Code, will commence on the first business day following the earlier of (A) expiration of the six-month period measured from your Separation or (B) the date of your death and (ii) the installments that otherwise would have been paid prior to such date will be paid in a
lump sum when the salary continuation payments commence. In addition, if a Change in Control constitutes a payment event with respect to any amount that is subject to Code Section 409A (pursuant to this letter agreement or otherwise), then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

(c) Tax Advice. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

9. Interpretation, Amendment and Enforcement. This letter agreement supersedes and replaces any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company regarding the subject matter set forth herein and constitutes the complete agreement between you and the Company regarding such subject matter. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company (other than you). The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the “Disputes”) will be governed by California law, excluding laws relating to conflicts or choice of law.

10. Definitions. The following terms have the meaning set forth below wherever they are used in this letter agreement:

“Cause” for the Company (or its successor, if applicable) to terminate your employment shall exist only under the following conditions: (i) your willful failure to substantially perform your material duties and responsibilities to the Company after having received written notice of such failure and at least 30 days to remedy such failure; (ii) your conviction or plea of no contest to a felony; (iii) your commission of any act of fraud, misappropriation or embezzlement against the Company; (iv) your material breach of the terms of any confidentiality, invention assignment or proprietary information agreement with the Company; or (v) your willful failure to comply in any material respect with lawful written policies of the Company of general applicability that have been communicated to you.

“Change in Control” means (i) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (ii) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (iii) the direct or
indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company; provided, however, that a Change in Control shall not include any transaction or series of related transactions (A) principally for bona fide equity financing purposes or (B) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Change in Control has occurred.

“Resignation for Good Reason” means a Separation as a result of your resignation from the Company (or its successor, if applicable) only under the following conditions: (i) if there is a material adverse change in your position causing such position to be of materially reduced stature or responsibility, (ii) if there is a reduction in your base salary compensation or other benefits, or (iii) if you refuse to relocate to a facility or location more than 25 miles from the then current facility or location at which you provide services; provided, however, that a Resignation for Good Reason shall not be deemed to have occurred unless (1) you shall have provided the Company with written notice of the condition within 30 days following the initial existence of such conditions, and the Company shall not have remedied such conditions within 30 days after such notice and (2) you resign within two years following the initial existence of the condition.

“Involuntary Termination” means either (a) your Termination Without Cause or (b) your Resignation for Good Reason.

“Separation” means a “separation from service,” as defined in the regulations under Section 409A of the Code.

“Termination Without Cause” means a Separation as a result of a termination of your employment by the Company without Cause, provided you are willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).

* * * * *
You may indicate your agreement with these terms by signing and dating this letter agreement and returning it to me.

Very truly yours,


By: /s/ Terry Rosen
   Terry Rosen, Chief Executive Officer

I have read and accept the terms of this letter agreement:

/s/ Juan Jaen
Signature of Juan Jaen
Dated: 2/14/2018
Jen Jarrett

Dear Jen:

This letter amends and restates the terms of employment between you and Arcus Biosciences, Inc. (the “Company”):

1. **Position**. Your initial title will be Chief Business Officer and Financial Officer, and you will report to the Company’s Chief Executive Officer. This is a full-time position. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company.

2. **Cash Compensation**. Effective January 1, 2018, the Company will pay you a salary at the rate of $420,000 per year. Your salary will be payable in accordance with the Company’s standard payroll schedule and will be subject to adjustment pursuant to the Company’s employee compensation policies in effect from time to time. In addition, you will be eligible to participate in any incentive bonus program established by the Company.

3. **Employee Benefits**. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company’s vacation policy, as in effect from time to time.

4. **Equity Awards**. Any future equity compensation awards granted to you by the Company shall provide that if the Company (or its successor, if applicable) terminates your employment without Cause or if you resign as an employee for Good Reason in connection with or following a Change in Control, then as of the date of such termination or resignation, all shares covered by the award that remain subject to vesting conditions at that time shall become immediately vested; provided, however, that as a condition to your receipt of such benefits, you will be required to satisfy the Benefit Conditions (as defined in Section 5(a) below).

5. **Severance Benefits**.

(a) **General**. If you are subject to an Involuntary Termination, then you will be entitled to the benefits described in this Section 5. However, this Section 5 will not apply unless you (i) have returned all Company property in your possession, (ii) have resigned as a member of the Boards of Directors of the Company and all of its subsidiaries, to the extent applicable, and (iii) have executed a general release of all claims that you may have against the Company or persons affiliated with the Company. The release must be in the form prescribed by
the Company, without alterations. You must execute and return the release on or before the date specified by the Company in the prescribed form (the “Release Deadline”). The Release Deadline will in no event be later than 50 days after your Separation. If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described in this Section 5. The conditions and requirements described in this Section 5(a) are referred to herein as the “Benefit Conditions.”

(b) **Salary Continuation**. If you are subject to an Involuntary Termination, then the Company will continue to pay your base salary for a period of six months after your Separation. Your base salary will be paid at the rate in effect at the time of your Separation and in accordance with the Company’s standard payroll procedures. The salary continuation payments will commence within 60 days after your Separation and, once they commence, will include any unpaid amounts accrued from the date of your Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the payments will in any event begin in the second calendar year.

6. **Proprietary Information and Inventions Agreement**. You will continue to be bound by the Proprietary Information and Inventions Agreement between you and the Company that you previously signed.

7. **Employment Relationship**. Employment with the Company is for no specific period of time. Your employment with the Company will be “at will,” meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company’s personnel policies and procedures, may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

8. **Tax Matters**.

   (a) **Withholding**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

   (b) **Section 409A**. For purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), each salary continuation payment under Section 5(b) is hereby designated as a separate payment. If the Company determines that you are a “specified employee” under Section 409A(a)(2)(B)(i) of the Code at the time of your Separation, then (i) the salary continuation payments under Section 5(b), to the extent that they are subject to Section 409A of the Code, will commence on the first business day following the earlier of (A) expiration of the six-month period measured from your Separation or (B) the date of your death and (ii) the installments that otherwise would have been paid prior to such date will be paid in a lump sum when the salary continuation payments commence. In addition, if a Change in Control constitutes a payment event with respect to any amount that is subject to Code Section 409A (pursuant to this letter agreement or otherwise), then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.
(c) **Tax Advice.** You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

9. **Interpretation, Amendment and Enforcement.** Except as specifically set forth herein, this letter agreement supersedes and replaces any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company regarding the subject matter set forth herein and constitutes the complete agreement between you and the Company regarding such subject matter. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company (other than you). The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the “Disputes”) will be governed by California law, excluding laws relating to conflicts or choice of law.

10. **Definitions.** The following terms have the meaning set forth below wherever they are used in this letter agreement:

- **Cause** for the Company (or its successor, if applicable) to terminate your employment shall exist only under the following conditions: (i) your willful failure to substantially perform your material duties and responsibilities to the Company after having received written notice of such failure and at least 30 days to remedy such failure; (ii) your conviction or plea of no contest to a felony; (iii) your commission of any act of fraud, misappropriation or embezzlement against the Company; (iv) your material breach of the terms of any confidentiality, invention assignment or proprietary information agreement with the Company; or (v) your willful failure to comply in any material respect with lawful written policies of the Company of general applicability that have been communicated to you.

- **Change in Control** means (i) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (ii) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the
Company; provided, however, that a Change in Control shall not include any transaction or series of related transactions (A) principally for bona fide equity financing purposes or (B) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Change in Control has occurred.

“Resignation for Good Reason” means a Separation as a result of your resignation from the Company (or its successor, if applicable) only under the following conditions: (i) if there is a material adverse change in your position causing such position to be of materially reduced stature or responsibility, (ii) if there is a reduction in your base salary compensation or other benefits, or (iii) if you refuse to relocate to a facility or location more than 25 miles from the then current facility or location at which you provide services; provided, however, that a Resignation for Good Reason shall not be deemed to have occurred unless (1) you shall have provided the Company with written notice of the condition within 30 days following the initial existence of such conditions, and the Company shall not have remedied such conditions within 30 days after such notice and (2) you resign within two years following the initial existence of the condition.

“Invitational Termination” means either (a) your Termination Without Cause or (b) your Resignation for Good Reason.

“Separation” means a “separation from service,” as defined in the regulations under Section 409A of the Code.

“Termination Without Cause” means a Separation as a result of a termination of your employment by the Company without Cause, provided you are willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).

* * * * *
You may indicate your agreement with these terms by signing and dating this letter agreement and returning it to me.

Very truly yours,

A RCUS BIOSCIENCES, INC.

By: /s/ Terry Rosen
   Terry Rosen, Chief Executive Officer

I have read and accept the terms of this letter agreement:

/s/ Jennifer Jarrett
Signature of Jen Jarrett

Dated: 2/15/2018
LEASE

BRITANNIA POINT EDEN

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,

a Delaware limited partnership

as Landlord,

and

ARCUS BIOSCIENCES, INC.,

a Delaware corporation,

as Tenant.

HCP, INC.

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
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HCP, INC.  
[Britannia Point Eden]  
[Arcus Biosciences, Inc.]
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HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
BRITANNIA POINT EDEN

LEASE

This Lease (the “Lease”), dated as of the date set forth in Section 1 of the Summary of Basic Lease Information (the “Summary”), below, is made by and between HAYWARD POINT EDEN I LIMITED PARTNERSHIP, a Delaware limited partnership (“Landlord”), and ARCUS BIOSCIENCES, INC., a Delaware corporation (“Tenant”).

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE

1. Date:

2. Premises (Article 1):

2.1 Building:

2.2 Premises:

3. Lease Term (Article 2):

3.1 Length of Term:

3.2 Lease Commencement Date:

3.3 Lease Expiration Date:

4. Base Rent (Article 3):

<table>
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*Note: Tenant shall have no obligation to pay any Base Rent for the Premises attributable to the first three (3) full calendar months of the Lease Term (the “Base Rent Abatement Period”); provided, however, Tenant shall be required to pay Tenant’s Share of Direct Expenses attributable to such period, as well as for all utilities and other services.
5. Tenant Improvement Allowance  
   (Exhibit B): $190.00 per RSF of the Premises (i.e., $5,028,730.00).

6. Tenant’s Share  
   (Article 4): 64.38%.

7. Permitted Use  
   (Article 5): The Premises shall be used only for general office, warehouse research and development, engineering, and laboratory and vivarium uses, including, but not limited to, administrative offices and other lawful uses reasonably related to or incidental to such specified uses, all (i) consistent with first class life sciences projects in Hayward, California (“First Class Life Sciences Projects”), and (ii) in compliance with, and subject to, applicable laws and the terms of this Lease.

8. Letter of Credit  
   (Article 21): $201,816.64.

9. Parking  
   (Article 28): 3.3 unreserved parking spaces for every 1,000 rentable square feet of the Premises, subject to the terms of Article 28 of the Lease.

   -HCP, INC.  
   [Britannia Point Eden]  
   [Arcus Biosciences, Inc.]
### 10. Address of Tenant  
(Section 29.18):

**Before the commencement of the Lease:**

Arcus Biosciences, Inc.  
240 East Grand Avenue, 2nd Floor  
South San Francisco, CA 94080  
Attention: Chief Financial Officer  

**After the commencement of the Lease:**

Arcus Biosciences, Inc.  
3928 Point Eden Way  
Hayward, California 94545  
Attention: Chief Financial Officer

### 11. Address of Landlord  
(Section 29.18):

See Section 29.18 of the Lease.

### 12. Broker(s)  
(Section 29.24):

Kidder Mathews  

and  

CBRE, Inc.

---

HCP, INC.  
[Britannia Point Eden]  
[Arcus Biosciences, Inc.]
1. **PREMISES, BUILDING, PROJECT, AND COMMON AREAS.**

   1.1 **Premises, Building, Project and Common Areas.**

      1.1.1 **The Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 2.2 of the Summary (the “Premises”). The outline of the Premises is set forth in Exhibit A attached hereto. The outline of the “Building” and the “Project,” as those terms are defined in Section 1.1.2 below, are further depicted on the Site Plan attached hereto as Exhibit A. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed. The parties hereto hereby acknowledge that the purpose of Exhibit A is to show the approximate location of the Premises only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the “Common Areas,” as that term is defined in Section 1.1.3, below, or the elements thereof or of the accessways to the Premises or the “Project,” as that term is defined in Section 1.1.2, below, and that the square footage of the Premises shall be as set forth in Section 2.1 of the Summary of Basic Lease Information. Except as specifically set forth in this Lease and in the Tenant Work Letter attached hereto as Exhibit B (the “Tenant Work Letter”), Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant’s business, except as specifically set forth in this Lease and the Tenant Work Letter. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Building and Premises have not undergone inspection by a Certified Access Specialist (CASp). Landlord shall deliver the Premises to Tenant in good, vacant (with all racks and items thereon in the receiving area removed), broom clean condition, in compliance with all laws, with the roof water-tight and shall cause the plumbing, electrical systems, fire sprinkler system, lighting, and all other building systems serving the Premises in good operating condition and repair on or before the Lease Commencement Date, or such earlier date as Landlord and Tenant mutually agree. Landlord will be responsible for causing the exterior of the Building, the existing Building entrances, and all exterior Common Areas (including required striping and handicapped spaces in the parking areas) to be in compliance with Applicable Laws, ADA and parking requirements, to the extent required to allow the legal occupancy of the Premises or completion of the Tenant Improvements.

      1.1.2 **The Building and The Project.** The Premises constitutes the space set forth in Section 2.1 of the Summary (the “Building”). The Building is part of an office/laboratory project currently known as “Britannia Point Eden.” The term “Project,” as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the land (which is improved with landscaping, parking facilities and other improvements) upon which the Building and the Common Areas are located, (iii) the other office/laboratory buildings located at Britannia Point Eden, and the land upon which such adjacent office/laboratory buildings are located, and (iv) at Landlord’s discretion, any additional real property, areas, land, buildings or other improvements added thereto outside of the Project (provided that any such additions do not increase Tenant’s obligations under this Lease).

      1.1.3 **Common Areas.** Tenant shall have the non-exclusive right to use in common with other tenants in the Project, and subject to the rules and regulations referred to in Article 5 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant and any other tenants of the Project, which shall include the shipping and receiving area in the Building (such areas, together with such other portions of the Project designated by Landlord, in its discretion, are collectively referred to herein as the “Common Areas”). Landlord shall maintain and operate the Common Areas, including all sprinkler and other systems serving the Common Areas, in a first class manner, and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may reasonably make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas, provided that in connection therewith Landlord will use commercially reasonable efforts to minimize any interference with Tenant’s use of and access to the Premises and parking areas. Landlord agrees to

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[The rest of the document continues with more paragraphs and sections discussing the terms and conditions of the lease, including provisions for maintenance, use of common areas, and other lease-related matters.]

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
utilize commercially reasonable efforts to operate and maintain the cafe and gym currently located at the Project throughout the Lease Term; provided, however, Tenant nevertheless acknowledges herby that if despite such commercially reasonable efforts Landlord is unable for any reason to maintain continuous operation of such amenities during the Lease Term, in no event shall such failure be deemed a default of the Lease, nor shall such failure impact the validity of this Lease and Landlord shall not be subject to any liability for such failure.

1.2 Rentable Square Feet of Premises. The rentable square footage of the Premises is hereby deemed to be as set forth in Section 2.2 of the Summary, and shall not be subject to measurement or adjustment during the Lease Term.

1.3 Right of First Refusal.

1.3.1 Right of First Refusal. Subject to the terms and conditions of this Section 1.3, Landlord hereby grants to Tenant one-time right of first refusal during the initial Lease Term with respect to each of the following spaces: (i) any space in the Building immediately adjacent to the initial Premises, and (ii) any space in the buildings adjacent to the Building known as 3956 Point Eden Way and 3960 Point Eden Way (collectively, the “First Refusal Space”). Notwithstanding the foregoing, such first refusal right of Tenant as to each First Refusal Space shall commence only following the expiration or earlier termination of the existing leases of such First Refusal Space (including renewals of any such lease, irrespective of whether any such renewal is currently set forth in such lease or is subsequently granted or agreed upon, and regardless of whether such renewal is consummated pursuant to a lease amendment or a new lease). Such right of first refusal shall be subordinate to all rights of other tenants of the Project, which rights relate to the First Refusal Space and are set forth in leases of space in the Project existing as of the date hereof, including, without limitation, any expansion, first offer, first refusal, first negotiation and other rights, regardless of whether such rights are executed strictly in accordance with their respective terms or pursuant to a lease amendment or a new lease.

1.3.2 Procedure for Lease.

1.3.2.1 Procedure for Offer. Subject to the terms hereof, Landlord shall notify Tenant (the “First Refusal Notice”) prior to entering into any lease with a third party for each First Refusal Space, which notice shall include base rent, allowance amounts if any, length of term, and other economic terms on which Landlord would be willing to lease the First Refusal Space to a third-party and upon which a third party would be willing to lease each First Refusal Space, as evidenced by a copy of the proposed term sheet with the third party containing the terms upon which Landlord is willing to enter into a lease with the third party, redacted to eliminate the name of the third party (the “Fundamental Terms”). Pursuant to such First Refusal Notice, Landlord shall offer to lease to Tenant the applicable First Refusal Space on the Fundamental Terms.

1.3.2.2 Procedure for Acceptance. If Tenant wishes to exercise Tenant’s right of first refusal with respect to the First Refusal Space described in the First Refusal Notice, then within five (5) business days after delivery of the First Refusal Notice to Tenant, Tenant shall deliver notice to Landlord of Tenant’s irrevocable exercise of its right of first refusal with respect to all of the First Refusal Space described in the First Refusal Notice on the Fundamental Terms provided for therein. If Tenant does not so notify Landlord within such five (5) business day period of Tenant’s exercise of its first refusal right, then Landlord shall be free to lease the space described in the First Refusal Notice to anyone to whom Landlord desires on terms that, on a net effective basis, are not more than ten percent (10%) more favorable to the tenant than the Fundamental Terms provided in the First Offer Notice. Prior to entering into a lease on terms more than ten percent (10%) more favorable than the Fundamental Terms, Landlord shall first re-offer such space to Tenant on such more favorable terms, as provided in this Section 1.3.

1.3.2.3 Construction In First Refusal Space. Subject to the Fundamental Terms provided to Tenant for the First Refusal Space, Tenant shall take the First Refusal Space in its “as is” condition, and Landlord shall not be obligated to provide or pay for any improvement of the First Refusal Space. For the avoidance of doubt, if the Fundamental Terms include a tenant improvement allowance or turn-key build out, Tenant shall receive the same allowance or turn-key build out, as applicable.
1.3.2.4 Lease of First Refusal Space. If Tenant timely exercises Tenant’s right of first refusal to lease First Refusal Space as set forth herein, Landlord and Tenant shall within fifteen (15) days after receipt of Landlord’s first draft of an amendment accurately setting forth the Fundamental Terms and not containing any new material terms, enter an amendment to this Lease (the “First Refusal Space Amendment”) for such First Refusal Space pursuant to this Section 1.3. Tenant’s lease of such First Refusal Space shall be upon the express terms set forth in the First Refusal Notice, but otherwise upon the same general terms and conditions set forth in this Lease and this Section 1.3. The First Refusal Space Lease shall not contain the rights set forth in Section 2.2, below, unless such rights were set forth in the First Refusal Notice. The term of Tenant’s lease of the First Refusal Space shall commence on the date set forth in the First Refusal Notice (provided that such commencement date shall in no event be earlier than the date of Landlord’s delivery of the applicable First Refusal Space to Tenant), and shall expire on the applicable date set forth in the First Refusal Notice.

1.3.2.5 Termination of First Refusal Right. The rights contained in this Section 1.3 may only be exercised if the Tenant or a Permitted Transferee then occupies at least seventy five percent (75%) of the Premises. The right of first refusal granted herein shall terminate as to particular First Refusal Space upon Tenant’s failure to timely exercise its right of first refusal with respect to such particular First Refusal Space, subject to Section 1.3.2.2 above. The right to lease First Refusal Space as provided in this Section 1.3 may not be exercised if, as of the date of the attempted exercise of the expansion option by Tenant, or, at Landlord’s option, as of the scheduled date of delivery of such First Refusal Space to Tenant, Tenant is in default under this Lease, beyond any applicable notice and cure period.

2. LEASE TERM; OPTION TERM.

2.1 Lease Term. The terms and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the “Lease Term”) shall be as set forth in Section 3.1 of the Summary, shall commence on the date set forth in Section 3.2 of the Summary (the “Lease Commencement Date”), and shall terminate on the date set forth in Section 3.3 of the Summary (the “Lease Expiration Date”) unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term “Lease Year” shall mean each consecutive twelve (12) month period during the Lease Term. At any time during the Lease Term, Landlord may deliver to Tenant a notice in the form as set forth in Exhibit C, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within five (5) days of receipt thereof. Notwithstanding the foregoing, if Landlord has not delivered possession of the Premises in the condition required by Section 1.1.1, above, (1) on or before July 1, 2016, then, as Tenant’s sole remedy for such delay, the date Tenant is otherwise obligated to commence payment of rent shall be delayed by one day for each two (2) days that the delivery date is delayed beyond such date, (2) on or before August 1, 2016, then, as Tenant’s sole remedy for such delay (in addition to the delay in subpart (1)), the date Tenant is otherwise obligated to commence payment of rent shall be delayed by one additional day for each day that the delivery date is delayed beyond such date, or (3) October 1, 2016, then, Tenant shall also have the right to terminate this Lease by written notice thereof to Landlord, whereupon any monies previously paid by Tenant to Landlord shall be reimbursed to Tenant. The foregoing dates shall be extended to the extent of any delays in delivery of possession caused by Tenant Delay, as provided in Section 1(j) of the Tenant Work Letter, war, terrorism, acts of God, natural disaster, civil unrest, governmental strike or area-wide or industry-wide labor disputes, inability to obtain services, labor, or materials or reasonable substitutes therefor, or delays due to utility companies that are not the result of any action or inaction of Landlord.

2.2 Option Term.

2.2.1 Option Right. Landlord hereby grants to the Original Tenant, and its “Permitted Assignees”, as that term is defined in Section 14.8, below, two (2) options to extend the Lease Term for a period of three (3) years (each an “Option Term”), which options shall be irrevocably exercised only by written notice delivered by Tenant to Landlord not more than twelve (12) months nor less than nine (9) months prior to the expiration of the then Lease Term, provided that the following conditions (the “Option Conditions”) are satisfied: (i) as of the date of delivery of such notice, Tenant is not in default under this Lease, after the expiration of any applicable notice and cure period; (ii) Tenant has not previously been in default.
under this Lease, after the expiration of any applicable notice and cure period, more than twice in the twelve (12) month period prior to the date of Tenant’s attempted exercise; and (iii) the Lease then remains in full force and effect. Landlord may, at Landlord’s option, exercised in Landlord’s sole and absolute discretion, waive any of the Option Conditions in which case the option, if otherwise properly exercised by Tenant, shall remain in full force and effect. Upon the proper exercise of such option to extend, and provided that Tenant satisfies all of the Option Conditions (except those, if any, which are waived by Landlord), the Lease Term, as it applies to the Premises, shall be extended for a period of three (3) years. The rights contained in this Section 2.2 shall be personal to Original Tenant and any Permitted Assignees, and may be exercised by Original Tenant or such Permitted Assignees (and not by any assignee, sublessee or other “Transferee,” as that term is defined in Section 14.1 of this Lease, of Tenant’s interest in this Lease). Notwithstanding any contrary provision of this Section 2.2, in no event may Tenant exercise its right to extend the Lease Term for the second (2 nd ) Option Term under this Section 2.2 if Tenant fails to timely exercise its right to extend the initial Lease Term for the first (1 st ) Option Term under this Section 2.2.

2.2.2 Option Rent. The annual Rent payable by Tenant during the Option Term (the “Option Rent”) shall be equal to the “Fair Rental Value,” as that term is defined below, for the Premises as of the commencement date of the Option Term. The “Fair Rental Value,” as used in this Lease, shall be equal to the annual rent per rentable square foot (including additional rent and considering any “base year” or “expense stop” applicable thereto), including all escalations, at which tenants (pursuant to leases consummated within the twelve (12) month period preceding the first day of the Option Term), are leasing non-sublease, non-encumbered, non-equity space which is not significantly greater or smaller in size than the subject space, with a comparable level of improvements (excluding any property that Tenant would be allowed to remove from the Premises at the termination of the Lease), for a comparable lease term, in an arm’s-length transaction, which comparable space is located in the “Comparable Buildings,” as that term is defined in this Section 2.2.2., below (transactions satisfying the foregoing criteria shall be known as the “Comparable Transactions”), taking into consideration the following concessions (the “Concessions”): (a) rental abatement concessions, if any, being granted such tenants in connection with such comparable space; (b) tenant improvements or allowances provided or to be provided for such comparable space, and taking into account the value, if any, of the existing improvements in the subject space, such value to be based upon the age, condition, design, quality of finishes and layout of the improvements and the extent to which the same can be utilized by a general office/lab user other than Tenant; and (c) other reasonable monetary concessions being granted such tenants in connection with such comparable space; provided, however, that in calculating the Fair Rental Value, no consideration shall be given to the fact that Landlord is or is not required to pay a real estate brokerage commission in connection with Tenant’s exercise of its right to extend the Lease Term, or the fact that landlords are or are not paying real estate brokerage commissions in connection with such comparable space. The Concessions shall be reflected in the effective rental rate (which effective rental rate shall take into consideration the total dollar value of such Concessions as amortized on a straight-line basis over the applicable term of the Comparable Transaction (in which case such Concessions evidenced in the effective rental rate shall not be granted to Tenant)) payable by Tenant. The term “Comparable Buildings” shall mean the Building and those other life sciences buildings which are comparable to the Building in terms of age (based upon the date of completion of construction or major renovation of to the building), quality of construction, level of services and amenities, size and appearance, and are located in Hayward, California and the surrounding commercial area.

2.2.3 Determination of Option Rent. In the event Tenant timely and appropriately exercises an option to extend the Lease Term, Landlord shall notify Tenant of Landlord’s determination of the Option Rent within thirty (30) days thereafter. If Tenant, on or before the date which is ten (10) days following the date upon which Tenant receives Landlord’s determination of the Option Rent, in good faith objects to Landlord’s determination of the Option Rent, then Landlord and Tenant shall attempt to agree upon the Option Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within ten (10) days following Tenant’s objection to the Option Rent (the “Outside Agreement Date”), then Tenant shall have the right to withdraw its exercise of the option by delivering written notice thereof to Landlord within five (5) days thereafter, in which event Tenant’s right to extend the Lease pursuant to this Section 2.2 shall be of no further force or effect. If Tenant does not withdraw its exercise of the extension option, each party shall make a separate determination of the Option Rent, as the case may be, within ten (10) days after the Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with Sections 2.2.3.1 through 2.2.3.7, below. If Tenant fails to object to Landlord’s determination of the Option Rent within the time period set forth herein, then Tenant shall be deemed to have objected to Landlord’s determination of Option Rent.
2.2.3.1 Landlord and Tenant shall each appoint one arbitrator who shall be a real estate appraiser who shall have been active over the five (5) year period ending on the date of such appointment in the appraisal of other class A life sciences buildings located in the Hayward market area. The determination of the arbitrators shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Option Rent is the closest to the actual Option Rent, taking into account the requirements of Section 2.2.2 of this Lease, as determined by the arbitrators. Each such arbitrator shall be appointed within fifteen (15) days after the Outside Agreement Date. Landlord and Tenant may consult with their selected arbitrators prior to appointment and may select an arbitrator who is favorable to their respective positions. The arbitrators so selected by Landlord and Tenant shall be deemed “Advocate Arbitrators.”

2.2.3.2 The two (2) Advocate Arbitrators so appointed shall be specifically required pursuant to an engagement letter within ten (10) days of the date of the appointment of the last appointed Advocate Arbitrator to agree upon and appoint a third arbitrator (“Neutral Arbitrator”) who shall be qualified under the same criteria set forth hereinabove for qualification of the two Advocate Arbitrators, except that neither the Landlord or Tenant or either parties’ Advocate Arbitrator may, directly or indirectly, consult with the Neutral Arbitrator prior or subsequent to his or her appearance. The Neutral Arbitrator shall be retained via an engagement letter jointly prepared by Landlord’s counsel and Tenant’s counsel.

2.2.3.3 The three arbitrators shall, within thirty (30) days of the appointment of the Neutral Arbitrator, reach a decision as to whether the parties shall use Landlord’s or Tenant’s submitted Option Rent, and shall notify Landlord and Tenant thereof.

2.2.3.4 The decision of the majority of the three arbitrators shall be binding upon Landlord and Tenant.

2.2.3.5 If either Landlord or Tenant fails to appoint an Advocate Arbitrator within fifteen (15) days after the Outside Agreement Date, then either party may petition the presiding judge of the Superior Court of Alameda County to appoint such Advocate Arbitrator subject to the criteria in Section 2.2.3.1 of this Lease, or if he or she refuses to act, either party may petition any judge having jurisdiction over the parties to appoint such Advocate Arbitrator.

2.2.3.6 If the two (2) Advocate Arbitrators fail to agree upon and appoint the Neutral Arbitrator, then either party may petition the presiding judge of the Superior Court of Alameda County to appoint the Neutral Arbitrator, subject to criteria in Section 2.2.3.1 of this Lease, or if he or she refuses to act, either party may petition any judge having jurisdiction over the parties to appoint such arbitrator.

2.2.3.7 The cost of the arbitration shall be paid by Landlord and Tenant equally.

2.2.3.8 In the event that the Option Rent shall not have been determined pursuant to the terms hereof prior to the commencement of the Option Term, Tenant shall be required to pay the Option Rent initially provided by Landlord to Tenant, and upon the final determination of the Option Rent, the payments made by Tenant shall be reconciled with the actual amounts of Option Rent due, and the appropriate party shall make any corresponding payment to the other party.

3. **BASE RENT.** Tenant shall pay, without prior notice or demand, to Landlord at the address set forth in Section 4 of the Summary, or, at Landlord’s option, at such other place as Landlord may from time to time designate in writing, by a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent (“Base Rent”) as set forth in Section 4 of the Summary, payable in equal monthly installments as set forth in Section 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever. The Base Rent for the first full month of the Lease Term shall be paid at the time of Tenant’s execution of this Lease. If any Rent payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of
such month or if any payment of Rent is for a period which is shorter than one month, the Rent for any fractional month shall accrue on a daily basis for the period from the date such payment is due to the end of such calendar month or to the end of the Lease Term at a rate per day which is equal to 1/365 of the applicable annual Rent. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

4. ADDITIONAL RENT.

4.1 General Terms.

4.1.1 Direct Expenses; Additional Rent. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay “Tenant’s Share” of the annual “Direct Expenses,” as those terms are defined in Sections 4.2.6 and 4.2.2 of this Lease, respectively, allocable to the Building as described in Section 4.3. Such payments, provided that together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, are hereinafter collectively referred to as the “Additional Rent”, and the Base Rent and the Additional Rent are herein collectively referred to as “Rent.” All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.1.2 Triple Net Lease. Landlord and Tenant acknowledge that, to the extent provided in this Lease, it is their intent and agreement that this Lease be a “TRIPLE NET” lease and that as such, the provisions contained in this Lease are intended to pass on to Tenant or reimburse Landlord for the costs and expenses reasonably associated with this Lease, the Building and the Project, and Tenant’s operation therefrom to the extent provided in this Lease. To the extent such costs and expenses payable by Tenant cannot be charged directly to, and paid by, Tenant, such costs and expenses shall be paid by Landlord but reimbursed by Tenant as Additional Rent.

4.2 Definitions of Key Terms Relating to Additional Rent. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 Intentionally Deleted.

4.2.2 “Direct Expenses” shall mean “Operating Expenses” and “Tax Expenses.”

4.2.3 “Expense Year” shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires, unless, upon notice to Tenant, Landlord may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant’s Share of Direct Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 “Operating Expenses” shall mean all expenses, costs and amounts of every kind and nature which Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, restoration or operation of the Project, or any portion thereof. Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following: (i) the cost of supplying all utilities, the cost of operating, repairing and maintaining the utility, telephone, mechanical, sanitary, storm drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which are reasonably likely to increase Operating Expenses during the Lease Term, and the costs incurred in connection with a governmentally mandated transportation system management program or similar program; (iii) the cost of all insurance carried by Landlord in connection with the Project and Premises as reasonably determined by Landlord; (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Project, or any portion thereof; (v) the cost of parking area operation, repair, restoration, and maintenance; (vi) management and/or incentive fees, consulting fees, legal fees and accounting fees, of all contractors and consultants.
in connection with the management, operation, maintenance and repair of the Project; (vii) payments under any equipment rental agreements and the fair rental value of any management office space; (viii) subject to item (f), below, wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance and security of the Project; (ix) costs under any easement pertaining to the sharing of costs by the Project; (x) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Project; (xi) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in Common Areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xii) amortization (including interest on the unamortized cost) over such period of time as Landlord shall reasonably determine, of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof; (xiii) the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or any portion thereof, or to reduce current or future Operating Expenses or to enhance the safety or security of the Project or its occupants, (B) which are required to comply with present or anticipated conservation programs, (C) which are replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, or (D) which are required under any governmental law or regulation; provided, however, that any capital expenditure shall be amortized (including reasonable interest on the amortized cost) over the reasonable useful life of such capital item; and (xiv) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute “Tax Expenses” as that term is defined in Section 4.2.5, below, and (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building, including, without limitation, any covenants, conditions and restrictions affecting the property, and reciprocal easement agreements affecting the property, any parking licenses, and any agreements with transit agencies affecting the Property (collectively, “Underlying Documents”). Notwithstanding the foregoing, for purposes of this Lease, Operating Expenses shall not, however, include:

(a) costs, including legal fees, space planners’ fees, advertising and promotional expenses (except as otherwise set forth above), and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Project, and costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants initially occupying space in the Project after the Lease Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project (excluding, however, such costs relating to any common areas of the Project or parking facilities);

(b) except as set forth in items (xii), (xiii), and (xiv) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest;

(c) costs for which the Landlord is reimbursed by any tenant or occupant of the Project or by insurance by its carrier or any tenant’s carrier or by anyone else, electric power costs for which any tenant directly contracts with the local public service company and costs of utilities and services provided to other tenants that are not provided to Tenant;

(d) any bad debt loss, rent loss, or reserves for bad debts or rent loss or other reserves to the extent not used in the same year;

(e) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Project (which shall specifically include, but not be limited to, accounting costs associated with the operation of the Project). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord’s interest in the Project, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants or occupants;
(f) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Project manager;

(g) amount paid as ground rental for the Project by the Landlord;

(h) except for a property management fee not to exceed three percent (3%) of gross revenues, overhead and profit increment paid to the Landlord, and any amounts paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in the Project to the extent the same exceeds the costs of such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(i) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (other than as direct reimbursement for costs which, if incurred directly by Landlord, would properly be included in Operating Expenses);

(j) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project which is used in providing engineering, janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project;

(k) all items and services for which Tenant or any other tenant in the Project reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(l) any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(m) rent for any office space occupied by Project management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of the comparable buildings in the vicinity of the Building, with adjustment where appropriate for the size of the applicable project;

(n) costs arising from the gross negligence or willful misconduct of Landlord or its agents, employees or contractors in connection with this Lease;

(o) costs incurred to comply with laws relating to the removal or remediation of hazardous material (as defined under applicable law), and any costs of fines or penalties relating to the presence of hazardous material, in each case to the extent not brought into the Building or Premises by Tenant or any Tenant Parties;

(p) costs to correct any construction defect in the Project or to remedy any violation of a covenant, condition, restriction, underwriter’s requirement or law that exists as of the Lease Commencement Date;

(q) capital costs occasioned by casualties or condemnation.

(r) legal fees, accountants’ fees (other than normal bookkeeping expenses) and other expenses incurred in connection with disputes of tenants or other occupants of the Project or associated with the enforcement of the terms of any leases with tenants or the defense of Landlord’s title to or interest in the Project or any part thereof;

(s) costs incurred due to a violation by Landlord or any other tenant of the Project of the terms and conditions of a lease; and
4.2.5 **Taxes.**

4.2.5.1 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project, or any portion thereof.

4.2.5.2 Tax Expenses shall include, without limitation: (i) Any tax on the rent, right to rent or other income from the Project, or any portion thereof, or against the business of leasing the Project, or any portion thereof; (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises or the improvements thereon.

4.2.5.3 Any costs and expenses (including, without limitation, reasonable attorneys’ and consultants’ fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are incurred. Tax refunds shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this Article 4 for such Expense Year.

4.2.6 "Tenant’s Share" shall mean the percentage set forth in Section 6 of the Summary.

4.3 **Allocation of Direct Expenses.** The parties acknowledge that the Building is a part of a multi-building project and that the costs and expenses incurred in connection with the Project (i.e., the Direct Expenses) should be shared between the Building and the other buildings in the Project. Accordingly, as set forth in Section 4.2 above, Direct Expenses (which consist of Operating Expenses and Tax Expenses) are determined annually for the Project as a whole, and a portion of the Direct Expenses, which portion shall be determined by Landlord on an equitable basis, shall be allocated to the Building (as opposed to other buildings in the Project). Such portion of Direct Expenses allocated to the Building shall include all Direct Expenses attributable solely to the Building and a pro rata portion of the Direct Expenses attributable to the Project as a whole, and shall not include Direct Expenses attributable solely to other buildings in the Project.
4.4 Calculation and Payment of Additional Rent. Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, Tenant’s Share of Direct Expenses for each Expense Year.

4.4.1 Statement of Actual Direct Expenses and Payment by Tenant. Landlord shall give to Tenant within five (5) months following the end of each Expense Year, a statement (the “Statement”) which shall state the Direct Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount of Tenant’s Share of Direct Expenses. Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, Tenant shall pay, with its next installment of Base Rent due that is at least thirty (30) days thereafter, the full amount of Tenant’s Share of Direct Expenses for such Expense Year, less the amounts, if any, paid during such Expense Year as “Estimated Direct Expenses,” as that term is defined in Section 4.4.2, below, and if Tenant paid more as Estimated Direct Expenses than the actual Tenant’s Share of Direct Expenses, Tenant shall receive a credit in the amount of Tenant’s overpayment against Rent next due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord or Tenant from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant’s Share of Direct Expenses for the Expense Year in which this Lease terminates, Tenant shall immediately pay to Landlord such amount, and if Tenant paid more as Estimated Direct Expenses than the actual Tenant’s Share of Direct Expenses, Landlord shall, within thirty (30) days, deliver a check payable to Tenant in the amount of the overpayment. The provisions of this Section 4.4.1 shall survive the expiration or earlier termination of the Lease Term. Notwithstanding the immediately preceding sentence, Tenant shall not be responsible for Tenant’s Share of any Direct Expenses attributable to any Expense Year which are first billed to Tenant more than two (2) calendar years after the earlier of the expiration of the applicable Expense Year or the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant’s Share of Direct Expenses levied by any governmental authority or by any public utility companies at any time following the Lease Expiration Date which are attributable to any Expense Year (provided that Landlord delivers Tenant a bill for such amounts within two (2) years following Landlord’s receipt of the bill therefor).

4.4.2 Statement of Estimated Direct Expenses. In addition, Landlord shall give Tenant a yearly expense estimate statement (the “Estimated Statement”) which shall set forth Landlord’s reasonable estimate (the “Estimate”) of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated Tenant’s Share of Direct Expenses (the “Estimated Direct Expenses”). The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Direct Expenses under this Article 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Direct Expenses theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, with its next installment of Base Rent due that is at least thirty (30) days thereafter, a fraction of the Estimated Direct Expenses for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator. Until a new Estimate Statement is furnished (which Landlord shall have the right to deliver to Tenant at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Direct Expenses set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.5 Taxes and Other Charges for Which Tenant Is Directly Responsible. Tenant shall be liable for and shall pay ten (10) days before delinquency, taxes levied against Tenant’s equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant’s equipment, furniture, fixtures and any other personal property are levied against Landlord or Landlord’s property or if the assessed value of Landlord’s property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

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5. USE OF PREMISES.

5.1 Permitted Use. Tenant shall use the Premises solely for the Permitted Use set forth in Section 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord’s sole discretion.

5.2 Prohibited Uses. Tenant further covenants and agrees that Tenant shall not use or permit any person or persons to use, the Premises or any part thereof for any use or purpose in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project including, without limitation, any such laws, ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect. Landlord shall have the right to impose reasonable, nondiscriminatory and customary rules and regulations regarding the use of the Premises and regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect. Tenant shall comply with such reasonable rules and regulations. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, injure or annoy them or use or allow the Premises to be used for any improper, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall comply with, and Tenant’s rights and obligations under the Lease and Tenant’s use of the Premises shall be subject and subordinate to, all recorded easements, covenants, conditions, and restrictions now or hereafter affecting the Project, so long as the same do not unreasonably interfere with Tenant’s use of the Premises or parking rights or materially increase Tenant’s obligations or decrease Tenant’s rights under this Lease.

5.3 Hazardous Materials.

5.3.1 Tenant’s Obligations.

5.3.1.1 Prohibitions. As a material inducement to Landlord to enter into this Lease with Tenant, Tenant has fully and accurately completed Landlord’s Pre-Leasing Environmental Exposure Questionnaire (the “Environmental Questionnaire”), which is attached as Exhibit E. Tenant agrees that except for those chemicals or materials, and their respective quantities, specifically listed on the Environmental Questionnaire (as the same may be updated from time to time as provided below), neither Tenant nor Tenant’s
employees, contractors and subcontractors of any tier, entities with a contractual relationship with Tenant (other than Landlord), or any entity acting as an agent or sub-agent of Tenant (collectively, “Tenant’s Agents”) will produce, use, store or generate any “Hazardous Materials,” as that term is defined below, on, under or about the Premises, nor cause any Hazardous Material to be brought upon, placed, stored, manufactured, generated, blended, handled, recycled, used or “Released,” as that term is defined below, on, in, under or about the Premises. If any information provided to Landlord by Tenant on the Environmental Questionnaire, or otherwise relating to information concerning Hazardous Materials is intentionally false, incomplete, or misleading in any material respect, the same shall be deemed a default by Tenant under this Lease. Upon Landlord’s request, or in the event of any material change in Tenant’s use of Hazardous Materials in the Premises, Tenant shall deliver to Landlord an updated Environmental Questionnaire at least once a year. Tenant shall notify Landlord prior to using any Hazardous Materials in the Premises not described on the initial Environmental Questionnaire, and, to the extent such use would, in Landlord’s reasonable judgment, cause a material increase in the risk of liability compared to the uses previously allowed in the Premises, such additional use shall be subject to Landlord’s prior consent, which may be withheld in Landlord’s reasonable discretion. Tenant shall not install or permit Tenant’s Agents to install any underground storage tank on the Premises. For purposes of this Lease, “Hazardous Materials” means all flammable explosives, petroleum and petroleum products, waste oil, radon, radioactive materials, toxic pollutants, asbestos, polychlorinated biphenyls (“PCBs”), medical waste, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, including without limitation any chemical, element, compound, mixture, solution, substance, object, waste or any combination thereof, which is or may be hazardous to human health, safety or to the environment due to its radioactivity, ignitability, corrosiveness, reactivity, explosiveness, toxicity, carcinogenicity, infectiousness or other harmful or potentially harmful properties or effects, or defined as, regulated as or included in, the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” under any Environmental Laws. For purposes of this Lease, “Release” or “Released” or “Releases” shall mean any release, deposit, discharge, emission, leaking, spills, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing, or other movement of Hazardous Materials into the environment. Landlord acknowledges that Tenant will be installing and using fume hoods in the Premises and that emissions of Hazardous Materials into the air in compliance with all Environmental Laws shall not be considered Releases.

5.3.1.2 Notices to Landlord. Tenant shall notify Landlord in writing as soon as possible but in no event later than five (5) days after (i) the occurrence of any actual, alleged or threatened Release of any Hazardous Material in, on, under, from or about in the vicinity of the Premises (whether past or present), regardless of the source or quantity of any such Release, or (ii) Tenant becomes aware of any regulatory actions, inquiries, inspections, investigations, directives, or any cleanup, compliance, enforcement or abatement proceedings (including any threatened or contemplated investigations or proceedings) relating to or potentially affecting the Premises, or (iii) Tenant becomes aware of any claims by any person or entity relating to any Hazardous Materials in, on, under, from or about in the vicinity of the Premises, whether relating to damage, contribution, cost recovery, compensation, loss or injury. Collectively, the matters set forth in clauses (i), (ii) and (iii) above are hereinafter referred to as “Hazardous Materials Claims.” Tenant shall promptly forward to Landlord copies of all orders, notices, permits, applications and other communications and reports in connection with any Hazardous Materials Claims. Additionally, Tenant shall promptly advise Landlord in writing of Tenant’s discovery of any occurrence or condition on, in, under or about the Premises that could subject Tenant or Landlord to any liability, or restrictions on ownership, occupancy, transferability or use of the Premises under any “Environmental Laws,” as that term is defined below. Tenant shall not enter into any legal proceeding or other action, settlement, consent deceree or other compromise with respect to any Hazardous Materials Claims without first notifying Landlord of Tenant’s intention to do so and affording Landlord the opportunity to join and participate, as a party if Landlord so elects, in such proceedings and in no event shall Tenant enter into any agreements which are binding on Landlord or the Premises without Landlord’s prior written consent. Landlord shall have the right to appear at and participate in, and any all legal or other administrative proceedings concerning any Hazardous Materials Claim. For purposes of this Lease, “Environmental Laws” means all applicable present and future laws relating to the protection of human health, safety, wildlife or the environment, including, without limitation, (i) all requirements pertaining to reporting, licensing, permitting, investigation and/or remediation of emissions, discharges, Releases, or threatened Releases of Hazardous Materials, whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Materials; and (ii) all requirements pertaining to the health and safety of employees or the public.

5.3.1.3 Releases of Hazardous Materials. If any Release of any Hazardous Material in, on, under, from or about the Premises shall occur at any time during the Lease by Tenant or Tenant’s Agents, in addition to notifying Landlord as specified above, Tenant, at its own sole cost and expense, shall (i) immediately comply with any and all reporting requirements imposed pursuant to any and all Environmental Laws, (ii) provide a written certification to Landlord indicating that Tenant has complied with all applicable reporting requirements, (iii) take any and all necessary investigation, corrective and remedial action in accordance with any and all applicable Environmental Laws, utilizing an environmental consultant approved by Landlord, all in accordance with the provisions and requirements of this Section 5.3, including, without limitation, Section 5.3.4, and (iv) take any such additional investigative, remedial and corrective actions as Landlord shall in its reasonable discretion deem necessary such that the Premises are remediated to the condition existing prior to such Release.

5.3.1.4 Indemnification.

5.3.1.4.1 In General. Without limiting in any way Tenant’s obligations under any other provision of this Lease, Tenant shall be solely responsible for and shall protect, defend, indemnify and hold the Landlord Parties harmless from and against any and all claims, judgments, losses, damages, costs, expenses, penalties, enforcement actions, taxes, fines, remedial actions, liabilities (including, without limitation, actual attorneys’ fees, litigation, arbitration and administrative proceeding costs, expert and consultant fees and laboratory costs) including, without limitation, consequential damages and sums paid in settlement of claims, which arise during or after the Lease Term, whether foreseeable or unforeseeable, that arise during or after the Lease Term in whole or in part, foreseeable or unforeseeable, directly or indirectly arising out of or attributable to the Release of Hazardous Materials in, on, under or about the Premises by Tenant or Tenant’s Agents.

5.3.1.4.2 Limitations. Notwithstanding anything in Section 5.3.1.4, above, shall not be applicable to claims based upon Hazardous Materials not Released by Tenant or Tenant’s Agents.

5.3.1.4.3 Landlord Indemnity. Under no circumstance shall Tenant be liable for, and Landlord shall indemnify, defend and hold harmless Tenant and Tenant’s Agents from and against, all losses, costs, claims, liabilities and damages (including attorneys’ and consultants’ fees) arising out of any Hazardous Materials that exist in, on or about the Project as of the date hereof, or Hazardous Material Released by Landlord or any Landlord Parties. Landlord will provide Tenant with any Hazardous Material reports relating to the Building that Landlord has in its immediate possession. The provision of such reports shall be for informational purposes only, and Landlord does not make any representation or warranty as to the correctness or completeness of any such reports.
Compliance with Environmental Laws. Without limiting the generality of Tenant’s obligation to comply with applicable laws as otherwise provided in this Lease, Tenant shall, at its sole cost and expense, comply with all Environmental Laws related to the use of Hazardous Materials by Tenant and Tenant’s Agents. Tenant shall obtain and maintain any and all necessary permits, licenses, certifications and approvals appropriate or required for the use, handling, storage, and disposal of any Hazardous Materials used, stored, generated, transported, handled, blended, or recycled by Tenant on the Premises. Landlord shall have a continuing right, without obligation, to require Tenant to obtain, and to review and inspect any and all such permits, licenses, certifications and approvals, together with copies of any and all Hazardous Materials management plans and programs, any and all Hazardous Materials risk management and pollution prevention programs, and any and all Hazardous Materials emergency response and employee training programs respecting Tenant’s use of Hazardous Materials. Upon request of Landlord, Tenant shall deliver to Landlord a narrative description explaining the nature and scope of Tenant’s activities involving Hazardous Materials and showing to Landlord’s satisfaction compliance with all Environmental Laws and the terms of this Lease.

Assurance of Performance.

Environmental Assessments In General. Landlord may, but shall not be required to, engage from time to time such contractors as Landlord determines to be appropriate (and which are reasonably acceptable to Tenant) to perform environmental assessments of a scope reasonably determined by Landlord (an “Environmental Assessment”) to ensure Tenant’s compliance with the requirements of this Lease with respect to Hazardous Materials.

Costs of Environmental Assessments. All costs and expenses incurred by Landlord in connection with any such Environmental Assessment initially shall be paid by Landlord; provided that if any such Environmental Assessment shows that Tenant has failed to comply with the provisions of this Section 5.3, then all of the costs and expenses of such Environmental Assessment shall be reimbursed by Tenant as Additional Rent within thirty (30) days after receipt of written demand therefor.

Tenant's Obligations upon Surrender. At the expiration or earlier termination of the Lease Term, Tenant, at Tenant’s sole cost and expense, shall: (i) cause an Environmental Assessment of the Premises to be conducted in accordance with Section 15.3; (ii) cause all Hazardous Materials brought onto the Premises by Tenant or Tenant’s Agents to be removed from the Premises and disposed of in accordance with all Environmental Laws and as necessary to allow the Premises to be used for the purposes allowed as of the date of this Lease; and (iii) cause to be removed all containers installed or used by Tenant or Tenant’s Agents to store any Hazardous Materials on the Premises, and cause to be repaired any damage to the Premises caused by such removal.

Clean-up.

Environmental Reports; Clean-Up. If any written report, including any report containing results of any Environmental Assessment (an “Environmental Report”) shall indicate (i) the presence of any Hazardous Materials as to which Tenant has a removal or remediation obligation under this Section 5.3, and (ii) that as a result of same, the investigation, characterization, monitoring, assessment, repair, closure, remediation, removal, or other clean-up (the “Clean-up”) of any Hazardous Materials is required, Tenant shall immediately prepare and submit to Landlord within thirty (30) days after receipt of the Environmental Report a comprehensive plan, subject to Landlord’s written approval, specifying the actions to be taken by Tenant to perform the Clean-up so that the Premises are restored to the conditions required by this Lease. Upon Landlord’s approval of the Clean-up plan, Tenant shall, at Tenant’s sole cost and expense, without limitation on any rights and remedies of Landlord under this Lease, immediately implement such plan with a consultant reasonably acceptable to Landlord and proceed to Clean-Up Hazardous Materials in accordance with all applicable laws. If, within thirty (30) days after receiving a copy of such Environmental Report, Tenant fails either (a) to complete such Clean-up, or (b) with respect to any Clean-up that cannot be completed within such thirty-day period, fails to proceed with diligence to prepare the Clean-up plan and complete the Clean-up as promptly as practicable, then Landlord shall have the right, but not the obligation, and without waiving any other rights under this Lease, to carry out any Clean-up recommended by the Environmental Report or required by any governmental authority having jurisdiction over the Premises, and recover all of the costs and expenses thereof from Tenant as Additional Rent, payable within ten (10) days after receipt of written demand therefor.
5.3.4.2 **No Rent Abatement.** Tenant shall continue to pay all Rent due or accruing under this Lease during any Clean-up, and shall not be entitled to any reduction, offset or deferral of any Base Rent or Additional Rent due or accruing under this Lease during any such Clean-up.

5.3.4.3 **Surrender of Premises.** Tenant shall complete any Clean-up prior to surrender of the Premises upon the expiration or earlier termination of this Lease. Tenant shall obtain and deliver to Landlord a letter or other written determination from the overseeing governmental authority confirming that the Clean-up has been completed in accordance with all requirements of such governmental authority and that no further response action of any kind is required for the unrestricted use of the Premises (“Closure Letter”). Upon the expiration or earlier termination of this Lease, Tenant shall also be obligated to close all permits obtained in connection with Hazardous Materials used by Tenant or Tenant’s Agents in accordance with applicable laws.

5.3.4.4 **Failure to Timely Clean-Up.** Should any Clean-up for which Tenant is responsible not be completed, or should Tenant not receive the Closure Letter and any governmental approvals required under Environmental Laws in conjunction with such Clean-up prior to the expiration or earlier termination of this Lease, then, commencing on the later of the termination of this Lease and three (3) business days after Landlord’s delivery of notice of such failure and that it elects to treat such failure as a holdover, Tenant shall be liable to Landlord as a holdover tenant (as more particularly provided in Article 16) until Tenant has fully complied with its obligations under this Section 5.3.

5.3.5 **Confidentiality.** Unless compelled to do so by applicable law, Tenant agrees that Tenant shall not disclose, discuss, disseminate or copy any information, data, findings, communications, conclusions and reports regarding the environmental condition of the Premises to any Person (other than Tenant’s consultants, attorneys, property managers, employees, shareholders and potential and actual investors, lenders, business and merger partners, subtenants and assignees that have a need to know such information), including any governmental authority, without the prior written consent of Landlord. In the event Tenant reasonably believes that disclosure is compelled by applicable law, it shall provide Landlord ten (10) days’ advance notice of disclosure of confidential information so that Landlord may attempt to obtain a protective order. Tenant may additionally release such information to bona fide prospective purchasers or lenders, subject to any such parties’ written agreement to be bound by the terms of this Section 5.3.

5.3.6 **Copies of Environmental Reports.** Within thirty (30) days of receipt thereof, Tenant shall provide Landlord with a copy of any and all environmental assessments, audits, studies and reports regarding Tenant’s activities with respect to the Premises, or ground water beneath the Land, or the environmental condition or Clean-up thereof. Tenant shall be obligated to provide Landlord with a copy of such materials without regard to whether such materials are generated by Tenant or prepared for Tenant, or how Tenant comes into possession of such materials.

5.3.7 **Signs, Response Plans, Etc.** Tenant shall be responsible for posting on the Premises any signs required under applicable Environmental Laws with respect to the use of Hazardous Materials by Tenant or Tenant’s Agents. Tenant shall also complete and file any business response plans or inventories required by any applicable laws. Tenant shall concurrently file a copy of any such business response plan or inventory with Landlord.

5.3.8 **Survival.** Each covenant, agreement, representation, warranty and indemnification made by Tenant set forth in this Section 5.3 shall survive the expiration or earlier termination of this Lease and shall remain effective until all of Tenant’s obligations under this Section 5.3 have been completely performed and satisfied.

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6. SERVICES AND UTILITIES.

6.1 **In General.** Landlord will be responsible, at Tenant’s sole cost and expense (subject to the terms of Section 4.2.4, above), for the furnishing of heating, ventilation and air-conditioning, electricity, water, and interior Building security services to the Premises. Landlord shall not provide janitorial or telephone services for the Premises. Tenant shall be solely responsible for performing all janitorial services and other cleaning of the Premises, all in compliance with applicable laws. The janitorial and cleaning of the Premises shall be adequate to maintain the Premises in a manner consistent with First Class Life Sciences Projects.

Tenant shall cooperate fully with Landlord at all times and abide by all reasonable regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems. Provided that Landlord agrees to provide and maintain in keep continuous service utility connections to the Project, including electricity, water and sewage connections, Landlord shall have no obligation to provide any services or utilities to the Building, including, but not limited to heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and interior Building security services, except as set forth in this Section 6.1, above.

6.2 **Tenant Payment of Utilities Costs.** To the extent that any utilities (including without limitation, electricity, gas, sewer and water) to the Building are separately metered or sub-metered to the Premises, such utilities shall either be contracted for and paid directly by Tenant to the applicable utility provider, or reimbursed by Tenant to Landlord within thirty (30) days after billing. To the extent that any utilities (including without limitation, electricity, gas, sewer and water) to the Building are not separately metered to the Premises, then Tenant shall pay to Landlord, within thirty (30) days after billing, an equitable portion of the Building utility costs, based on Tenant’s proportionate use thereof.

6.3 **Interruption of Use.** Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service or utility (including, without limitation, telephone and telecommunication services, UPS services, or other laboratory services or utilities), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant’s use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Notwithstanding the foregoing, Landlord may be liable for damages to the extent caused by the negligence or willful misconduct of Landlord or the Landlord Parties, provided that Landlord shall not be liable under any circumstances for injury to, or interference with, Tenant’s business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.4 **Energy Performance Disclosure Information.** Tenant hereby acknowledges that Landlord may be required to disclose certain information concerning the energy performance of the Building pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the “Energy Disclosure Requirements”). Tenant hereby acknowledges prior receipt of the Data Verification Checklist, as defined in the Energy Disclosure Requirements (the “Energy Disclosure Information”), and agrees that Landlord has timely complied in full with Landlord’s obligations under the Energy Disclosure Requirements. Tenant acknowledges and agrees that (i) Landlord makes no representation or warranty regarding the energy performance of the Building or the accuracy or completeness of the Energy Disclosure Information, (ii) the Energy Disclosure Information is for the current occupancy and use of the Building and that the energy performance of the Building may vary depending on future occupancy and/or use of the Building, and (iii) Landlord shall have no liability to Tenant for any errors or omissions in the Energy Disclosure Information. If and to the extent not prohibited by applicable laws, Tenant hereby waives any right Tenant may have to receive the Energy Disclosure Information, including, without limitation, any right Tenant may have to terminate this Lease as a result of Landlord’s failure to disclose such information. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and/or liabilities relating to,
arising out of and/or resulting from the Energy Disclosure Requirements, including, without limitation, any liabilities arising as a result of Landlord’s failure to disclose the Energy Disclosure Information to Tenant prior to the execution of this Lease. Tenant’s acknowledgment of the AS-IS condition of the Premises pursuant to the terms of this Lease shall be deemed to include the energy performance of the Building. Tenant further acknowledges that pursuant to the Energy Disclosure Requirements, Landlord may be required in the future to disclose information concerning Tenant’s energy usage to certain third parties, including, without limitation, prospective purchasers, lenders and tenants of the Building (the “Tenant Energy Use Disclosure”). Tenant hereby (A) consents to all such Tenant Energy Use Disclosures, and (B) acknowledges that Landlord shall not be required to notify Tenant of any Tenant Energy Use Disclosure. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Tenant Energy Use Disclosure. The terms of this Section 6.3 shall survive the expiration or earlier termination of this Lease.

6.5 Emergency Generator. Tenant shall have the right to install a back-up generator in the Premises, or outside the Premises in the approximate location shown on Exhibit I (subject to the same being approved by the city), as part of the construction of “Tenant Improvements,” as that term is defined in the Tenant Work Letter, or as a subsequent Alteration (in which case such installation shall be governed by the terms of Article 8) (the “Generator”), to provide back-up generator services to the Premises. In the event such Generator is installed, then during the Lease Term, Tenant shall maintain such Generator at Tenant’s sole cost and expense. Notwithstanding the foregoing, Tenant shall not be liable for any damages whatsoever resulting from any failure in operation of the Generator, or the failure of the Generator to provide suitable or adequate back-up power to the Premises, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring, or loss to inventory, scientific research, scientific experiments, laboratory animals, products, specimens, samples, and/or scientific, business, accounting and other records of every kind and description kept at the Premises and any and all income derived or derivable therefrom. Tenant’s obligations with respect to the Premises, including the insurance and indemnification obligations contained in Article 10, below, shall apply to Tenant’s use of the Generator and Tenant shall carry industry standard Boiler and machinery insurance covering the Generator. Tenant shall maintain all required permits in connection with the Generator throughout the Lease Term. Tenant shall surrender the Generator (and shall transfer to Landlord all permits maintained by Tenant in connection with the Generator during the Lease Term) concurrent with the surrender of the Premises to Landlord as required hereunder in good operating and working order, with all permits current.

7. REPAIRS.

7.1 Tenant Repair Obligations. Tenant shall, throughout the Term, at its sole cost and expense, maintain, repair or replace as required, the Premises in a good standard of maintenance, repair and replacement as required, and in good and sanitary condition, all in accordance with the standards of First Class Life Sciences Projects, except for the Landlord Repair Obligations, whether or not such maintenance, repair, replacement or improvement is required in order to comply with applicable Laws (“Tenant’s Repair Obligations”), including without limitation, all electrical facilities and equipment, including lighting fixtures, lamps, fans and any exhaust equipment and systems, electrical motors and all other appliances and equipment of every kind and nature located in the Premises; all communications systems serving the Premises; all of Tenant’s security systems in or about or serving the Premises; Tenant’s signage; interior demising walls and partitions (including painting and wall coverings), equipment, floors. Tenant shall additionally be responsible, at Tenant’s sole cost and expense, to furnish all expendables, including light bulbs, paper goods and soaps, used in the Premises.

7.2 Landlord Repair Obligations. Landlord shall be responsible, as a part of Operating Expenses, for repairs to and routine maintenance of the Building including without limitation: (1) exterior windows, window frames, window casements (including the repairing, resealing, cleaning and replacing of exterior windows); (2) exterior doors, door frames and door closers; (3) the Building (as opposed to the Premises) and Project plumbing, sewer, drainage, electrical, fire protection, life safety and security systems and equipment, existing heating, ventilation and air-conditioning systems, and all other mechanical and HVAC systems and equipment (collectively, the “Building Systems”), (4) the exterior glass, exterior walls, foundation and roof of the
Building, the structural portions of the floors of the Building, including, without limitation, any painting, sealing, patching and waterproofing of exterior walls, and (5) repairs to the elevator in the Building and underground utilities, except to the extent that any such repairs are required due to the negligence or willful misconduct of Tenant (the “Landlord Repair Obligations”); provided, however, that if such repairs are due to the negligence or willful misconduct of Tenant, Landlord shall nevertheless make such repairs at Tenant’s expense, or, if covered by Landlord’s insurance, Tenant shall only be obligated to pay any deductible in connection therewith. Costs expended by Landlord in connection with the Landlord Repair Obligations shall be included in Operating Expenses to the extent allowed pursuant to the terms of Article 4, above. Landlord shall cooperate with Tenant to enforce any warranties that Landlord holds that could reduce Tenant’s maintenance obligations under this Lease.

7.3 Tenant’s Right to Make Repairs. Notwithstanding any provision to the contrary contained in this Lease, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord under this Lease with respect to repair and/or maintenance required in the Premises, including repairs to the portions of the Building located within the Premises that are Landlord’s responsibility under Section 7.4 (the “Base Building”), which event or circumstance with respect to the Base Building materially and adversely affects the conduct of Tenant’s business from the Premises, and Landlord fails to commence corrective action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in any event not later than thirty (30) days after receipt of said notice (unless Landlord’s obligation cannot reasonably be performed within thirty (30) days, in which event Landlord shall be allowed additional time as is reasonably necessary to perform the obligation so long as Landlord begins performance within the initial thirty (30) days and diligently pursues performance to completion), or, in the event of an Emergency (as defined below), not later than five (5) business days after receipt of such notice, then Tenant shall have the right to undertake such actions as may be reasonably necessary to make such repairs if Landlord thereafter fails to commence corrective action within five (5) business days following Landlord’s receipt of a second written notice from Tenant specifying that Tenant will undertake such actions if Landlord fails to timely do so (providing that such notice shall include the following language in bold, capitalized text: “IF LANDLORD FAILS TO COMMENCE THE REPAIRS DESCRIBED IN THIS LETTER WITHIN FIVE (5) BUSINESS DAYS FROM LANDLORD’S RECEIPT OF THIS LETTER, TENANT WILL PERFORM SUCH REPAIRS AT LANDLORD’S EXPENSE.”); provided, however, that in no event shall Tenant undertake any actions that could materially or adversely affect the Base Building. Notwithstanding the foregoing, in the event of an Emergency, no second written notice shall be required as long as Tenant advises Landlord in the first written notice of Tenant’s intent to perform such Emergency repairs if Landlord does not commence the same within such five (5) business day period, utilizing the language required in second notices. If such action was required under the terms of this Lease to be taken by Landlord and was not commenced by Landlord within such five (5) business day period and thereafter diligently pursued to completion, then Tenant shall be entitled to prompt reimbursement by Landlord of the reasonable out-of-pocket third-party costs and expenses actually incurred by Tenant in taking such action. If Tenant undertakes such corrective actions pursuant to this Section 7.3, then (a) the insurance and indemnity provisions set forth in this Lease shall apply to Tenant’s performance of such corrective actions, (b) Tenant shall proceed in accordance with all applicable laws, (c) Tenant shall retain to perform such corrective actions only such reputable contractors and suppliers as are duly licensed and qualified, (d) Tenant shall effect such repairs in a good and workmanlike and commercially reasonable manner, (e) Tenant shall use new or like new materials, and (f) Tenant shall take reasonable efforts to minimize any material interference or impact on the other tenants and occupants of the Building. Promptly following completion of any work taken by Tenant pursuant to the terms of this Section 7.5, Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto, and Landlord shall reimburse Tenant the amounts expended by Tenant in connection with such work, provided that Landlord shall have the right to object if Landlord claims that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive). For purposes of this Section 7.5, an “Emergency” shall mean an event threatening immediate and material danger to people located in the Building or immediate, material damage to the Building, Base Building, or creating a realistic possibility of an immediate and material interference with, or immediate and material interruption of a material aspect of Tenant’s business operations.

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8. ADDITIONS AND ALTERATIONS.

8.1 **Landlord’s Consent to Alterations.** Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises (collectively, the “Alterations”) without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration which adversely affects the structural portions or the systems or equipment of the Building or is visible from the exterior of the Building. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days’ notice to Landlord (as to Alterations costing more than $10,000 only), but without Landlord’s prior consent, to the extent that such Alterations (i) do not affect the building systems or equipment (other than minor changes such as adding or relocating electrical outlets and thermostats), (ii) are not visible from the exterior of the Building, and (iii) cost less than $50,000.00 for a particular job of work. The construction of the Tenant Improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 8.

8.2 **Manner of Construction.** Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that upon Landlord’s request, Tenant shall, at Tenant’s expense, remove such Alterations upon the expiration or any early termination of the Lease Term. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the city in which the Building is located (or other applicable governmental authority). Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment that, in Landlord’s reasonable judgment, would disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas. Upon completion of any Alterations, Tenant shall deliver to Landlord final lien waivers from all contractors, subcontractors and materialmen who performed such work. In addition to Tenant’s obligations under Article 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of Alameda in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to the Project construction manager a reproducible copy of the “as built” drawings of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

8.3 **Payment for Improvements.** In connection with any Alterations that affect the Building systems (other than minor changes such as adding or relocating electrical outlets and thermostats), or which have a cost in excess of $100,000, Tenant shall reimburse Landlord for Landlord’s reasonable, actual, out-of-pocket costs and expenses actually incurred in connection with Landlord’s review of such work.

8.4 **Construction Insurance.** In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant or Tenant’s contractor carries “Builder’s All Risk” insurance (to the extent that the cost of such work shall exceed $50,000) in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Landlord pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Tenant’s contractors and subcontractors shall be required to carry Commercial General Liability Insurance in an amount approved by Landlord and otherwise in accordance with the requirements of Article 10 of this Lease. In connection with Alterations with a cost in excess of $250,000, Landlord may, in its reasonable discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 **Landlord’s Property.** All Alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises, from time to time, shall be at the sole cost of Tenant and all Alterations and improvements, shall be and become the property of Landlord and remain in place at the Premises.
following the expiration or earlier termination of this Lease. Notwithstanding the foregoing, Landlord may, by written notice to Tenant given at the time it consents to an Alteration, require Tenant, at Tenant’s expense, to remove any Alterations within the Premises and to repair any damage to the Premises and Building caused by such removal. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations, Landlord may do so and may charge the cost thereof to Tenant. Tenant hereby protects, defends, indemnifies and holds Landlord harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises, which obligations of Tenant shall survive the expiration or earlier termination of this Lease. Notwithstanding the foregoing, except to the extent the same are paid for by the Tenant Improvement Allowance, the items set forth in Exhibit F attached hereto (the “Tenant’s Property”) shall at all times be and remain Tenant’s property. Exhibit F may be updated from time to time by agreement of the parties. Tenant may remove the Tenant’s Property from the Premises at any time, provided that Tenant repairs all damage caused by such removal. Landlord shall have no lien or other interest in the Tenant’s Property.

9. COVENANT AGAINST LIENS. Tenant shall keep the Project and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant, and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys’ fees and costs) arising out of same or in connection therewith. Except as to Alterations as to which no notice is required under the second sentence of Section 8.1, Tenant shall give Landlord notice at least ten (10) business days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Landlord the opportunity of posting and recording appropriate notices of non-responsibility (to the extent applicable pursuant to then applicable laws). Tenant shall remove any such lien or encumbrance by bond or otherwise within ten (10) business days after notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof.

10. INSURANCE.

10.1 Indemnification and Waiver. Except as provided in Section 10.5 or to the extent due to the negligence, willful misconduct or violation of this Lease by Landlord or the Landlord Parties, Tenant hereby assumes all risk of damage to property in, upon or about the Premises from any cause whatsoever (including, but not limited to, any personal injuries resulting from a slip and fall in, upon or about the Premises) and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, “Landlord Parties”) shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys’ fees) incurred in connection with or arising from any cause in, on or about the Premises (including, but not limited to, a slip and fall), any acts, omissions or negligence of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Tenant or any such person, in, on or about the Project or any breach of the terms of this Lease, either prior to, during, or after the expiration of the Lease Term, provided that the terms of the foregoing indemnity and release shall not apply to the negligence or willful misconduct of Landlord or its agents, employees, contractors, licensees or invitees, or Landlord’s violation of this Lease. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant’s occupancy of the Premises, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as reasonable appraisers’, accountants’ and attorneys’ fees. Notwithstanding anything to the contrary in this Lease, Landlord shall not be released or indemnified from, and shall indemnify, defend, protect and hold harmless Tenant from, all losses, damages, liabilities, claims, attorneys’ fees, costs and expenses arising from the gross negligence or willful misconduct of Landlord or its agents, contractors, licensees or invitees, or a violation of Landlord’s obligations or representations under this Lease. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

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10.2 Tenant's Compliance With Landlord's Property Insurance. Landlord shall insure the Building, Tenant Improvements and any Alterations during the Lease Term against loss or damage under an “all risk” property insurance policy. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. The costs of such insurance shall be included in Operating Expenses, subject to the terms of Section 4.2.4. Tenant shall, at Tenant’s expense, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant’s conduct or use of the Premises causes any increase in the premium for such insurance policies then Landlord shall reimburse Landlord for any such increase. Tenant, at Tenant’s expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to comply with or cause the Premises to comply with any laws, rules, regulations or insurance requirements requiring the construction of alterations unless such compliance is necessitated solely due to Tenant’s particular use of the Premises.

10.3 Tenant’s Insurance. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance on an occurrence form covering the insured against claims of bodily injury and property damage (including loss of use thereof) arising out of Tenant’s operations, and contractual liabilities including a contractual coverage for limits of liability (which limits may be met together with umbrella liability insurance) of not less than:

- Bodily Injury and Property Damage Liability: $4,000,000 annual aggregate
- Personal Injury Liability: $4,000,000 annual aggregate

10.3.2 Property Insurance covering all office furniture, business and trade fixtures, office and lab equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant’s property on the Premises installed by, for, or at the expense of Tenant. Such insurance shall be written on an “all risks” of physical loss or damage basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage (excluding flood), including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of ninety (90) days.

10.3.3 Business Income Interruption for ninety (90) days plus Extra Expense insurance in such amounts as will reimburse Tenant for actual direct or indirect loss of earnings attributable to the risks outlined in Section 10.3.2 above.

10.3.4 Worker’s Compensation and Employer’s Liability or other similar insurance pursuant to all applicable state and local statutes and regulations. The policy shall include a waiver of subrogation in favor of Landlord, its employees, Lenders and any property manager or partners.

10.4 Form of Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) name Landlord, its subsidiaries and affiliates, its property manager (if any) and any other party the Landlord so specifies, as an additional insured on the liability insurance, including Landlord’s managing agent, if any; (ii) be issued by an insurance company having a rating of not less than A-:VII in Best’s Insurance Guide or which is otherwise acceptable to Landlord and authorized to do business in the State of California; and (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any
insurance required of Tenant. Tenant shall not cause said insurance to be canceled or coverage changed unless thirty (30) days’ prior written notice shall have been given to Landlord and any mortgagee of Landlord (unless such cancellation is the result of non-payment of premiums, in which case not less than five (5) days’ notice shall be provided). Tenant shall deliver said policy or policies or certificates thereof to Landlord on or before the Lease Commencement Date and at least ten (10) days before the expiration dates thereof. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate, Landlord may, at its option, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor.

10.5 Subrogation. Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property or business interruption loss to the extent that such coverage is agreed to be provided hereunder, notwithstanding the negligence of either party. Notwithstanding anything to the contrary in this Lease, 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. The parties agree that their respective insurance policies do now, or shall, contain the waiver of subrogation.

10.6 Additional Insurance Obligations. Tenant shall carry and maintain during the entire Lease Term, at Tenant’s sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant’s operations therein, as may be reasonably requested by Landlord or Landlord’s lender, but in no event in excess of the amounts and types of insurance then being required by landlords of buildings comparable to and in the vicinity of the Building.

11. DAMAGE AND DESTRUCTION.

11.1 Repair of Damage to Premises by Landlord. Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any Common Areas serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord’s reasonable control, and subject to all other terms of this Article 11, restore the Premises and such Common Areas. Such restoration shall be to substantially the same condition of the Premises and the Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws or any other modifications to the Common Areas deemed desirable by Landlord, which are consistent with the character of the Project, provided that access to the Premises shall not be materially impaired. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant’s business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or Common Areas necessary to Tenant’s occupancy, and the damaged portions of the Premises are not occupied by Tenant as a result thereof, then during the time and to the extent the Premises are unfit for occupancy, the Rent shall be abated in proportion to the ratio that the amount of rentable square feet of the Premises which is unfit for occupancy for the purposes permitted under this Lease bears to the total rentable square feet of the Premises.

11.2 Landlord’s Option to Repair. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, Building and/or Project, and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after the date of discovery of the damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises, but Landlord may so elect only if the Building shall be damaged by fire or other casualty or cause, and one or more of the following conditions is present: (i) in Landlord’s reasonable judgment, repairs cannot reasonably be completed within one (1) year after the date of discovery of the damage (when such repairs are made without the payment of overtime or other premiums); (ii) the damage is due to a risk that Landlord is not required to insure under this Lease, and the cost of restoration exceed five percent (5%) of the replacement cost of the Building (unless Tenant agrees to pay any uninsured amount in excess of such five percent (5%)); or (iii) the damage occurs during the last twelve (12) months of the Lease Term and will take more than sixty (60) days to restore; provided, however, that if Landlord does not elect to terminate this Lease pursuant to Landlord’s termination right as provided above, and the repairs cannot, in the reasonable opinion of Landlord, be completed within eight (8) months days after the date of discovery of the damage (or are not in fact completed within nine (9) months after the date of discovery of the damage), Tenant may...
elected, no earlier than sixty (60) days after the date of the damage and not later than ninety (90) days after the date of such damage, or within thirty (30) days after such repairs are not timely completed, to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than sixty (60) days after the date such notice is given by Tenant.

11.3 **Waiver of Statutory Provisions.** The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

12. **NONWAIVER.** No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord’s knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord’s right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord’s right to recover the full amount due. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant’s right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

13. **CONDEMNATION.** If the whole or any part of the Premises shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use or reconstruction of any part of the Premises, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not because of such taking assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant’s personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, for moving expenses, for the unamortized value of any improvements paid for by Tenant and for the Lease “bonus value”, so long as such claims are payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
14. ASSIGNMENT AND SUBLETTING.

14.1 Transfers. Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as “Transferees” and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a “Transferee”). If Tenant desires Landlord’s consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the “Transfer Notice”) shall include (i) the proposed effective date of the Transfer, which shall not be less than thirty (30) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the “Subject Space”), (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the “Transfer Premium”, as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, and (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and any other information reasonably required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee’s business and proposed use of the Subject Space. Any Transfer made without Landlord’s prior written consent shall, at Landlord’s option, be null, void and of no effect, and shall, at Landlord’s option, constitute a default by Tenant under this Lease. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord’s reasonable review and processing fees, as well as any reasonable professional fees (including, without limitation, attorneys’, accountants’, architects’, engineers’, and consultants’ fees) incurred by Landlord (not to exceed $3,500 in the aggregate for any particular Transfer), within thirty (30) days after written request by Landlord.

14.2 Landlord’s Consent. Landlord shall not unreasonably withhold or delay its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project;

14.2.2 The Transferee is either a governmental agency or instrumentality thereof;

14.2.3 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested; or

14.2.4 The proposed Transfer would cause a violation of another lease for space in the Project, or would give an occupant of the Project a right to cancel its lease.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within six (6) months after Landlord’s consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord’s right of recapture, if any, under Section 14.4 of this Lease). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article 14, their sole remedies shall be a suit for contract damages (other than damages for injury to, or interference with, Tenant’s business including, without limitation, loss of profits, however occurring) or declaratory judgment and an injunction for the relief sought, and Tenant hereby waives all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee.

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
14.3 **Transfer Premium.** If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any “Transfer Premium,” as that term is defined in this Section 14.3, received by Tenant from such Transferee. “Transfer Premium” shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred, and after deduction of (i) any costs of improvements made to the Subject Space in connection with such Transfer, (ii) brokerage commissions paid in connection with such Transfer, and (iii) reasonable legal fees incurred in connection with such Transfer. “Transfer Premium” shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. The determination of the amount of Landlord’s applicable share of the Transfer Premium shall be made on a monthly basis as rent or other consideration is received by Tenant under the Transfer.

14.4 **Landlord’s Option as to Subject Space.** Notwithstanding anything to the contrary contained in this Article 14, in the event Tenant contemplates a Transfer other than to a Permitted Transferee which, together with all prior Transfers then remaining in effect, would cause fifty percent (50%) or more of the Premises to be Transferred for more than fifty percent (50%) of the then remaining Lease Term (taking into account any extension of the Lease Term which has irrevocably exercised by Tenant), Tenant shall give Landlord notice (the “Intention to Transfer Notice”) of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer in the subject Transfer (the “Contemplated Transfer Space”), the contemplated date of commencement of the Contemplated Transfer (the “Contemplated Effective Date”), and the contemplated length of the term of such contemplated Transfer. Thereafter, Landlord shall have the option, by giving written notice to Tenant within thirty (30) days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space. Such recapture shall cancel and terminate this Lease with respect to such Contemplated Transfer Space as of the Contemplated Effective Date. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner, to recapture such Contemplated Transfer Space under this Section 14.4, then, subject to the other terms of this Article 14, for a period of nine (9) months (the “Nine Month Period”) commencing on the last day of such thirty (30) day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with respect to any Transfer made during the Nine Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this Article 14. If such a Transfer is not so consummated within the Nine Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Nine Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer, as provided above in this Section 14.4. Tenant shall not be required to provide a separate Intention to Transfer Notice and Tenant’s request for Landlord’s consent to a Transfer shall satisfy Tenant’s obligations in this Section 14.4.

14.5 **Effect of Transfer.** If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord’s request a complete statement, certified by an independent certified public accountant, or Tenant’s chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord’s consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space.
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15. SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES.

15.1 Surrender of Premises. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in writing by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such
delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or tenancies affecting the Premises or terminate any or all such subleases or tenancies.

15.2 Removal of Tenant Property by Tenant. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear, damage caused by casualty, repairs required as a result of condemnation, and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, movable partitions (but not demountable walls) and other items of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal.

15.3 Environmental Assessment. In connection with its surrender of the Premises, Tenant shall submit to Landlord, at least fifteen (15) days prior to the expiration date of this Lease (or in the event of an earlier termination of this Lease, as soon as reasonably possible following such termination), an environmental Assessment of the Premises by a competent and experienced environmental consultant and shall be responsible for all costs of remediation and Clean-up, as more particularly provided in Section 5.3, above.

15.4 Condition of the Building and Premises Upon Surrender. In addition to the above requirements of this Article 15, upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, surrender the Premises and Building with Tenant having complied with all of Tenant’s obligations under this Lease, including those relating to improvement, repair, maintenance, compliance with law, testing and other related obligations of Tenant set forth in Article 7 of this Lease. In the event that the Building and Premises shall be surrendered in a condition which does not comply with the terms of this Section 15.4, because Tenant failed to comply with its obligations set forth in this Lease, then following thirty (30) days’ notice to Tenant, during which thirty (30) day period Tenant shall have the right to cure such noncompliance, Landlord shall be entitled to expend all reasonable costs in order to cause the same to comply with the required condition upon surrender and Tenant shall immediately reimburse Landlord for all such costs upon notice and, commencing on the later of the termination of this Lease and three (3) business days after Landlord’s delivery of notice of such failure, if Tenant elects to treat such failure as a holdover, Tenant shall be deemed during the period that Tenant or Landlord, as the case may be, perform obligations relating to the Surrender Improvements to be in holdover under Article 16 of this Lease.

16. HOLDING OVER. If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term. If Tenant holds over after the expiration of the Lease Term of earlier termination thereof, without the express or implied consent of Landlord, such tenancy shall be deemed to be a tenancy by sufferance only, and shall not constitute a renewal hereof or an extension for any further term. In either case, Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy or tenancy by sufferance, as the case may be, shall be subject to every other applicable term, covenant and agreement contained herein. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of
this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys’ fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

17. ESTOPPEL CERTIFICATES. Within ten (10) business days following a request in writing by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of Exhibit D, attached hereto (or such other form as may be reasonably required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord’s mortgagee or prospective mortgagee. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. At any time during the Lease Term, in connection with a sale or financing of the Building by Landlord, Landlord may require Tenant to provide Landlord with its most recent annual financial statement and annual financial statements of the preceding two (2) years. Such statements shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Landlord shall hold such statements confidential. Failure of Tenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

18. SUBORDINATION. Landlord hereby represents and warrants to Tenant that the Project is not currently subject to any ground lease, or to the lien of any mortgage or deed of trust. This Lease shall be subject and subordinate to all future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against the Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. The subordination of this Lease to any such future ground or underlying leases of the Building or Project or to the lien of any mortgage, trust deed or other encumbrances, shall be subject to Tenant’s receipt of a commercially reasonable subordination, non-disturbance, and attornment agreement in favor of Tenant. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant’s occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant. Landlord’s interest herein may be assigned as security at any time to any lienholder. Tenant shall, within ten (10) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

19. DEFAULTS; REMEDIES.

19.1 Events of Default. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after notice; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant’s performance in this Lease, in which event the failure to perform by Tenant within such time period shall be a default by Tenant
under this Section 19.1.2, any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default; or

19.1.3 Abandonment or vacation of all or a substantial portion of the Premises by Tenant while Tenant is in default under the Lease; or

19.1.4 The failure by Tenant to observe or perform according to the provisions of Articles 5, 14, 17 or 18 of this Lease where such failure continues for more than five (5) business days after notice from Landlord.

19.2 Remedies Upon Default. Upon the occurrence of any event of default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of the unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of 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) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the 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, specifically including but not limited to, in each case to the extent allocable to the remaining Lease Term, brokerage commissions and advertising expenses incurred to obtain a new tenant, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term “rent” as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the “worth at the time of award” shall be computed by allowing interest at the rate set forth in Article 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in Section 19.2.1(iii) above, the “worth at the time of award” shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee’s breach and abandonment and recover rent as it becomes due, if lessee has
the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 Subleases of Tenant. If Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord’s sole discretion, succeed to Tenant’s interest in such subleases, licenses, concessions or arrangements. In the event of Landlord’s election to succeed to Tenant’s interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 Efforts to Relet. No re-entry, repairs, maintenance, changes, alterations and additions, appointment of a receiver to protect Landlord’s interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant’s right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant’s obligations hereunder, unless express written notice of such intention is sent by Landlord to Tenant.

20. COVENANT OF QUIET ENJOYMENT. Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

21. LETTER OF CREDIT.

21.1 Delivery of Letter of Credit. Tenant shall deliver to Landlord, concurrently with Tenant’s execution of this Lease, an unconditional, clean, irrevocable letter of credit (the “L-C”) in the amount set forth in Section 8 of the Lease Summary (the “L-C Amount”), which L-C shall be issued by a money-center, solvent and nationally recognized bank (a bank which accepts deposits, maintains accounts, has a local San Francisco Bay Area office which will negotiate a letter of credit, and whose deposits are insured by the FDIC) reasonably acceptable to Landlord (such approved, issuing bank being referred to herein as the “Bank”), which Bank must have a rating from Standard and Poor’s Corporation of A- or better (or any equivalent rating thereto from any successor or substitute rating service selected by Lessor) and a letter of credit issuer rating from Moody’s Investor Service of A3 or better (or any equivalent rating thereto from any successor rating agency thereto) (collectively, the “Bank’s Credit Rating Threshold”), and which L-C shall be in the form of Exhibit H, attached hereto. Notwithstanding the foregoing, Landlord hereby approves Silicon Valley Bank as the Bank. Tenant shall pay all expenses, points and/or fees incurred by Tenant in obtaining the L-C. The L-C shall (i) be “callable” at sight, irrevocable and unconditional, (ii) be maintained in effect, whether through renewal or extension, for the period commencing on the date of this Lease and continuing until the date (the “L-C Expiration Date”) that is no less than sixty (60) days after the expiration of the Lease Term as the same may be extended, and Tenant shall deliver a new L-C or certificate of renewal or extension to Landlord at least thirty (30) days prior to the expiration of the L-C then held by Landlord, without any action whatsoever on the part of Landlord, (iii) be fully assignable by Landlord, its successors and assigns, (iv) permit partial draws and multiple presentations and drawings, and (v) be otherwise subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev), International Chamber of Commerce Publication #500, or the International Standby Practices-ISP 98, International Chamber of Commerce Publication #590. Landlord, or its then managing agent, shall have the right to draw down an amount up

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to the face amount of the L-C if any of the following shall have occurred or be applicable: (A) such amount is due to Landlord under the terms and conditions of this Lease, and has not been paid within applicable notice and cure periods (or, if Landlord is prevented by law from providing notice, within the period for payment set forth in the Lease), or (B) Tenant has filed a voluntary petition under the U.S. Bankruptcy Code or any state bankruptcy code (collectively, “Bankruptcy Code”), or (C) an involuntary petition has been filed against Tenant under the Bankruptcy Code that is not dismissed within thirty (30) days, or (D) the Lease has been rejected, or is deemed rejected, under Section 365 of the U.S. Bankruptcy Code, following the filing of a voluntary petition by Tenant under the Bankruptcy Code, or (E) the Bank has notified Landlord that the L-C will not be renewed or extended through the L-C Expiration Date, and Tenant has not provided a replacement L-C that satisfies the requirements of this Lease at least thirty (30) days prior to such expiration, or (F) Tenant is placed into receivership or conservatorship, or becomes subject to similar proceedings under Federal or State law, or (G) Tenant executes an assignment for the benefit of creditors, or (H) if (1) any of the Bank’s (other than Silicon Valley Bank) Fitch Ratings (or other comparable ratings to the extent the Fitch Ratings are no longer available) have been reduced below the Bank’s Credit Rating Threshold, or (2) there is otherwise a material adverse change in the financial condition of the Bank, and Tenant has failed to provide Landlord with a replacement letter of credit, conforming in all respects to the requirements of this Article 21 (including, but not limited to, the requirements placed on the issuing Bank more particularly set forth in this Section 21.1 above), in the amount of the applicable L-C Amount, within ten (10) days following Landlord’s written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) (each of the foregoing being an “L-C Draw Event”). The L-C shall be honored by the Bank regardless of whether Tenant disputes Landlord’s right to draw upon the L-C. In addition, in the event the Bank is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said L-C shall be deemed to fail to meet the requirements of this Article 21, and, within ten (10) days following Landlord’s notice to Tenant of such receivership or conservatorship (the “L-C FDIC Replacement Notice”), Tenant shall replace such L-C with a substitute letter of credit from a different issuer (which issuer shall meet or exceed the Bank’s Credit Rating Threshold and shall otherwise be acceptable to Landlord in its reasonable discretion) and that complies in all respects with the requirements of this Article 21. If Tenant fails to replace such L-C with such conforming, substitute letter of credit pursuant to the terms and conditions of this Section 21.1, then, notwithstanding anything in this Lease to the contrary, Landlord shall have the right to declare Tenant in default of this Lease for which there shall be no notice or grace or cure periods being applicable thereto (other than the aforesaid ten (10) day period). Tenant shall be responsible for the payment of any and all Tenant’s and Bank’s costs incurred with the review of any replacement L-C, which replacement is required pursuant to this Section or is otherwise requested by Tenant. In the event of an assignment by Tenant of its interest in the Lease (and irrespective of whether Landlord’s consent is required for such assignment), the acceptance of any replacement or substitute letter of credit by Landlord from the assignee shall be subject to Landlord’s prior written approval, in Landlord’s reasonable discretion, and the actual and reasonable attorney’s fees incurred by Landlord in connection with such determination shall be payable by Tenant to Landlord within ten (10) days of billing.

21.2 Application of L-C. Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the L-C upon the occurrence of any L-C Draw Event. In the event of any L-C Draw Event, Landlord may, but without obligation to do so, and without notice to Tenant (except in connection with an L-C Draw Event under Section 21.1(H) above), draw upon the L-C, in part or in whole, in the amount necessary to cure any such L-C Draw Event and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant’s breach or default of the Lease or other L-C Draw Event and/or to compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by any applicable law, it being intended that Landlord shall not first be required to proceed against the L-C, and such L-C shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Tenant agrees and acknowledges that (i) the L-C constitutes a separate and independent contract between Landlord and the Bank, (ii) Tenant is not a third party beneficiary of such contract, (iii) Tenant has no property interest whatsoever in the L-C or the proceeds thereof, and (iv) in the event Tenant becomes a debtor under any chapter of the Bankruptcy Code, Tenant is placed into receivership or conservatorship, and/or there is an event of a
receivership, conservatorship or a bankruptcy filing by, or on behalf of, Tenant, neither Tenant, any trustee, nor Tenant’s bankruptcy estate shall have any right to restrict or limit Landlord’s claim and/or rights to the L-C and/or the proceeds thereof by application of Section 502(b)(6) of the U. S. Bankruptcy Code or otherwise.

21.3 **Maintenance of L-C by Tenant.** If, as a result of any drawing by Landlord of all or any portion of the L-C, the amount of the L-C shall be less than the L-C Amount, Tenant shall, within five (5) days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency, and any such additional letter(s) of credit shall comply with all of the provisions of this Article 21. Tenant further covenants and warrants that it will neither assign nor encumber the L-C or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the L-C expires earlier than the L-C Expiration Date, Landlord will accept a renewal thereof (such renewal letter of credit to be in effect and delivered to Landlord, as applicable, not later than thirty (30) days prior to the expiration of the L-C), which shall be irrevocable and automatically renewable as above provided through the L-C Expiration Date upon the same terms as the expiring L-C or such other terms as may be acceptable to Landlord in its sole discretion. If Tenant exercises its option to extend the Lease Term pursuant to Section 2.2 of this Lease then, not later than thirty (30) days prior to the commencement of the Option Term, Tenant shall deliver to Landlord a new L-C or certificate of renewal or extension evidencing the L-C Expiration Date as thirty (30) days after the expiration of the Option Term. However, if the L-C is not timely renewed, or if Tenant fails to maintain the L-C in the amount and in accordance with the terms set forth in this Article 21, Landlord shall have the right to present the L-C to the Bank in accordance with the terms of this Article 21, and the proceeds of the L-C may be applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach or default by Tenant under this Lease. In the event Landlord elects to exercise its rights as provided above, (I) any unused proceeds shall constitute the property of Landlord (and not Tenant’s property or, in the event of a receivership, conservatorship, or a bankruptcy filing by, or on behalf of, Tenant, property of such receivership, conservatorship or Tenant’s bankruptcy estate) and need not be segregated from Landlord’s other assets, and (II) Landlord agrees to pay Tenant within thirty (30) days after the L-C Expiration Date the amount of any proceeds of the L-C received by Landlord and not applied against any Rent payable by Tenant under this Lease that was not paid when due or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any breach or default by Tenant under this Lease; provided, however, that if prior to the L-C Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant’s creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused L-C proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed. If Landlord draws on the L-C due to Tenant’s failure to timely renew or provide a replacement L-C, such failure shall not be considered a default under this Lease and Landlord shall return such cash proceeds upon Tenant’s presentation of a replacement L-C that satisfies the requirements of this Lease, subject to reasonable satisfaction of any preference risk to Landlord.

21.4 **Transfer and Encumbrance.** The L-C shall also provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant’s consent thereto, transfer (one or more times) all or any portion of its interest in and to the L-C to another party, person or entity, regardless of whether or not such transfer is from or as a part of the assignment by Landlord of its rights and interests in and to this Lease. In the event of a transfer of Landlord’s interest in under this Lease, Landlord shall transfer the L-C, in whole or in part, to the transferee and thereupon Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole of said L-C to a new landlord. In connection with any such transfer of the L-C by Landlord, Tenant shall, at Tenant’s sole cost and expense, execute and submit to the Bank such applications, documents and instruments as may be necessary to effectuate such transfer and, Tenant shall be responsible for paying the Bank’s transfer and processing fees in connection therewith; provided that, Landlord shall have the right (in its sole discretion), but not the obligation, to pay such fees on behalf of Tenant, in which case Tenant shall reimburse Landlord within ten (10) days after Tenant’s receipt of an invoice from Landlord therefor.

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21.5 **L-C Not a Security Deposit.** Landlord and Tenant (1) acknowledge and agree that in no event or circumstance shall the L-C or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a “security deposit” under any law applicable to security deposits in the commercial context, including, but not limited to, Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the “Security Deposit Laws”), (2) acknowledge and agree that the L-C (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevance thereto, and (3) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Tenant hereby irrevocably waives and relinquishes the provisions of Section 1950.7 of the California Civil Code and any successor statute, and all other provisions of law, now or hereafter in effect, which (x) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (y) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Landlord may, in addition, claim those sums specified in this Article 21 and/or those sums reasonably necessary to (a) compensate Landlord for any loss or damage caused by Tenant’s breach of this Lease, including any damages Landlord suffers following termination of this Lease, and/or (b) compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code. Tenant agrees not to interfere in any way with any payment to Landlord of the proceeds of the L-C, either prior to or following a “draw” by Landlord of all or any portion of the L-C, regardless of whether any dispute exists between Tenant and Landlord as to Landlord’s right to draw down all or any portion of the L-C. No condition or term of this Lease shall be deemed to render the L-C conditional and thereby afford the Bank a justification for failing to honor a drawing upon such L-C in a timely manner. Tenant shall not request or instruct the Bank of any L-C to refrain from paying sight draft(s) drawn under such L-C.

21.6 **Remedy for Improper Drafts.** Tenant’s sole remedy in connection with the improper presentment or payment of sight drafts drawn under any L-C shall be the right to obtain from Landlord a refund of the amount of any sight draft(s) that were improperly presented or the proceeds of which were misapplied, and reasonable actual out-of-pocket attorneys’ fees, provided that at the time of such refund, Tenant increases the amount of such L-C to the amount (if any) then required under the applicable provisions of this Lease. Tenant acknowledges that the presentment of sight drafts drawn under any L-C, or the Bank’s payment of sight drafts drawn under such L-C, could not under any circumstances cause Tenant injury that could not be remedied by an award of money damages, and that the recovery of money damages would be an adequate remedy therefor. In the event Tenant shall be entitled to a refund as aforesaid and Landlord shall fail to make such payment within ten (10) business days after demand, Tenant shall have the right to deduct the amount thereof from the next installment(s) of Base Rent.

22. **COMMUNICATIONS AND COMPUTER LINE.** Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the “Lines”), provided that Tenant shall obtain Landlord’s prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of Articles 7 and 8 of this Lease. Tenant shall pay all costs in connection therewith. Landlord reserves the right, upon notice to Tenant prior to the expiration or earlier termination of this Lease, to require that Tenant, at Tenant’s sole cost and expense, remove any Lines located in or serving the Premises prior to the expiration or earlier termination of this Lease.

23. **SIGNS.**

23.1 **Exterior Signage.** Subject to Landlord’s prior written approval, which shall not be unreasonably withheld, conditioned or delayed, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, at its sole cost and expense, may install (i) identification signage on the monument sign outside the front entrance to the Building (which Landlord shall install at its sole cost prior to the Lease Commencement Date, if it is not already installed), (ii) internal directional and lobby identification signage, and (iii) signage on the front entrance door to the Premises (collectively, “Tenant Signage”); provided, however, in no event shall Tenant’s Signage include an “Objectieonable Name,” as that term is defined in Section 23.3, of this Lease. All such signage shall be subject to Tenant’s obtaining all required governmental approvals. All permitted signs shall be maintained by Tenant at its expense in a first-class and safe condition and appearance. Upon the expiration or earlier termination of this Lease, Tenant shall remove all of its signs at Tenant’s sole cost and expense. The graphics, materials, color, design, lettering, lighting, size, illumination, specifications

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[Britannia Point Eden]
[Arcus Biosciences, Inc.]
and exact location of Tenant’s Signage (collectively, the “Sign Specifications”) shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be consistent and compatible with the quality and nature of the Project. Tenant hereby acknowledges that, notwithstanding Landlord’s approval of Tenant’s Signage, Landlord has made no representation or warranty to Tenant with respect to the probability of obtaining all necessary governmental approvals and permits for Tenant’s Signage. In the event Tenant does not receive the necessary governmental approvals and permits for Tenant’s Signage, Tenant’s and Landlord’s rights and obligations under the remaining terms of this Lease shall be unaffected.

23.2 Objectionable Name. Tenant’s Signage shall not include a name or logo which relates to an entity which is of a character or reputation, or is associated with a political faction or orientation, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of the Comparable Buildings (an “Objectionable Name”). Landlord agrees that “Arcus Biosciences, Inc.” or “Arcus” is not an Objectionable Name.

23.3 Prohibited Signage and Other Items. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion.

24. COMPLIANCE WITH LAW. Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (the “Applicable Laws”). At its sole cost and expense, Tenant shall promptly comply with all such governmental measures. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, at its sole cost and expense, to comply promptly with such standards or regulations. Tenant shall be responsible, at its sole cost and expense, to make all alterations to the Building and Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this Article 24. The judgment 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 said governmental measures, shall be conclusive of that fact as between Landlord and Tenant. Tenant’s obligations under this Article 24 are subject to the limitation in Section 10.2, above.

25. LATE CHARGES. If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord’s designee within five (5) business days after Tenant’s receipt of written notice from Landlord that said amount is delinquent, then Tenant shall pay to Landlord a late charge equal to five percent (5%) of the overdue amount plus any reasonable attorneys’ fees incurred by Landlord by reason of Tenant’s failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord’s other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord’s remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within ten (10) days after Tenant’s receipt of written notice that said amount is delinquent shall bear interest from the date when due until paid at a rate per annum equal to the lesser of (i) the annual “Bank Prime Loan” rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus four (4) percentage points, and (ii) the highest rate permitted by applicable law.

26. LANDLORD’S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT.

26.1 Landlord’s Cure. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant’s sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific
time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant’s part without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 **Tenant’s Reimbursement.** Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with the remedying by Landlord of Tenant’s defaults pursuant to the provisions of Section 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 10 of this Lease; and (iii) subject to Section 29.21, sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all reasonable legal fees and other amounts so expended. Tenant’s obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

27. **ENTRY BY LANDLORD.** Landlord reserves the right at all reasonable times and upon reasonable notice to Tenant (except in the case of an Emergency) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, or to current or prospective mortgagees, ground or underlying lessors or insurers or, during the last nine (9) months of the Lease Term, to prospective tenants; (iii) post notices of nonresponsibility (to the extent applicable pursuant to then applicable law); or (iv) repair the Premises or the Building, or for structural repairs to the Building or the Building’s systems and equipment as provided under the Lease. Landlord may make any such entries without the abatement of Rent, except as otherwise provided in this Lease, and may take such reasonable steps as required to accomplish the stated purposes. In an Emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. Landlord shall use commercially reasonable efforts to minimize any interference with Tenant’s use of or access to the Premises in connection with any such entry, and shall comply with Tenant’s reasonable security measures. Landlord shall hold confidential any information regarding Tenant’s business that it may learn as a result of such entry.

28. **TENANT PARKING.** Tenant shall have the right, without the payment of any parking charge or fee (other than as a reimbursement of operating expenses to the extent allowed pursuant to the terms or Article 4 of this Lease, above), commencing on the Lease Commencement Date, to use the amount of parking set forth in Section 9 of the Summary, in the on-site parking lot and garage which serves the Building. Tenant shall abide by all reasonable rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the parking facilities), and shall cooperate in seeing that Tenant’s employees and visitors also comply with such rules and regulations. Tenant’s use of the Project parking facility shall be at Tenant’s sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant, its employees and/or visitors, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant’s, its employees’ and/or visitors’ use of the parking facilities.

29. **MISCELLANEOUS PROVISIONS.**

29.1 **Terms: Captions.** The words “Landlord” and “Tenant” as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.2 **Binding Effect.** Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.
29.3 **No Air Rights.** No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant’s obligations under this Lease.

29.4 **Modification of Lease.** Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder or interfere with Tenant’s use of the Premises, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Landlord within ten (10) business days following a request therefor. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute a short form of Lease and deliver the same to Landlord within ten (10) business days following the request therefor.

29.5 **Transfer of Landlord’s Interest.** Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease and Tenant agrees to look solely to such transferee for the performance of Landlord’s obligations hereunder accruing after the date of transfer provided such transferee has fully assumed and agreed in writing to be liable for all obligations of this Lease to be performed by Landlord, including the return of any security deposit or L-C, and Tenant shall attorn to such transferee.

29.6 **Prohibition Against Recording.** Except as provided in Section 29.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 **Landlord’s Title.** Landlord’s title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 **Relationship of Parties.** Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 **Payment under Protest.** If Tenant in good faith disputes any amounts billed by Landlord, other than (i) Base Rent, (ii) Tenant’s Share of Direct Expenses (as to which Tenant may exercise its rights under Section 4.6, above), Tenant may make payment of such amounts under protest, and reserve all of its rights with respect to such amounts (the “Disputed Amounts”). Landlord and Tenant shall meet and confer to discuss the Disputed Amounts and attempt, in good faith, to resolve the particular dispute. If, despite such good faith efforts, Landlord and Tenant are unable to reach agreement regarding the Disputed Amounts, either party may submit the matter to binding arbitration under the JAMS Streamlined Arbitration Rules & Procedures. The non-prevailing party, as determined by JAMS, will be responsible to pay all fees and costs incurred in connection with the JAMS procedure, as well as all other costs and expenses, including reasonable attorneys’ fees, incurred by the prevailing party. This Section 29.9 shall not apply to claims relating to Landlord’s exercise of any unlawful detainer rights pursuant to California law or rights or remedies used by Landlord to gain possession of the Premises or terminate Lessee’s right of possession to the Premises.

29.10 **Time of Essence.** Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 **Partial Invalidity.** If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.
29.12 **No Warranty.** In executing and delivering this Lease, Tenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 **Landlord Exculpation.** The liability of Landlord or the Landlord Parties 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 Project or the Premises shall be limited solely and exclusively to an amount which is equal to the lesser of (a) the interest of Landlord in the Project or (b) the equity interest Landlord would have in the Project if the Project were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Project (as such value is determined by Landlord), including any rental, condemnation, sales and insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises. No Landlord Parties (other than Landlord) shall have any personal liability therefor, and Tenant hereby expressly waives and releases such liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 29.13 shall inure to the benefit of Landlord’s and the Landlord Parties’ 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 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. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant’s business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring, or loss to inventory, scientific research, scientific experiments, laboratory animals, products, specimens, samples, and/or scientific, business, accounting and other records of every kind and description kept at the premises and any and all income derived or derivable therefrom.

29.14 **Entire Agreement.** It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties’ entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 **Right to Lease.** Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 **Force Majeure.** Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a “**Force Majeure**”), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party’s performance caused by a Force Majeure, provided, however, the foregoing delays shall not apply to Tenant’s termination rights hereunder.

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
29.17  **Intentionally Omitted**.

29.18  **Notices.** All notices, demands, statements, designations, approvals or other communications (collectively, “**Notices**”) given or required to be given by either party to the other hereunder or by law shall be in writing, shall be (A) sent by United States certified or registered mail, postage prepaid, return receipt requested (“**Mail**”), (B) delivered by a nationally recognized overnight courier, or (C) delivered personally. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Tenant at the appropriate address set forth in Section 10 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord, or to Landlord at the addresses set forth below, or to such other places as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (i) three (3) business days after the date it is posted if sent by Mail, (ii) the date the overnight courier delivery is made, or (iii) the date personal delivery is made. As of the date of this Lease, any Notices to Landlord must be sent, transmitted, or delivered, as the case may be, to the following addresses:

Hayward Point Eden I Limited Partnership  
c/o HCP, Inc.  
1920 Main Street, Suite 1200  
Irvine, CA 92614  
Attn: Legal Department

with a copy to:

HCP Life Science Estates  
950 Tower Lane, Suite 1650  
Foster City, CA 94404  
Attention: Jonathan M. Bergschneider

and

Allen Matkins Leck Gamble Mallory & Natsis LLP  
1901 Avenue of the Stars, Suite 1800  
Los Angeles, California 90067  
Attention: Anton N. Natsis, Esq.

29.19  **Joint and Several.** If there is more than one tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20  **Authority.** If Tenant is a corporation, trust or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the State of California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so.

29.21  **Attorneys’ Fees.** In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys’ fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22  **Governing Law; WAIVER OF TRIAL BY JURY.** This Lease shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF
29.23 **Submission of Lease.** Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 **Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the “*Brokers*”), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys’ fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party. The terms of this Section 29.24 shall survive the expiration or earlier termination of the Lease Term.

29.25 **Independent Covenants.** This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord’s expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 **Project or Building Name, Address and Signage.** Landlord shall have the right at any time to change the name and/or address of the Project or Building (and Landlord shall reimburse Tenant its actual, reasonable costs incurred as a result of such change, if any) and, subject to Section 23.1, to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord’s sole discretion, desire. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord.

29.27 **Counterparts.** This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 **Good Faith.** Except (i) for matters for which there is a standard of consent or discretion specifically set forth in this Lease; (ii) matters which could have an adverse effect on the Building Structure or the Building Systems, or which could affect the exterior appearance of the Building, or (iii) matters covered by Article 4 (Additional Rent), or Article 19 ( Defaults; Remedies) of this Lease (collectively, the “*Excepted Matters*”), any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld or delayed, and, except with regard to the Excepted Matters, whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

29.29 **Development of the Project.**

29.29.1 **Subdivision.** Landlord reserves the right to subdivide all or a portion of the buildings and Common Areas, so long as the same does not interfere with Tenant’s use of or access to the Premises or Tenant’s parking rights. Tenant agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents needed to conform this Lease to the circumstances resulting from a subdivision and any all maps in connection therewith, so long as the same does not increase Tenant’s obligations or decrease
Tenant’s rights under this Lease. Notwithstanding anything to the contrary set forth in this Lease, the separate ownership of any buildings and/or Common Areas by an entity other than Landlord shall not affect the calculation of Direct Expenses or Tenant’s payment of Tenant’s Share of Direct Expenses.

29.29.2 Construction of Property and Other Improvements. Tenant acknowledges that portions of the Project may be under construction following Tenant’s occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Tenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction, so long as the same does not interfere with Tenant’s use of or access to the Premises or Tenant’s parking rights.

29.30 No Violation. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys’ fees and costs, arising from Tenant’s breach of this warranty and representation.

29.31 Transportation Management. Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Project and/or the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. Such programs may include, without limitation: (i) restrictions on the number of peak-hour vehicle trips generated by Tenant; (ii) increased vehicle occupancy; (iii) implementation of an in-house ridesharing program and an employee transportation coordinator; (iv) working with employees and any Project, Building or area-wide ridesharing program manager; (v) instituting employer-sponsored incentives (financial or in-kind) to encourage employees to rideshare; and (vi) utilizing flexible work shifts for employees.
IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,
a Delaware limited partnership

By: HCP Estates USA Inc.,
a Delaware corporation,
its General Partner

By: /s/ Jonathan M. Bergschneider
Jonathan M. Bergschneider
Executive Vice President

TENANT:

ARCUS BIOSCIENCES, INC.,
a Delaware corporation

By: /s/ Terry Rosen
Name: Terry Rosen
Its: CEO

By: /s/ Juan C. Jaen
Name: Juan C. Jaen
Its: President

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
EXHIBIT A

OUTLINE OF PREMISES; PROJECT SITE PLAN

Exhibit A – Project Site Plan & Outline of Premises

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
EXHIBIT B

TENANT WORK LETTER

1. Defined Terms. As used in this Tenant Work Letter, the following capitalized terms have the following meanings:

   (a) **Approved TI Plans**: Plans and specifications prepared by the applicable Architect for the Tenant Improvements and approved by Landlord and Tenant in accordance with Paragraph 2 of this Tenant Work Letter, subject to further modification from time to time to the extent provided in and in accordance with such Paragraph 2.

   (b) **Architect**: DGA, or any other architect mutually and reasonably selected by Landlord and Tenant, and engaged by Landlord, with respect to any Tenant Improvements which Landlord is to cause to be constructed pursuant to this Tenant Work Letter.

   (c) **Tenant Change Request**: See definition in Paragraph 2(c)(ii) hereof.

   (d) **Final TI Working Drawings**: See definition in Paragraph 2(a) hereof.

   (e) **General Contractor**: Landmark Builders or another general contractor reasonably selected by Landlord and in any case approved by Tenant as a result of competitive bidding of the general conditions and fee along with a project estimate in connection with Landlord’s TI Work. Tenant shall have no right to direct or control such General Contractor.

   (f) **Landlord’s TI Work**: Any Tenant Improvements which Landlord is to construct or install pursuant to this Tenant Work Letter or by mutual agreement of Landlord and Tenant from time to time.

   (g) **Project Manager**: Project Management Advisors, Inc., or any other project manager designated by Landlord in its reasonable discretion from time to time to act in a supervisory, oversight, project management or other similar capacity on behalf of Landlord in connection with the design and/or construction of the Tenant Improvements.

   (h) **Punch List Work**: Minor corrections of construction or decoration details, and minor mechanical adjustments, that are required in order to cause any applicable portion of the Tenant Improvements as constructed to conform to the Approved TI Plans in all material respects and that do not materially interfere with Tenant’s use or occupancy of the Building and the Premises.

   (i) **Substantial Completion Certificate**: See definition in Paragraph 3(a) hereof.

   (j) **Tenant Delay**: Any of the following types of delay in the completion of construction of Landlord’s TI Work (but in each instance, only to the extent that any of the following has actually and proximately caused substantial completion of Landlord’s TI Work to be delayed):

      (i) Any delay resulting from Tenant’s failure to furnish, in a timely manner, information reasonably requested by Landlord or by Landlord’s Project Manager in connection with the design or construction of Landlord’s TI Work, or from Tenant’s failure to approve in a timely manner any matters requiring approval by Tenant;

      (ii) Any delay resulting from Tenant Change Requests initiated by Tenant, including any delay resulting from the need to revise any drawings or obtain further governmental approvals as a result of any such Tenant Change Request;
Any delay caused by Tenant (or Tenant’s contractors, agents or employees) materially interfering with the performance of Landlord’s TI Work, provided that Landlord shall have given Tenant prompt notice of such material interference and, before the first time a Tenant Delay is deemed to have occurred as a result of such delay, such interference has continued for more than twenty-four (24) hours after Tenant’s receipt of such notice.

(k) **Tenant Improvements**: The improvements to or within the Building shown on the Approved TI Plans from time to time and to be constructed by Landlord pursuant to the Lease and this Tenant Work Letter. The term “Tenant Improvements” does not include the improvements existing in the Building and Premises at the date of execution of the Lease.

(l) **Unavoidable Delays**: Delays due to acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, inability (despite the exercise of due diligence) to obtain supplies, materials, fuels or permits, or other causes or contingencies (excluding financial inability) beyond the reasonable control of Landlord or Tenant, as applicable. Landlord shall use commercially reasonable efforts to provide Tenant with prompt notice of any Unavoidable Delays.

(m) Capitalized terms not otherwise defined in this Tenant Work Letter shall have the definitions set forth in the Lease.

2. **Plans and Construction**. Landlord and Tenant shall comply with the procedures set forth in this Paragraph 2 in preparing, delivering and approving matters relating to the Tenant Improvements.

(a) **Approved Plans and Working Drawings for Tenant Improvements**. Tenant shall promptly and diligently work with the Architect to cause to be prepared and delivered to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord) proposed schematic plans and outline specifications for the Tenant Improvements. Following mutual approval of such proposed schematic plans and outline specifications by Landlord and by Tenant (as so approved, the “Approved Schematic Plans”), Tenant shall then work with the Architect to cause to be prepared, promptly and diligently (assuming timely delivery by Landlord of any information and decisions required to be furnished or made by Landlord in order to permit preparation of final working drawings, all of which information and decisions Landlord will deliver promptly and with reasonable diligence), and delivered to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord) final detailed working drawings and specifications for the Tenant Improvements, including (without limitation) any applicable life safety, mechanical, electrical and plumbing working drawings and final architectural drawings (collectively, “Final TI Working Drawings”), which Final TI Working Drawings shall substantially conform to the Approved Schematic Plans. Landlord hereby approves the Approved Schematic Plans attached hereto as Schedule 1. Upon receipt from Tenant of proposed schematic plans and outline specifications, proposed Final TI Working Drawings, any other plans and specifications, or any revisions or resubmittals of any of the foregoing, as applicable, Landlord shall promptly and diligently (and in all events within 10 business days after receipt in the case of an initial submittal of schematic plans and outline specifications or proposed Final TI Working Drawings, and within 7 business days after receipt in the case of any other plans and specifications or any revisions or resubmittals of any of the foregoing) either approve such proposed schematic plans and outline specifications or proposed Final TI Working Drawings, as applicable, or set forth in writing with particularity any changes necessary to bring the aspects of such proposed schematic plans and outline specifications or proposed Final TI Working Drawings into a form which will be reasonably acceptable to Landlord. Upon approval of the Final TI Working Drawings by Landlord and Tenant, the Final TI Working Drawings shall constitute the “Approved TI Plans,” superseding (to the extent of any inconsistencies) any inconsistent features of the previously existing Approved Schematic Plans. Tenant shall respond to any request for information or approval of plans or drawings from Landlord or Architect within five (5) business days.

(b) **Cost of Improvements**. “Cost of Improvement” shall mean, with respect to any item or component for which a cost must be determined in order to allocate such cost, or an increase in such cost, to Tenant pursuant to this Tenant Work Letter, the sum of the following (unless otherwise agreed in writing by Landlord and Tenant with respect to any specific item or component or any category of items or components): (i) all sums paid to contractors or subcontractors for labor and materials furnished in connection with construction of such item or component; (ii) all costs, expenses, payments, fees and charges (other than penalties) paid to or at the direction of
any city, county or other governmental or quasi-governmental authority or agency which are required to be paid in order to obtain all necessary governmental permits, licenses, inspections and approvals relating to construction of such item or component; (iii) engineering and architectural fees for services rendered in connection with the design and construction of such item or component (including, but not limited to, the Architect for such item or component and an electrical engineer, mechanical engineer, structural engineer and civil engineer, if applicable); (iv) sales and use taxes; (v) testing and inspection costs; (vi) the cost of power, water and other utility facilities and the cost of collection and removal of debris required in connection with construction of such item or component; (vii) costs for builder’s risk insurance; (viii) the cost to purchase and install the Generator (if Tenant elects to use the Tenant Improvement Allowance to purchase the Generator) and code required signs; and (ix) all other “hard” and “soft” costs incurred in the construction of such item or component in accordance with the Approved TI Plans (if applicable) and this Tenant Work Letter; provided that the Cost of Improvements shall not include any internal or third-party costs incurred by Landlord except as provided in Section 2(e).

(c) **Construction of Landlord’s TI Work.** Following completion of the Approved TI Plans, Landlord shall apply for and use reasonable efforts to obtain the necessary permits and approvals to allow construction of all Tenant Improvements. Upon receipt of such permits and approvals, Landlord shall, at Tenant’s expense (subject to Landlord’s payment of the Tenant Improvement Allowance), construct and complete the Tenant Improvements substantially in accordance with the Approved TI Plans, subject to Unavoidable Delays and Tenant Delays (if any). Such construction of the Tenant Improvements shall be performed in a neat, good and workmanlike manner, free of defects, using new materials and equipment of good quality, and shall materially conform to all applicable laws, rules, regulations, codes, ordinances, requirements, covenants, conditions and restrictions applicable thereto in force at the time such work is completed. Landlord shall cause Landmark Builders and any other potential general contractors to bid as set forth in Section 1(e) above. All bids will be opened together with Landlord selecting the general contractor to construct the Tenant Improvements, subject to the reasonable approval of Tenant. Tenant shall also have the right to approve all subcontractors engaged by the General Contractor.

(d) **Changes.**

(i) If Landlord determines at any time that changes in the Final TI Working Drawings or in any other aspect of the Approved TI Plans relating to any item of Landlord’s TI Work are required as a result of applicable law or governmental requirements, or are required at the insistence of any other third party whose approval may be required with respect to the Tenant Improvements, or are required as a result of unanticipated conditions encountered in the course of construction, then Landlord shall promptly (A) advise Tenant of such circumstances and (B) at Tenant’s sole cost and expense, subject to Landlord’s payment of the Tenant Improvement Allowance, cause revised Final TI Working Drawings to be prepared by the Architect and submitted to Tenant, for Tenant’s approval, which shall not be unreasonably withheld. Failure of Tenant to deliver to Landlord written notice of disapproval and specification of such required changes on or before any deadline reasonably specified by Landlord (which shall not be less than three (3) business days after delivery thereof to Tenant) shall constitute and be deemed to be a Tenant Delay to the extent Landlord is delayed in completing Landlord’s TI Work.

(ii) If Tenant at any time desires any changes, alterations or additions to the Final TI Working Drawings, Tenant shall submit a detailed written request to Landlord specifying such changes, alterations or additions (a “Tenant Change Request”). Upon receipt of any such request, Landlord shall promptly notify Tenant of (A) whether the matters proposed in the Tenant Change Request are approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord), (B) Landlord’s estimate of the number of days of delay, if any, which shall be caused in the construction of the Tenant Improvements by such Tenant Change Request if implemented (including, without limitation, delays due to the need to obtain any revised plans or drawings and any governmental approvals), and (C) Landlord’s estimate of the increase, if any, which shall occur in the cost of design, permitting, project management and construction of the Tenant Improvements affected by such Tenant Change Request if such Tenant Change Request is implemented (including, but not limited to, any costs of compliance with laws or governmental regulations that become applicable because of the implementation of the Tenant Change Request). If Landlord approves the Tenant Change Request and Tenant notifies Landlord in writing, within three (3) business days after receipt of such notice from Landlord, of Tenant’s approval of the Tenant Change Request (including the estimated delays and cost increases, if any, described in Landlord’s notice),

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HCP, INC.

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
then Landlord shall cause such Tenant Change Request to be implemented and Tenant shall be responsible for all actual costs or cost increases resulting from or attributable to the implementation of the Tenant Change Request, and any delays resulting therefrom shall be deemed to be a Tenant Delay (subject to Landlord’s payment of the Tenant Improvement Allowance). If Tenant fails to notify Landlord in writing of Tenant’s approval of such Tenant Change Request within said three (3) business day period, then such Tenant Change Request shall be deemed to be withdrawn and shall be of no further effect.

(c) **Project Management**. Unless and until revoked by Landlord by written notice delivered to Tenant, Landlord hereby (i) delegates to Project Manager the authority to exercise all approval rights, supervisory rights and other rights or powers of Landlord under this Tenant Work Letter with respect to the design and construction of the Tenant Improvements, and (ii) requests that Tenant work with Project Manager with respect to any logistical or other coordination matters arising in the course of construction of the Tenant Improvements, including monitoring Tenant’s compliance with its obligations under this Tenant Work Letter and under the Lease with respect to the design and construction of the Tenant Improvements. Tenant acknowledges the foregoing delegation and request, and agrees to cooperate reasonably with Project Manager as Landlord’s representative pursuant to such delegation and request. Fees and charges of Project Manager for such services shall be at Tenant’s sole expense, subject to Landlord’s payment of the Tenant Improvement Allowance. Such fees shall equal $145,833.00 (the “Project Management Fee”) (assuming the entire Tenant Improvement Allowance is utilized by Tenant, provided that to the extent the entire Tenant Improvement Allowance is not utilized, then the Project Management Fee shall be proportionally reduced)).

3. **Completion**

   (a) When Landlord receives written certification from Architect that construction of the Tenant Improvements has been completed in accordance with the Approved TI Plans and Section 3(e) below (except for Punch List Work), Landlord shall prepare and deliver to Tenant a certificate signed by Landlord, Architect and General Contractor (the “Substantial Completion Certificate”) certifying that the construction of the Tenant Improvements has been substantially completed in a good and workmanlike manner in accordance with the Approved TI Plans and Section 3(e) below in all material respects, subject only to completion of Punch List Work, and specifying the date of that completion, and (ii) certifying that the Tenant Improvements comply in all material respects with all laws, rules, regulations, codes, ordinances, requirements, covenants, conditions and restrictions applicable thereto at the time of such delivery. Upon receipt of Tenant of the Substantial Completion Certificate and tender of possession of the Premises by Landlord to Tenant, and receipt of any certificate of occupancy or its legal equivalent, or other required sign-offs from any applicable governmental authority, allowing the legal occupancy of the Premises, the Tenant Improvements will be deemed delivered to Tenant and “Ready for Occupancy” for all purposes of the Lease (subject to Landlord’s continuing obligations with respect to any Punch List Work, and to any other express obligations of Landlord under the Lease or this Tenant Work Letter with respect to such Tenant Improvements).

   (b) Immediately prior to delivery of the Substantial Completion Certificate for the Tenant Improvements, Project Manager or other representatives of Landlord shall conduct one or more “walkthroughs” of the Building with Tenant and Tenant’s representatives, to identify any items of Punch List Work that may require correction and to prepare a joint punch list reflecting any such items, following which Landlord shall diligently complete the Punch List Work reflected in such joint punch list. The Punch List Work shall be attached to the Substantial Completion Certificate, and shall not include damage caused by Tenant or any of Tenant’s agents in connection with any work performed by Tenant in the Premises, or required as a result of Tenant’s move-in to the Premises. At any time within thirty (30) days after delivery of such Substantial Completion Certificate, Tenant shall be entitled to submit one or more lists to Landlord supplementing such joint punch list by specifying any additional items of Punch List Work to be performed on the applicable Tenant Improvements, and upon receipt of such list(s), Landlord shall diligently complete such additional Punch List Work. PROMPTLY after Landlord provides Tenant with the Substantial Completion Certificate and completes all applicable Punch List Work for the Building, Landlord shall cause the recordation of a Notice of Completion (as defined in the California Civil Code) with respect to the Tenant Improvements.
Table of Contents

(c) All construction, product and equipment warranties and guaranties obtained by Landlord with respect to the Tenant Improvements in the Premises shall, to the extent reasonably obtainable, include a provision that such warranties and guaranties shall also run to the benefit of Tenant, and Landlord shall cooperate with Tenant in a commercially reasonable manner to assist in enforcing all such warranties and guaranties for the benefit of Tenant.

(d) Notwithstanding any other provisions of this Tenant Work Letter or of the Lease, if Landlord is delayed in substantially completing any of the Tenant Improvements as a result of any Tenant Delay, and if the Lease Commencement Date is being determined under clause (i) of Section 3.2 of the Lease Summary, then notwithstanding any other provision of the Lease to the contrary, the Premises shall be deemed to have been Ready for Occupancy on the date the Premises would have been Ready for Occupancy absent such Tenant Delay.

4. Payment of Costs.

(a) Tenant Improvement Allowance. Subject to any restrictions, conditions or limitations expressly set forth in this Tenant Work Letter or in the Lease or as otherwise expressly provided by mutual written agreement of Landlord and Tenant, the cost of construction of the Tenant Improvements shall be paid or reimbursed by Landlord up to a maximum amount equal to $190.00 per RSF of the Premises (i.e. $5,028,730.00 (the “Tenant Improvement Allowance”)), which amount is being made available by Landlord to be applied towards the Cost of Improvements for the construction of the Tenant Improvements in the Premises. Tenant shall be responsible, at its sole cost and expense, for payment of the entire Cost of Improvements of the Tenant Improvements in excess of the Tenant Improvement Allowance, including (but not limited to) any costs or cost increases incurred as a result of delays (unless caused by Landlord), governmental requirements or unanticipated conditions (unless caused by Landlord), and for payment of any and all costs and expenses relating to any alterations, additions, improvements, furniture, furnishings, equipment, fixtures and personal property items which are not eligible for application of Tenant Improvement Allowance funds under the restrictions expressly set forth below in this paragraph, but Tenant shall be entitled to use or apply the entire Tenant Improvement Allowance toward the Cost of Improvements of the Tenant Improvements (subject to any applicable restrictions, conditions, limitations, reductions or charges set forth in the Lease or in this Tenant Work Letter) prior to being required to expend any of Tenant’s own funds for the Tenant Improvements. The funding of the Tenant Improvement Allowance shall be made on a monthly basis or at other convenient intervals mutually approved by Landlord and Tenant and in all other respects shall be based on such commercially reasonable disbursement conditions and procedures as Landlord, Project Manager and Landlord’s lender (if any) may reasonably prescribe. Notwithstanding the foregoing provisions, under no circumstances shall the Tenant Improvement Allowance or any portion thereof be used or useable by Tenant for any moving or relocation expenses of Tenant, or for any Cost of Improvement (or any other cost or expense) associated with any moveable furniture or trade fixtures, personal property or any other item or element which, under the applicable provisions of the Lease, will not become Landlord’s property and remain with the Building upon expiration or termination of the Lease. Notwithstanding anything to the contrary herein, the Tenant Improvements shall not include (and Landlord shall be solely responsible for and the Tenant Improvement Allowance shall not be used for) the following: (a) costs incurred due to the presence of any Hazardous Materials in the Premises, if any, but with respect to removal and remediation of any such Hazardous Materials, only to the extent such removal or remediation is required by Applicable Laws enforced as of the date of this Lease for improvements in the Premises generally (as opposed to the specific Tenant Improvements) and to the extent the same are required in order to allow Tenant to obtain a certificate of occupancy or its legal equivalent, for the Premises for the Permitted Use assuming a normal and customary occupancy density; (b) costs to bring the Project into compliance with Applicable Laws to the extent required in order to allow Tenant to obtain a certificate of occupancy or its legal equivalent, for the Premises for the Permitted Use assuming a normal and customary office and lab occupancy density; (c) construction costs in excess of the contract from the General Contractor approved by Tenant (not to be unreasonably withheld), except for increases set forth in approved change orders; and (d) wages, labor and overhead for overtime and premium time unless approved by Tenant (which approval shall not be unreasonably withheld, conditioned or delayed).

No Agency. Nothing contained in this Tenant Work Letter shall make or constitute Tenant as the agent of Landlord.

6. Tenant Access. Provided that Tenant and its agents do not interfere with Contactor’s work in the Building and the Premises (including by the use of non-union vendors without prior coordination with Landlord), Contractor shall allow Tenant access to the Premises prior to the Substantial Completion of the Landlord’s TI Work without payment of Rent for the purpose of Tenant installing equipment or fixtures (including Tenant’s data and -5-
telephone equipment) in the Premises and preparing the Premises for occupancy and conducting move-in activities. Prior to Tenant’s entry into the Premises as permitted by the terms of this Section 6, Tenant shall submit a schedule to Landlord and Contractor, for their approval, which schedule shall detail the timing and purpose of Tenant’s entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Building or Premises and against injury to any persons caused by Tenant’s actions pursuant to this Section 6.

7. Miscellaneous. All references in this Tenant Work Letter to a number of days shall be construed to refer to calendar days, unless otherwise specified herein. In all instances where Landlord’s or Tenant’s approval is required, if no written notice of disapproval is given within the applicable time period, at the end of that period Landlord or Tenant shall be deemed to have given approval (unless the provision requiring Landlord’s or Tenant’s approval expressly states that non-response is deemed to be a disapproval or withdrawal of the pending action or request, in which event such express statement shall be controlling over the general statement set forth in this sentence) and the next succeeding time period shall commence. If any item requiring approval is disapproved by Landlord or Tenant (as applicable) in a timely manner, the procedure for preparation of that item and approval shall be repeated. Landlord hereby acknowledges that Tenant shall not be required to restore the initial Tenant Improvements constructed in the Premises pursuant to the terms of this Tenant Work Letter upon the termination of the Lease.

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
NOTICE OF LEASE TERM DATES

To:  

Re:  Lease dated __________, 20__ between __________________, a __________ (“Landlord”), and __________________________, a __________ (“Tenant”) concerning Suite ______ on floor(s) ______ of the building located at ________________________, California.

Gentlemen:

In accordance with the Lease (the “Lease”), we wish to advise you and/or confirm as follows:

1. The Lease Term shall commence on or has commenced on __________ for a term of __________ ending on __________.

2. Rent commenced to accrue on __________, in the amount of __________.

3. If the Lease Commencement Date is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter, with the exception of the final billing, shall be for the full amount of the monthly installment as provided for in the Lease.

4. Your rent checks should be made payable to __________ at __________.

5. The number of rentable/usable square feet within the Premises is approximately __________ square feet.

6. Tenant’s Share as adjusted based upon the exact number of usable square feet within the Premises is __________%, subject to Section 6 of the Summary of Basic Lease Information.

“Landlord”:

a ________________________________

By: ________________________________

HCP, INC.

EXHIBIT C

-1-
Agreed to and Accepted as of , 20_.

“Tenant”:

_____________________________

a __________________________

By: __________________________

Its: __________________________

EXHIBIT C

-2-
EXHIBIT D

FORM OF TENANT’S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Lease (the “Lease”) made and entered into as of ______, 20__ by and between ________ as Landlord, and the undersigned as Tenant, for Premises consisting of a portion of the building located at ______________, California, certifies as follows:

1. Attached hereto as Exhibit A is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in Exhibit A represent the entire agreement between the parties as to the Premises.

2. The undersigned currently occupies the Premises described in the Lease, the Lease Term commenced on ____________, and the Lease Term expires on ____________, and the undersigned has no option to terminate or cancel the Lease or to purchase all or any part of the Premises, the Building and/or the Project, except as expressly set forth in the Lease.

3. Base Rent became payable on ____________.

4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Exhibit A.

5. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

6. Tenant shall not modify the documents contained in Exhibit A without the prior written consent of Landlord’s mortgagee.

7. All monthly installments of Base Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through ____________. The current monthly installment of Base Rent is $______.

8. To Tenant’s actual knowledge, without inquiry, all conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, the undersigned has not delivered any notice to Landlord regarding a default by Landlord thereunder. The Lease does not require Landlord to provide any rental concessions or to pay any leasing brokerage commissions except as expressly set forth therein.

9. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease. Neither Landlord, nor its successors or assigns, shall in any event be liable or responsible for, or with respect to, the retention, application and/or return to Tenant of any security deposit paid to any prior landlord of the Premises, whether or not still held by any such prior landlord, unless and until the party from whom the security deposit is being sought, whether it be a lender, or any of its successors or assigns, has actually received for its own account, as landlord, the full amount of such security deposit.

10. To Tenant’s actual knowledge, without inquiry, as of the date hereof, there are no existing defenses or offsets, or, to the undersigned’s knowledge, claims or any basis for a claim, that the undersigned has against Landlord.
11. If Tenant is a corporation or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

12. There are no actions pending against the undersigned under the bankruptcy or similar laws of the United States or any state.

13. Tenant is in full compliance with all federal, state and local laws, ordinances, rules and regulations affecting its use of the Premises, including, but not limited to, those laws, ordinances, rules or regulations relating to hazardous or toxic materials. Tenant has never permitted its agents, employees or contractors to engage in the generation, manufacture, treatment, use, storage, disposal or discharge of any hazardous, toxic or dangerous waste, substance or material in, on, under or about the Project or the Premises or any adjacent premises or property in violation of any federal, state or local law, ordinance, rule or regulation.

14. To the undersigned’s knowledge, all tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any tenant improvement work have been paid in full. All work (if any) in the common areas required by the Lease to be completed by Landlord has been completed and all parking spaces required by the Lease have been furnished and/or all parking ratios required by the Lease have been met.

The undersigned acknowledges that this Estoppel Certificate may be delivered to Landlord or to a prospective mortgagee or prospective purchaser, and acknowledges that said prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Executed at __________ on the ___day of ________, 20__.

“Tenant”:

______________________________

a

By: ________________________________

Its: ________________________________

By: ________________________________

Its: ________________________________

EXHIBIT D
-2-

HCP, INC.

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
EXHIBIT E
ENVIRONMENTAL QUESTIONNAIRE
ENVIRONMENTAL QUESTIONNAIRE
FOR COMMERCIAL AND INDUSTRIAL PROPERTIES

Property Name: 

Property Address: 

Instructions: The following questionnaire is to be completed by the Lessee representative with knowledge of the planned operations for the specified building/location. Please print clearly and attach additional sheets as necessary.

1.0 PROCESS INFORMATION
Describe planned use, and include brief description of manufacturing processes employed.

2.0 HAZARDOUS MATERIALS
Are hazardous materials used or stored? If so, continue with the next question. If not, go to Section 3.0.

2.1 Are any of the following materials handled on the Property?

☐ Explosives ☐ Fuels ☐ Oils
☐ Solvents ☐ Oxidizers ☐ Organics/Inorganics
☐ Acids ☐ Bases ☐ Pesticides
☐ Gases ☐ PCBs ☐ Radioactive Materials
☐ Other (please specify)

Yes ☐ No ☐

(A material is handled if it is used, generated, processed, produced, packaged, treated, stored, emitted, discharged, or disposed.) If so, complete this section. If this question is not applicable, skip this section and go on to Section 5.0.

2-2. If any of the groups of materials checked in Section 2.1, please list the specific material(s), use(s), and quantity of each chemical used or stored on the site in the Table below. If convenient, you may substitute a chemical inventory and list the uses of each of the chemicals in each category separately.

<table>
<thead>
<tr>
<th>Material</th>
<th>Physical State (Solid, Liquid, or Gas)</th>
<th>Usage</th>
<th>Container Size</th>
<th>Number of Containers</th>
<th>Total Quantity</th>
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</thead>
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2-3. Describe the planned storage area location(s) for these materials. Please include site maps and drawings as appropriate.

EXHIBIT E
HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
3.0 **HAZARDOUS WASTES**

Are hazardous wastes generated?  

Yes ☐ No ☐

If yes, continue with the next question. If not, skip this section and go to section 4.0.

3.1 Are any of the following wastes generated, handled, or disposed of (where applicable) on the Property?

☐ Hazardous wastes  ☐ Industrial Wastewater  
☐ Waste oils  ☐ PCBs  
☐ Air emissions  ☐ Sludges  
☐ Regulated Wastes  ☐ Other (please specify)

3-2. List and quantify the materials identified in Question 3-1 of this section.

<table>
<thead>
<tr>
<th>WASTE GENERATED</th>
<th>RCRA listed Waste?</th>
<th>SOURCE</th>
<th>APPROXIMATE MONTHLY QUANTITY</th>
<th>WASTE CHARACTERIZATION</th>
<th>DISPOSITION</th>
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3-3. Please include name, location, and permit number (e.g. EPA ID No.) for transporter and disposal facility, if applicable. Attach separate pages as necessary.

<table>
<thead>
<tr>
<th>Transporter/Disposal Facility Name</th>
<th>Facility Location</th>
<th>Transporter (I) or Disposal (D) Facility</th>
<th>Permit Number</th>
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</table>

3-4. Are pollution controls or monitoring employed in the process to prevent or minimize the release of wastes into the environment?  

Yes ☐ No ☐

3-5. If so, please describe.

4.0 **USTS/ASTS**

4.1 Are underground storage tanks (USTs), aboveground storage tanks (ASTs), or associated pipelines used for the storage of petroleum products, chemicals, or liquid wastes present on site (lease renewals) or required for planned operations (new tenants)? Yes ☐ No ☐

If not, continue with section 5.0. If yes, please describe capacity, contents, age, type of the USTs or ASTs, as well any associated leak detection/spill prevention measures. Please attach additional pages if necessary.

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Contents</th>
<th>Year Installed</th>
<th>Type (Steel, Fiberglass, etc)</th>
<th>Associated Leak Detection / Spill Prevention Measures *</th>
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* Note: The following are examples of leak detection / spill prevention measures:
  - Integrity testing
  - Inventory reconciliation
  - Leak detection system
  - Overfill spill protection
  - Secondary containment
  - Cathodic protection

HCP, INC.

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
4-2. Please provide copies of written tank integrity test results and/or monitoring documentation, if available.

4-3. Is the UST/AST registered and permitted with the appropriate regulatory agencies? Yes ☐ No ☐

If so, please attach a copy of the required permits.

4-4. If this Questionnaire is being completed for a lease renewal, and if any of the USTs/ASTs have leaked, please state the substance released, the media(s) impacted (e.g., soil, water, asphalt, etc.), the actions taken, and all remedial responses to the incident.

4-5. If this Questionnaire is being completed for a lease renewal, have USTs/ASTs been removed from the Property? Yes ☐ No ☐

If yes, please provide any official closure letters or reports and supporting documentation (e.g., analytical test results, remediation report results, etc.).

4-6. For Lease renewals, are there any above or below ground pipelines on site used to transfer chemicals or wastes? Yes ☐ No ☐

For new tenants, are installations of this type required for the planned operations? Yes ☐ No ☐

If yes to either question, please describe.

5.0 ASBESTOS CONTAINING BUILDING MATERIALS

Please be advised that an asbestos survey may have been performed at the Property. If provided, please review the information that identifies the locations of known asbestos containing material or presumed asbestos containing material. All personnel and appropriate subcontractors should be notified of the presence of these materials, and informed not to disturb these materials. Any activity that involves the disturbance or removal of these materials must be done by an appropriately trained individual/contractor.

6.0 REGULATORY

6-1. Does the operation have or require a National Pollutant Discharge Elimination System (NPDES) or equivalent permit? Yes ☐ No ☐

If so, please attach a copy of this permit.

6-2. Has a Hazardous Materials Business Plan been developed for the site? Yes ☐ No ☐

If so, please attach a copy.

CERTIFICATION

I am familiar with the real property described in this questionnaire. By signing below, I represent and warrant that the answers to the above questions are complete and accurate to the best of my knowledge. I also understand that

EXHIBIT E

-3-

HCP, INC.

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
Lessor will rely on the completeness and accuracy of my answers in assessing any environmental liability risks associated with the property.

Signature: _______________________________________
Name: ___________________________________________
Title: ___________________________________________
Date: ___________________________________________
Telephone: _______________________________________

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
EXHIBIT F

TENANT’S PROPERTY

The following items, to the extent not purchased with the Tenant Improvement Allowance or Additional Improvement Allowance, shall be deemed “Tenant’s Property”:

1. All moveable furniture and equipment that is not “built-in”.
2. Moveable lab casework (other than “built-in” lab casework), including moveable lab benches.
3. Servers, server racks and back-up batteries.
4. Furniture.
EXHIBIT G

INTENTIONALLY OMITTED

EXHIBIT G
-1-

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
EXHIBIT H

FORM OF LETTER OF CREDIT

(Letterhead of a money center bank acceptable to the Landlord)

FAX NO. [(   )-______]
SWIFT: [Insert No., if any]

[Insert Bank Name And Address]

DATE OF ISSUE: ______________________

BENEFICIARY:
[Insert Beneficiary Name And Address]

APPLICANT:
[Insert Applicant Name And Address]

LETTER OF CREDIT NO. ______________

EXPIRATION DATE: ______________________

AMOUNT AVAILABLE:
USD [Insert Dollar Amount]
(U.S. DOLLARS [Insert Dollar Amount])

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. ______________ IN YOUR FAVOR FOR THE ACCOUNT OF [Insert Tenant’s Name], A [Insert Entity Type], UP TO THE AGGREGATE AMOUNT OF USD [Insert Dollar Amount] ([Insert Dollar Amount] U.S. DOLLARS) EFFECTIVE IMMEDIATELY AND EXPIRING ON ________ (Expiration Date) AVAILABLE BY PAYMENT UPON PRESENTATION OF YOUR DRAFT AT SIGHT DRAWN ON [Insert Bank Name] WHEN ACCOMPANIED BY THE FOLLOWING DOCUMENT(S):

1. THE ORIGINAL OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND AMENDMENT(S), IF ANY.

2. BENEFICIARY'S SIGNED STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF [Insert Landlord’s Name], A [Insert Entity Type] (“LANDLORD”) STATING THE FOLLOWING:

   “THE UNDERSIGNED HEREBY CERTIFIES THAT THE LANDLORD, EITHER (A) UNDER THE LEASE (DEFINED BELOW), OR (B) AS A RESULT OF THE TERMINATION OF SUCH LEASE, HAS THE RIGHT TO DRAW DOWN THE AMOUNT OF USD _______ IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED (COLLECTIVELY, THE “LEASE”), OR SUCH AMOUNT CONSTITUTES DAMAGES OWING BY THE TENANT TO BENEFICIARY RESULTING FROM THE BREACH OF SUCH LEASE BY THE TENANT THEREUNDER, OR THE TERMINATION OF SUCH LEASE, AND SUCH AMOUNT REMAINS UNPAID AT THE TIME OF THIS DRAWING.”

OR

“THE UNDERSIGNED HEREBY CERTIFIES THAT WE HAVE RECEIVED A WRITTEN NOTICE OF [Insert Bank Name]’S ELECTION NOT TO EXTEND ITS STANDBY LETTER OF CREDIT NO. ______________ AND HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT WITHIN AT LEAST THIRTY (30) DAYS PRIOR TO THE PRESENT EXPIRATION DATE.”

HCP, INC.
[Britannia Point Eden]
[Areus Biosciences, Inc.]

OR

“THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. ___________ AS THE RESULT OF AN INVOLUNTARY PETITION HAVING BEEN FILED UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE AGAINST THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED (COLLECTIVELY, THE “LEASE”), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING.”

OR

“THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. ________________ AS THE RESULT OF THE REJECTION, OR DEEMED REJECTION, OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED, UNDER SECTION 365 OF THE U.S. BANKRUPTCY CODE.”

SPECIAL CONDITIONS:

PARTIAL DRAWINGS AND MULTIPLE PRESENTATIONS MAY BE MADE UNDER THIS STANDBY LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS STANDBY LETTER OF CREDIT.

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING. [Please Provide The Required Forms For Review, And Attach As Schedules To The Letter Of Credit.]

ALL SIGNATURES MUST BE MANUALLY EXECUTED IN ORIGINALS.

ALL BANKING CHARGES ARE FOR THE APPLICANT’S ACCOUNT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR A PERIOD OF ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE EXPIRATION DATE WE SEND YOU NOTICE BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. SAID NOTICE WILL BE SENT TO THE ADDRESS INDICATED ABOVE, UNLESS A CHANGE OF ADDRESS IS OTHERWISE NOTIFIED BY YOU TO US IN WRITING BY RECEIPTED MAIL OR COURIER. ANY NOTICE TO US WILL BE DEEMED EFFECTIVE ONLY UPON ACTUAL RECEIPT BY US AT OUR DESIGNATED OFFICE. IN NO EVENT, AND WITHOUT FURTHER NOTICE FROM OURSELVES, SHALL THE EXPIRATION DATE BE EXTENDED BEYOND A FINAL EXPIRATION DATE OF ___ (120 days from the Lease Expiration Date).
THIS LETTER OF CREDIT MAY BE TRANSFERRED SUCCESSIVELY IN WHOLE OR IN PART ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF A NOMINATED TRANSFEREE (“TRANSFEREE”), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH ALL APPLICABLE U.S. LAWS AND REGULATIONS. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINAL AMENDMENT(S) IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM (AVAILABLE UPON REQUEST) AND PAYMENT OF OUR CUSTOMARY TRANSFER FEES, WHICH FEES SHALL BE PAYABLE BY APPLICANT (PROVIDED THAT BENEFICIARY MAY, BUT SHALL NOT BE OBLIGATED TO, PAY SUCH FEES TO US ON BEHALF OF APPLICANT, AND SEEK REIMBURSEMENT THEREOF FROM APPLICANT). IN CASE OF ANY TRANSFER UNDER THIS LETTER OF CREDIT, THE DRAFT AND ANY REQUIRED STATEMENT MUST BE EXECUTED BY THE TRANSFEREE AND WHERE THE BENEFICIARY’S NAME APPEARS WITHIN THIS STANDBY LETTER OF CREDIT, THE TRANSFEREE’S NAME IS AUTOMATICALLY SUBSTITUTED THEREFOR.

ALL DRAFTS REQUIRED UNDER THIS STANDBY LETTER OF CREDIT MUST BE MARKED: “DRAWN UNDER [Insert Bank Name] STANDBY LETTER OF CREDIT NO. ___________.”

WE HEREBY AGREE WITH YOU THAT IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AT OR PRIOR TO [Insert Time – (e.g., 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS PRESENTED CONFORM TO THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SUCCEEDING BUSINESS DAY. IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AFTER [Insert Time – (e.g., 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS CONFORM WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SECOND SUCCEEDING BUSINESS DAY. AS USED IN THIS LETTER OF CREDIT, “BUSINESS DAY” SHALL MEAN ANY DAY OTHER THAN A SATURDAY, SUNDAY OR A DAY ON WHICH BANKING INSTITUTIONS IN THE STATE OF CALIFORNIA ARE AUTHORIZED OR REQUIRED BY LAW TO CLOSE. IF THE EXPIRATION DATE FOR THIS LETTER OF CREDIT SHALL EVER FALL ON A DAY WHICH IS NOT A BUSINESS DAY THEN SUCH EXPIRATION DATE SHALL AUTOMATICALLY BE EXTENDED TO THE DATE WHICH IS THE NEXT BUSINESS DAY.

PRESENTATION OF A DRAWING UNDER THIS LETTER OF CREDIT MAY BE MADE ON OR PRIOR TO THE THEN CURRENT EXPIRATION DATE HEREOF BY HAND DELIVERY, COURIER SERVICE, OVERNIGHT MAIL, OR FACSIMILE. PRESENTATION BY FACSIMILE TRANSMISSION SHALL BE BY TRANSMISSION OF THE ABOVE REQUIRED SIGHT DRAFT DRAWN ON US TOGETHER WITH THIS LETTER OF CREDIT TO OUR FACSIMILE NUMBER, [Insert Fax Number – (___) ___-____]. ATTENTION: [Insert Appropriate Recipient], WITH TELEPHONIC CONFIRMATION OF OUR RECEIPT OF SUCH FACSIMILE TRANSMISSION AT OUR TELEPHONE NUMBER [Insert Telephone Number – (___) ___-____] OR TO SUCH OTHER FACSIMILE OR TELEPHONE NUMBERS, AS TO WHICH YOU HAVE RECEIVED WRITTEN NOTICE FROM US AS BEING THE APPLICABLE SUCH NUMBER. WE AGREE TO NOTIFY YOU IN WRITING, BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE, OF ANY CHANGE IN SUCH DIRECTION. ANY FACSIMILE PRESENTATION PURSUANT TO THIS PARAGRAPH SHALL ALSO STATE THEREON THAT THE ORIGINAL OF SUCH SIGHT DRAFT AND LETTER OF CREDIT ARE BEING REMITTED, FOR DELIVERY ON THE NEXT BUSINESS DAY, TO [Insert Bank Name] AT THE APPLICABLE ADDRESS FOR PRESENTMENT PURSUANT TO THE PARAGRAPH FOLLOWING THIS ONE.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENT(S) DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS STANDBY LETTER OF CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT OUR OFFICE LOCATED AT [Insert Bank Name], [Insert Bank Address], ATTN: [Insert Appropriate Recipient], ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT, ___(Expiration Date)____.
IN THE EVENT THAT THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT IS LOST, STOLEN, MUTILATED, OR OTHERWISE DESTROYED, WE HEREBY AGREE TO ISSUE A DUPLICATE ORIGINAL HEREOF UPON RECEIPT OF A WRITTEN REQUEST FROM YOU AND A CERTIFICATION BY YOU (PURPORTEDLY SIGNED BY YOUR AUTHORIZED REPRESENTATIVE) OF THE LOSS, THEFT, MUTILATION, OR OTHER DESTRUCTION OF THE ORIGINAL HEREOF.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE “INTERNATIONAL STANDBY PRACTICES” (ISP 98) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 590).

Very truly yours,

(Name of Issuing Bank)

By: ________________________________

HCP, INC.
[Britannia Point Eden]
[Arcus Biosciences, Inc.]
EXHIBIT I

APPROVED OUTSIDE LOCATION OF GENERATOR

[Map diagram with building locations and generator location marked]
FIRST AMENDMENT TO LEASE

This FIRST AMENDMENT TO OFFICE LEASE (“First Amendment”) is made and entered into as of the 22nd day of July, 2016, by and between HAYWARD POINT EDEN I LIMITED PARTNERSHIP, a Delaware limited partnership (“Landlord”), and ARCUS BIOSCIENCES, INC., a Delaware corporation (“Tenant”).

RECITALS:

A. Landlord and Tenant entered into that certain Lease dated September 30, 2015 (the “Lease”), whereby Landlord leased to Tenant and Tenant leased from Landlord those certain premises consisting of approximately 26,467 rentable square feet (“Existing Premises”) with a street address of 3928 Point Eden Way, Hayward, California (“Building”).

B. Tenant desires to expand the Existing Premises to include that certain space consisting of approximately 13,644 rentable square feet of space with a street address of 3920 Point Eden Way, Hayward, California (the “Expansion Premises”), as delineated on Exhibit A attached hereto and made a part hereof, and to make other modifications to the Lease, and in connection therewith, Landlord and Tenant desire to amend the Lease as hereinafter provided.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Capitalized Terms. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this First Amendment.

2. Modification of Premises. Effective as of January 1, 2021 (the “Expansion Commencement Date”), Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Premises. Consequently, effective upon the Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Premises. Landlord and Tenant hereby acknowledge and agree that prior to the Expansion Commencement Date Tenant shall be in occupancy of the Expansion Premises pursuant to a sublease being executed concurrently herewith (the “Sublease”) by Tenant and the existing tenant of the Expansion Premises (“Mallinckrodt”), and accordingly, Landlord shall have no obligation to “deliver” the Expansion Premises to Tenant. Landlord and Tenant hereby acknowledge that notwithstanding any provision to the contrary contained in the Lease, such addition of the Expansion Premises to the Existing Premises shall, effective as of the Expansion Commencement Date, increase the size of the Premises to approximately 40,111 rentable square feet, and the Premises shall comprise the entirety of the Building. The Existing Premises and the Expansion Premises may hereinafter collectively be referred to as the “Premises”.

Britannia Point Eden
[First Amendment]
[Arcus Biosciences, Inc.]
3. **Term.**

3.1. **Expansion Term.** The term of Tenant’s lease of the Expansion Premises (the “**Expansion Term**”) shall commence on the Expansion Commencement Date and shall expire coterminously with Tenant’s Lease of the Existing Premises on the Lease Expiration Date, unless sooner terminated as provided in the Lease, as hereby amended. For the avoidance of doubt, the option to extend the Lease Term in Section 2.2 of the Lease shall include the Expansion Premises.

3.2. **Sublease.** The Sublease has been made subject to that certain Lease dated March 7, 1997 (as previously amended, the “**Mallinckrodt Lease**”). The Sublease and Mallinckrodt Lease are each scheduled to expire on December 31, 2020, and the Expansion Commencement Date shall occur immediately upon such termination. Tenant’s occupancy of the Expansion Premises after the termination of the Mallinckrodt Lease shall be deemed pursuant to the Lease and not as a holdover under the Mallinckrodt Lease. Landlord agrees that in the event the Mallinckrodt Lease is terminated prior to the Expansion Commencement Date, Tenant will automatically become a direct tenant of Landlord in the Expansion Premises on all of the terms and conditions of the Lease, Landlord will recognize Tenant on all of the terms and conditions of the Lease, and Tenant will attorn to Landlord on all of such terms from the date of such termination through the Expansion Commencement Date (the “**Recognition Lease Period**”). The termination of the Mallinckrodt Lease, and direct lease of the Expansion Premises by Tenant as set forth above, shall not modify the Expansion Commencement Date or Lease Expiration Date under the Lease; provided, however, if the Lease is terminated during the Recognition Lease Period, the Expansion Commencement Date shall not occur. During the Recognition Lease Period, Tenant shall pay Base Rent and Additional Rent as to the Expansion Premises in accordance with the terms of this First Amendment, provided that the Base Rent as to the Expansion Premises payable prior to the Expansion Commencement Date hereunder shall be as set forth below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Monthly Installment of Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement Date of Sublease-Sublease Month</td>
<td>Monthly Installment of Base Rent</td>
</tr>
<tr>
<td>12</td>
<td>$ 21,830.40</td>
</tr>
<tr>
<td>Sublease Months 13-24</td>
<td>$ 22,512.60</td>
</tr>
<tr>
<td>Sublease Months 25-36</td>
<td>$ 23,194.80</td>
</tr>
<tr>
<td>Sublease Months 37-48</td>
<td>$ 23,877.00</td>
</tr>
<tr>
<td>Sublease Months 49-December 31, 2020</td>
<td>$ 24,559.20</td>
</tr>
</tbody>
</table>

Landlord hereby agrees, and agrees to include in its consent to the Sublease, that: (a) Mallinckrodt shall not be required to restore any alterations in the Expansion Premises as of the date of this First Amendment; (b) Landlord consents to Tenant Improvements being performed as described in Section 6 in accordance with the terms of the Lease (including the Tenant Work Letter); and (c) the terms of Section 14.8 of the Lease shall apply to the term of the Sublease.

-2-

Britannia Point Eden
[First Amendment]
Arcus Biosciences, Inc.
4. **Base Rent**.

4.1. **Existing Premises**. Notwithstanding anything to the contrary in the Lease as hereby amended, Tenant shall continue to pay Base Rent for the Existing Premises in accordance with the terms of Article 3 of the Lease.

4.2. **Expansion Premises**. Commencing on the Expansion Commencement Date and continuing throughout the Expansion Term, Tenant shall pay to Landlord monthly installments of Base Rent for the Expansion Premises as follows:

<table>
<thead>
<tr>
<th>Period During Expansion Term</th>
<th>Annualized Base Rent</th>
<th>Monthly Installment of Base Rent</th>
<th>Approximate Monthly Rental Rate per Rentable Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2021 – December 31, 2021</td>
<td>$319,269.60</td>
<td>$26,605.80</td>
<td>$1.95</td>
</tr>
<tr>
<td>January 1, 2022 – December 31, 2022</td>
<td>$330,444.04</td>
<td>$27,537.00</td>
<td>$2.02</td>
</tr>
<tr>
<td>January 1, 2023 – December 31, 2023</td>
<td>$342,009.58</td>
<td>$28,500.80</td>
<td>$2.09</td>
</tr>
<tr>
<td>January 1, 2024 – March 31, 2024</td>
<td>$353,979.91</td>
<td>$29,498.33</td>
<td>$2.16</td>
</tr>
</tbody>
</table>

On or before the Expansion Commencement Date, Tenant shall pay to Landlord the Base Rent payable for the Expansion Premises for the first full month of the Expansion Term.

5. **Tenant’s Share of Direct Expenses for Entire Premises**. Prior to the Expansion Commencement Date, Tenant shall continue to pay Tenant’s Share of Direct Expenses in connection with the Existing Premises in accordance with the terms of the Lease. Commencing on the Expansion Commencement Date, Tenant shall also pay Tenant’s Share of Direct Expenses in connection with the Expansion Premises in accordance with the terms of the Lease, provided that with respect to the calculation of Tenant’s Share of Direct Expenses in connection with the entire Premises (i.e., the Existing Premises and the Expansion Premises) from and after the Expansion Commencement Date, Tenant’s Share shall equal 100%.

6. **Expansion Improvements; Additional TI Allowance**. Except as specifically set forth herein, Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Expansion Premises, and Tenant shall accept the Expansion Premises in its presently existing, “as-is” condition. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby
acknowledges, that the Project, Building and Premises have not undergone inspection by a Certified Access Specialist (CASp). Notwithstanding the foregoing, in addition to the Tenant Improvement Allowance set forth in Section 4(a) of the Tenant Work Letter attached to the Lease, Tenant shall have the right, by written notice to Landlord given on or before December 31, 2018, to use up to $20.00 per RSF of the Expansion Premises (i.e., up to $272,880.00) (the “Additional TI Allowance”) towards the payment of the Cost of Improvements, and which shall be available for Tenant’s use in the Existing Premises and/or the Expansion Premises commencing on the date of this First Amendment. In the event Tenant exercises its right to use all or any portion of the Additional TI Allowance, Tenant shall be required to pay Landlord, commencing on the date the Tenant Improvements are completed (the “Additional Payment Commencement Date”), the “Additional TI Allowance Payment,” as that term is defined below, in consideration of Landlord provision of the Additional TI Allowance. The “Additional TI Allowance Payment” shall be determined as the missing component of an annuity, which annuity shall have (i) the amount of the Additional TI Allowance utilized by Tenant as the present value amount, (ii) a number equal to the number of full calendar months then remaining in the initial Lease Term as the number of payments, (iii) a monthly interest factor equal to eighty-three one-hundredths percent (0.83%), which is equal to ten percent (10%) divided by twelve (12) months per year, and (iv) the Additional TI Allowance Payment as the missing component of the annuity. Tenant shall pay the Additional TI Allowance Payment as Additional Rent under the Lease, monthly through the expiration of the initial Lease Term following the Additional Payment Commencement Date. Following the calculation of the Additional TI Allowance Payment, Landlord and Tenant will enter into a lease amendment in the form of Exhibit B attached hereto, to confirm the amount thereof. Any unused portion of the Additional TI Allowance remaining as of December 31, 2018, shall remain with Landlord and Tenant shall have no further right thereto. Tenant's use of the Additional TI Allowance shall be subject to a Project Management Fee at the same percentage set forth in Section 2(e) of the Tenant Work Letter attached to the Lease. Landlord hereby approves the Schematic Plans attached hereto as Exhibit C, and acknowledges that Tenant shall not be required to restore such Tenant Improvements.

7. Brokers. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this First Amendment other than CBRE, Inc. and Jennifer Berrueta Vergara and Mary Hines, with Kidder Mathews initially and then Newmark Cornish & Carey (the “Brokers”), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this First Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys’ fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party’s dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party. The terms of this Section 7 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

8. Letter of Credit; Security Deposit. Landlord and Tenant acknowledge that, in accordance with Article 21 of the Lease, Tenant has previously delivered an L-C in the amount of $201,816.64 as security for the faithful performance by Tenant of the terms, covenants and conditions of the Lease, and which Landlord shall continue to hold pursuant to the terms of the Britannia Point Eden
[First Amendment]
[Arcus Biosciences, Inc.]
Lease. In connection with the Expansion Premises, Tenant shall be required to deliver an additional $58,996.66 to Landlord. Accordingly, Tenant shall deposit with Landlord a security deposit (the “Security Deposit”) in the amount of $58,996.66, as security for the faithful performance by Tenant of all of its obligations under the Lease, as amended, in two installments of $29,498.33 each: the first of which shall be delivered concurrently with Tenant’s execution of this First Amendment and the second of which shall be delivered before the Expansion Commencement Date. If Tenant defaults with respect to any provisions of the Lease, as amended, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Landlord may, without notice to Tenant, but shall not be required to apply all or any part of the Security Deposit for the payment of any Rent or any other sum in default and Tenant shall, upon demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Tenant, or, at Landlord’s option, to the last assignee of Tenant’s interest hereunder, within sixty (60) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby irrevocably waives and relinquishes any and all rights, benefits, or protections, if any, Tenant now has, or in the future may have, under Section 1950.7 of the California Civil Code, any successor statute, and all other provisions of law, now or hereafter in effect, including, but not limited to, any provision of law which (i) establishes the time frame by which a landlord must refund a security deposit under a lease, and/or (ii) provides that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the subject premises. Tenant acknowledges and agrees that (a) any statutory time frames for the return of a security deposit are superseded by the express period identified in this Section 8, above, and (b) rather than be so limited, Landlord may claim from the Security Deposit (1) any and all sums expressly identified in this Section 8, above, and (2) any additional sums reasonably necessary to compensate Landlord for any and all losses or damages caused by Tenant’s default of the Lease, as amended, including, but not limited to, all damages or rent due upon termination of the Lease pursuant to Section 1951.2 of the California Civil Code.

9. **No Further Modification.** Except as set forth in this First Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Premises and shall remain unmodified and in full force and effect.

[signatures follow on next page]

Britannia Point Eden
[First Amendment]

[Arcus Biosciences, Inc.]
IN WITNESS WHEREOF, this First Amendment has been executed as of the day and year first above written.

LANDLORD:

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,
a Delaware limited partnership

By: HCP Estates USA Inc.,
a Delaware corporation,
its General Partner

By: /s/ Jonathan M. Bergschneider
Jonathan M. Bergschneider
Executive Vice President

TENANT:

ARCUS BIOSCIENCES, INC.,
a Delaware corporation

By: /s/ Juan C. Jaen
Name: Juan C. Jaen
Its: President

By: ____________________________
Name: __________________________
Its: __________________________

Britannia Point Eden
[First Amendment]
[Arcus Biosciences, Inc.]
EXHIBIT B

FORM OF AGREEMENT FOR ADDITIONAL MONTHLY BASE RENT

SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE ("Amendment") is made and entered into as of , 2016, by and between HAYWARD POINT EDEN I LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord"), and ARCUS BIOSCIENCES, INC., a Delaware corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into that certain Lease dated September 30, 2015 (the "Original Lease"), as amended by that certain First Amendment to Lease dated March , 2016 (the "First Amendment") (the Original Lease, and the First Amendment are collectively, the "Lease"), whereby Landlord leased to Tenant and Tenant leased from Landlord those certain premises consisting of approximately rentable square feet ("Existing Premises") with a street address of 3920 Point Eden Way and 3928 Point Eden Way ("Building").

B. Landlord and Tenant desire to amend the Lease on the terms and conditions set forth in this Amendment.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Terms. All capitalized terms when used herein shall have the same respective meanings as are given such terms in the Lease unless expressly provided otherwise in this Amendment.

2. Additional TI Allowance. Pursuant to the terms of Section 6 of the First Amendment, Tenant was entitled to an Additional TI Allowance of up to $272,880.00 (the "Additional TI Allowance"). Notwithstanding any provision to the contrary contained in the Lease, Landlord and Tenant hereby acknowledge and agree that Tenant has utilized and /100 Dollars ($ . ) of the Additional TI Allowance (the "Utilized Additional TI Allowance").

4. Additional Monthly Base Rent. As a result of Tenant’s use of the Utilized Additional TI Allowance, Tenant is required to pay Additional Monthly Base Rent calculated as provided in Section 6 of the First Amendment, which Additional Monthly Base Rent shall be equal to $ per month, payable on or before the first (1st) day of each month commencing as of , and continuing through the expiration of the initial Lease Term.
5. **No Further Modification.** Except as specifically set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Amendment has been executed as of the day and year first above written.

**LANDLORD:**

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,
a Delaware limited partnership

By: HCP Estates USA Inc.,
a Delaware corporation,
its General Partner

By: _______________________
Jonathan M. Bergschneider
Executive Vice President

**TENANT:**

ARCUS BIOSCIENCES, INC.,
a Delaware corporation

By: _______________________
Name: _______________________
Its: _______________________

By: _______________________
Name: _______________________
Its: _______________________

Britannia Point Eden
[First Amendment]
[Arcus Biosciences, Inc.]
EXHIBIT C

APPROVED SCHEMATIC PLANS
SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO OFFICE LEASE (“Second Amendment”) is made and entered into as of the 12th day of October, 2017 (the “Effective Date”), by and between HAYWARD POINT EDEN I LIMITED PARTNERSHIP, a Delaware limited partnership (“Landlord”), and ARCUS BIOSCIENCES, INC., a Delaware corporation (“Tenant”).

RECATALS:

A. Landlord and Tenant entered into that certain Lease dated September 30, 2015 (the “Original Lease”), as supplemented by that certain Notice of Lease Term Dates dated April 8, 2016 and that certain Notice of First Amendment Lease Term Dates dated July 27, 2016 (collectively, the “Notices of Lease Term Dates”), and as amended by that certain First Amendment to Lease dated July 22, 2016 (the “First Amendment”), whereby Landlord leased to Tenant and Tenant leased from Landlord those certain premises consisting of approximately 26,467 rentable square feet (“Original Premises”) with a street address of 3928 Point Eden Way, Hayward, California (together with 3920 Point Eden Way, Hayward, California, “Building E”). The Original Lease, the Notices of Lease Term Dates and the First Amendment are, collectively, the “Lease.”

B. Per the First Amendment, Landlord and Tenant agreed to expand the Existing Premises to include that certain space consisting of approximately 13,644 rentable square feet of space with a street address of 3920 Point Eden Way, Hayward, California (the “Expansion Premises”). The Original Premises and the Expansion Premises are, collectively, the “Existing Premises.”

C. Tenant desires to (i) amend certain terms of Tenant’s lease of the Expansion Premises set forth in the First Amendment, (ii) expand the Existing Premises to include that certain space consisting of approximately 30,000 rentable square feet of space (the “Second Expansion Premises”) with a street address of 26118 Research Road, Hayward, California (“Building J”), as delineated on Exhibit A attached hereto and made a part hereof, and (iii) to make other modifications to the Lease, and in connection therewith, Landlord and Tenant desire to amend the Lease as hereinafter provided.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Capitalized Terms. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Second Amendment.

Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
2. **Modification of Premises.**

2.1. **Expansion Premises.** Effective as of the date of this Second Amendment, the Expansion Commencement Date for the Expansion Premises set forth in Section 2 of the First Amendment shall be modified to be the date immediately following the Effective Date. In connection therewith, on the Expansion Commencement Date, Section 3.2 of the First Amendment is hereby deleted in its entirety and of no further force or effect.

2.2. **Second Expansion Premises.** Effective as of the date upon which Landlord delivers all of the Second Expansion Premises to Tenant in the condition required by this Second Amendment (the “Second Expansion Commencement Date”), Tenant shall lease from Landlord and Landlord shall lease to Tenant the Second Expansion Premises. Consequently, effective upon the Second Expansion Commencement Date, the Existing Premises shall be increased to include the Second Expansion Premises. Landlord and Tenant hereby acknowledge that notwithstanding any provision to the contrary contained in the Lease, such addition of the Second Expansion Premises to the Existing Premises shall, effective as of the Second Expansion Commencement Date, increase the size of the Premises to approximately 70,111 rentable square feet. The Existing Premises and the Second Expansion Premises may hereinafter collectively be referred to as the “Premises”. Effective as of the Second Expansion Commencement Date, all references in the Lease, as amended, to the Building shall mean (i) Building E when the context applies to Building E or any portion of the Premises located in Building E, (ii) Building J when the context applies to Building J or any portion of the Premises located in Building J, and (iii) both Building E and Building J when the context applies to both of such buildings; provided; however, if casualty damage affects only one building, the termination rights of the parties under Article 11 of the Original Lease shall apply only to the portion of the Premises in such Building (in which event the rent, security deposit and other amounts herein related to square footage and the definition of “Building” shall be correspondingly revised). Notwithstanding the foregoing, if Landlord has not delivered possession of the Second Expansion Premises in the condition required by Section 1 of Exhibit B, on or before the date which is fifteen (15) days following the Effective Date, then, as Tenant’s sole remedy for such delay, the date Tenant is otherwise obligated to commence payment of rent shall be delayed by one (1) day for each two (2) days that the delivery date is delayed beyond such date.

3. **Term.**

3.1. **Second Expansion Term.** Landlord and Tenant acknowledge that Tenant’s lease of the Existing Premises is scheduled to expire on April 6, 2024, pursuant to the terms of the Lease. Notwithstanding anything to the contrary in the Lease, the term of Tenant’s lease of the Existing Premises is hereby extended and shall expire coterminously with the term of Tenant’s lease of the Second Expansion Premises on the last day of the ninety-sixth (96th) full calendar month following the Second Expansion Commencement Date, but in no event later than October 31, 2025 (the “New Lease Expiration Date”), unless sooner terminated as provided in the Lease, as hereby amended. The period of time commencing on the Second Expansion Commencement Date and terminating on the New Lease Expiration Date, shall be referred to herein as the “Second Expansion Term.” At any time during the Second Expansion Term, Landlord may deliver to Tenant a notice substantially in the form as set forth in Exhibit C.
attached to the Original Lease, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within ten (10) days of receipt thereof. For purposes of this Second Amendment, the term “Second Expansion Year” shall mean each consecutive twelve (12) month period during the Second Expansion Term; provided, however, that the first (1st) Second Expansion Year shall commence on the Second Expansion Commencement Date and end on the last day of the month in which the first anniversary of the Second Expansion Commencement Date occurs (unless the Second Expansion Commencement Date is the first (1st) day of a calendar month, in which event the first Second Expansion Year shall end on the day immediately preceding the first anniversary of the Second Expansion Commencement Date), and the second and each succeeding Second Expansion Year shall commence on the first day of the next calendar month; and further provided that the last Second Expansion Year shall end on the New Expiration Date.

3.2. **Option Term.** For the avoidance of doubt, the option to extend the Lease Term in Section 2.2 of the Original Lease shall apply to the entire Premises (i.e., the Existing Premises and the Second Expansion Premises), provided that, effective as of the date of this Second Amendment, Section 2.2 of the Original Lease shall be modified such that Tenant shall have one (1) option to extend the Lease Term for a period of five (5) years (as opposed to two (2) three-year options as currently set forth in Section 2.2 of the Original Lease), and which option shall be exercised pursuant to the terms of Section 2.2 of the Original Lease.

4. **Base Rent.**

4.1. **Original Premises.** Notwithstanding anything to the contrary in the Lease as hereby amended, Tenant shall continue to pay Base Rent for the Original Premises in accordance with the terms of the Original Lease through April 6, 2024. Commencing on April 7, 2024 and continuing throughout the remainder of the Second Expansion Term, Tenant shall pay Base Rent for the Original Premises as follows:

<table>
<thead>
<tr>
<th>Period During Second Expansion Term</th>
<th>Annualized Base Rent</th>
<th>Monthly Installation of Base Rent</th>
<th>Approximate Monthly Rental Rate per Rentable Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 7, 2024 – April 6, 2025</td>
<td>$1,247,226.86</td>
<td>$103,935.57</td>
<td>3.93</td>
</tr>
<tr>
<td>April 7, 2025 – New Lease Expiration Date</td>
<td>$1,284,643.67</td>
<td>$107,053.64</td>
<td>4.04</td>
</tr>
</tbody>
</table>

-3- Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
4.2. **Expansion Premises.** Effective as of the date of this Second Amendment, Section 4.2 of the First Amendment is hereby deleted in its entirety and Tenant shall pay Base Rent for the Expansion Premises as follows:

<table>
<thead>
<tr>
<th>Period During Expansion Term</th>
<th>Annualized Base Rent</th>
<th>Monthly Installment of Base Rent</th>
<th>Approximate Monthly Rental Rate per Rentable Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion Commencement Date – last day of Second</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion Year 1</td>
<td>N/A</td>
<td>$22,512.60</td>
<td>$1.65</td>
</tr>
<tr>
<td>Second Expansion Year 2</td>
<td>N/A</td>
<td>$23,194.80</td>
<td>$1.70</td>
</tr>
<tr>
<td>Second Expansion Year 3</td>
<td>N/A</td>
<td>$23,877.00</td>
<td>$1.75</td>
</tr>
<tr>
<td>First day of Second Expansion Year 4 – December 31, 2020</td>
<td>N/A</td>
<td>$24,559.20</td>
<td>$1.80</td>
</tr>
<tr>
<td>January 1, 2021 – December 31, 2021</td>
<td>$319,269.60</td>
<td>$26,605.80</td>
<td>$1.95</td>
</tr>
<tr>
<td>January 1, 2022 – December 31, 2022</td>
<td>$330,444.04</td>
<td>$27,537.00</td>
<td>$2.02</td>
</tr>
<tr>
<td>January 1, 2023 – December 31, 2023</td>
<td>$342,009.58</td>
<td>$28,500.80</td>
<td>$2.09</td>
</tr>
<tr>
<td>January 1, 2024 – December 31, 2024</td>
<td>$353,979.91</td>
<td>$29,498.33</td>
<td>$2.16</td>
</tr>
<tr>
<td>January 1, 2025 – New Lease Expiration Date</td>
<td>$366,369.21</td>
<td>$30,530.77</td>
<td>$2.24</td>
</tr>
</tbody>
</table>

On or before the Expansion Commencement Date, Tenant shall pay to Landlord the Base Rent payable for the Expansion Premises for the first full month of the Expansion Term.

-Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
4.3. **Second Expansion Premises**. Commencing on the Second Expansion Commencement Date and continuing throughout the Second Expansion Term, Tenant shall pay to Landlord monthly installments of Base Rent for the Second Expansion Premises as follows:

<table>
<thead>
<tr>
<th>Second Expansion Year</th>
<th>Annualized Base Rent</th>
<th>Monthly Installment of Base Rent</th>
<th>Approximate Monthly Rental Rate per Rentable Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$666,000.00</td>
<td>$55,500.00</td>
<td>$1.85</td>
</tr>
<tr>
<td>2</td>
<td>$689,310.00</td>
<td>$57,442.50</td>
<td>$1.91</td>
</tr>
<tr>
<td>3</td>
<td>$713,435.85</td>
<td>$59,452.99</td>
<td>$1.98</td>
</tr>
<tr>
<td>4</td>
<td>$738,406.10</td>
<td>$61,533.84</td>
<td>$2.05</td>
</tr>
<tr>
<td>5</td>
<td>$764,250.32</td>
<td>$63,687.53</td>
<td>$2.12</td>
</tr>
<tr>
<td>6</td>
<td>$790,999.08</td>
<td>$65,916.59</td>
<td>$2.20</td>
</tr>
<tr>
<td>7</td>
<td>$818,684.05</td>
<td>$68,223.67</td>
<td>$2.27</td>
</tr>
<tr>
<td>8</td>
<td>$847,337.99</td>
<td>$70,611.50</td>
<td>$2.35</td>
</tr>
</tbody>
</table>

* Note: Tenant shall have no obligation to pay any Base Rent for the Second Expansion Premises only which is otherwise attributable to the first three (3) months of the Second Expansion Term (the “**Second Expansion Base Rent Abatement Period**”); provided, however, Tenant shall be required to pay Tenant’s Share of Direct Expenses attributable to such period, as well as for all utilities and other services. Landlord and Tenant acknowledge that the aggregate amount of the Base Rent abatement for the Second Expansion Premises equals $166,500.00 (i.e., $55,500.00 per month).

5. **Tenant’s Share of Direct Expenses**.

5.1. **Existing Premises**. Prior to the Expansion Commencement Date, Tenant shall continue to pay Tenant’s Share of Direct Expenses in connection with the Original Premises in accordance with the terms of the Lease. Commencing on the Expansion Commencement Date, Tenant shall pay Tenant’s Share of Direct Expenses for the Existing Premises pursuant to the terms of the Lease (specifically including **Section 5** of the First Amendment), and Tenant’s Share shall equal 100% of Building E.

5.2. **Second Expansion Premises**. Commencing on the Second Expansion Commencement Date, Tenant shall also pay Tenant’s Share of Direct Expenses in connection with the Second Expansion Premises in accordance with the terms of the Lease, provided that with respect to the calculation of Tenant’s Share of Direct Expenses in connection with the Second Expansion Premises, Tenant’s Share shall equal 100% of Building J.
6. **Condition of Second Expansion Premises.** Except as specifically set forth in the Tenant Work Letter attached to this Second Amendment as Exhibit B, Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Second Expansion Premises, and Tenant shall accept the Second Expansion Premises in its presently existing, “as-is” condition. Notwithstanding the foregoing, when Landlord replaces the roof on Building J (which Landlord hereby agrees to perform in the calendar year 2018 or the calendar year 2019), Landlord shall remove, at its sole cost and not as an Operating Expense, any non-functioning HVAC units on such roof and Landlord shall be solely responsible (not as an Operating Expense) for roof repair costs in connection with such units (such as increased costs to patch the roof) until such units are removed.

7. **Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Second Amendment other than CBRE, Inc. and Newmark Cornish & Carey (the “Brokers”), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Second Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys’ fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party’s dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party. The terms of this Section 7 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

8. **Letter of Credit; Security Deposit.** Landlord and Tenant acknowledge that, in accordance with Section 8 of the First Amendment, Tenant has previously delivered an L-C in the amount of $201,816.64 and a cash Security Deposit in the amount of $29,498.33 to Landlord, with a second installment of the Security Deposit for the Expansion Premises due to Landlord pursuant to the Lease, as amended hereby, shall be increased to equal $200,219.66. Accordingly, on or before the Second Expansion Commencement Date, Tenant shall deposit with Landlord an amount equal to $29,498.33 representing the second installment set forth in Section 6 of the First Amendment for the Expansion Premises, and $141,223.00 representing the Security Deposit required in connection with the Second Expansion Premises to be held by Landlord as a part of the Security Deposit. To the extent that the total amount held by Landlord at any time after the Second Expansion Commencement Date as security for the Lease, as hereby amended, is less $200,219.66, Tenant shall pay the difference to Landlord pursuant to the terms of the Lease.

9. **Right of First Refusal.** Effective as of the date of this Second Amendment, Section 1.3 of the Original Lease is hereby deleted in its entirety and replaced with the following:

-6-

[Signature]

[Second Amendment]

[Britannia Point Eden]

[Arcus Biosciences, Inc.]
1.3 Right of First Refusal

1.3.1 Right of First Refusal. Subject to the terms and conditions of this Section 1.3, Landlord hereby grants to Tenant an ongoing right of first refusal during the initial Lease Term with respect to any space in the buildings adjacent to the Building known as 3956 Point Eden Way and 3960 Point Eden Way (collectively, the “First Refusal Space”). Notwithstanding the foregoing, such first refusal right of Tenant as to each First Refusal Space shall commence only following the expiration or earlier termination of the existing leases of such First Refusal Space (including renewals of any such lease, irrespective of whether any such renewal is currently set forth in such lease or is subsequently granted or agreed upon, and regardless of whether such renewal is consummated pursuant to a lease amendment or a new lease). Such right of first refusal shall be subordinate to all rights of other tenants of the Project, which rights relate to the First Refusal Space and are set forth in leases of space in the Project existing as of the date hereof, including, without limitation, any expansion, first offer, first refusal, first negotiation and other rights, regardless of whether such rights are executed strictly in accordance with their respective terms or pursuant to a lease amendment or a new lease (the “Superior Rights”). All such tenants of the First Refusal Space, and all such third party tenants in the Project holding Superior Rights, and all tenants under “Intervening Leases,” as that term is defined in Section 1.3.2.5, below, are collectively referred to as the “Superior Right Holders.”

1.3.2 Procedure for Lease

1.3.2.1 Procedure for Offer. Subject to the terms hereof, Landlord shall notify Tenant (the “First Refusal Notice”) prior to entering into any lease with a third party for each First Refusal Space, which notice shall include base rent, allowance amounts if any, length of term, and other economic terms on which Landlord would be willing to lease the First Refusal Space to a third-party and upon which a third party would be willing to lease each First Refusal Space, as evidenced by a copy of the proposed term sheet with the third party containing the terms upon which Landlord is willing to enter into a lease with the third party, redacted to eliminate the name of the third party (the “Fundamental Terms”). Pursuant to such First Refusal Notice, Landlord shall offer to lease to Tenant the applicable First Refusal Space on the Fundamental Terms.

1.3.2.2 Procedure for Acceptance. If Tenant wishes to exercise Tenant’s right of first refusal with respect to the First Refusal Space described in the First Refusal Notice, then within five (5) business days after delivery of the First Refusal Notice to Tenant, Tenant shall deliver notice to Landlord of Tenant’s irrevocable exercise of its right of first refusal with respect to all of the First Refusal Space described in the First Refusal Notice on the Fundamental Terms provided for therein. If Tenant does not so notify Landlord within such five (5) business day period of Tenant’s exercise of its first refusal right, then Landlord shall be free to lease the space described in the First Refusal Notice to anyone to whom Landlord desires on terms that, on a net effective basis, are not
more than ten percent (10%) more favorable to the tenant than the Fundamental Terms provided in the First Offer Notice. Prior to entering into a lease on terms more than ten percent (10%) more favorable than the Fundamental Terms, Landlord shall first re-offer such space to Tenant on such more favorable terms, as provided in this Section 1.3.

1.3.2.3 **Construction In First Refusal Space.** Subject to the Fundamental Terms provided to Tenant for the First Refusal Space, Tenant shall take the First Refusal Space in its “as is” condition, and Landlord shall not be obligated to provide or pay for any improvement of the First Refusal Space. For the avoidance of doubt, if the Fundamental Terms include a tenant improvement allowance or turn-key build out, Tenant shall receive the same allowance or turn-key build out, as applicable.

1.3.2.4 **Lease of First Refusal Space.** If Tenant timely exercises Tenant’s right of first refusal to lease First Refusal Space as set forth herein, Landlord and Tenant shall within fifteen (15) days after receipt of Landlord’s first draft of an amendment accurately setting forth the Fundamental Terms and not containing any new material terms, enter an amendment to this Lease (the “First Refusal Space Amendment”) for such First Refusal Space pursuant to this Section 1.3. Tenant’s lease of such First Refusal Space shall be upon the express terms set forth in the First Refusal Notice, but otherwise upon the same general terms and conditions set forth in this Lease and this Section 1.3. The First Refusal Space Lease shall not contain the rights set forth in Section 2.2, below, unless such rights were set forth in the First Refusal Notice. The term of Tenant’s lease of the First Refusal Space shall commence on the date set forth in the First Refusal Notice (provided that such commencement date shall in no event be earlier than the date of Landlord’s delivery of the applicable First Refusal Space to Tenant), and shall expire on the applicable date set forth in the First Refusal Notice.

1.3.2.5 **Termination of First Refusal Right.** The rights contained in this Section 1.3 may only be exercised if the Tenant or a Permitted Transferee then occupies at least seventy five percent (75%) of the Premises. The right of first refusal granted herein shall be continuous during the Lease Term, as extended, and shall not terminate as to particular First Refusal Space upon the failure by Tenant to exercise its right of first refusal with respect to such First Refusal Space as offered by Landlord and Landlord shall re-offer such space to Tenant upon the expiration or earlier termination of any lease (an “Intervening Lease”) entered into by Landlord following Tenant’s failure to timely exercise its right to lease the First Refusal Space (and prior to entering into any lease with a third party for each First Refusal Space), subject, however, to Landlord’s right to renew any such Intervening Lease, irrespective of whether any such renewal is initially set forth in such lease or is subsequently granted or agreed upon, and regardless of whether any such renewal is exercised strictly in accordance with its terms or pursuant to a lease amendment or a new lease. Any extension rights granted under an Intervening Lease shall be deemed to be “Superior Rights,” and
the tenant under any Intervening Lease shall be a “Superior Right Holder” with respect thereto. The right to lease First Refusal Space as provided in this Section 1.3 may not be exercised if, as of the date of the attempted exercise of the expansion option by Tenant, or, at Landlord’s option, as of the scheduled date of delivery of such First Refusal Space to Tenant, Tenant is in default under this Lease, beyond any applicable notice and cure period.”

10. **Bill of Sale.** Concurrently with Tenant’s execution of this Second Amendment, (a) Tenant shall (i) execute and deliver a Bill of Sale in a form materially consistent with that attached hereto as Exhibit C (the “Bill of Sale”), and (ii) deliver to Landlord consideration in the amount of One and 00/100 Dollar ($1.00) for Tenant’s purchase of all of the furniture, fixtures and equipment located in the Expansion Premises and the Second Expansion Premises as of the date hereof, other than the furniture, fixtures and equipment placed in Building E by Tenant, including the gym equipment located in Building J (the “Furniture”), the title for which Furniture shall be acquired by Landlord from the existing tenant prior to Landlord’s execution of this Second Amendment and (b) Landlord shall execute and deliver the Bill of Sale to Tenant. Landlord makes no representations, warranties, or agreements with respect to the Furniture or their condition. Upon the expiration or earlier termination of the Lease, Tenant shall be required to remove the Furniture in addition to all items of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, pursuant to the terms of the Lease.

11. **California Accessibility Disclosure.** For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Project, Building and Premises have not undergone inspection by a Certified Access Specialist (CASp). As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: “A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” In furtherance of the foregoing, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant’s sole cost and expense, by a CASp approved in advance by Landlord; and (b) pursuant to Article 24 of the Original Lease, Tenant, at its cost, is responsible for making any repairs within the Premises to correct violations of construction-related accessibility standards disclosed by a CASp inspection ordered by Tenant; and, if anything done by or for Tenant in its use or occupancy of the Premises shall require repairs to the Building (outside the Premises) to correct violations of construction-related accessibility standards, then Tenant shall, at Landlord’s option, either perform such repairs at Tenant’s sole cost and expense or reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such repairs.
12. **Existing Lease.** Landlord represents that it has terminated the existing lease(s) of the Expansion Premises and the Second Expansion Premises effective as of the date of this Second Amendment.

13. **Signage.** The provisions of Section 23 of the Original Lease shall apply to signage at the Second Expansion Premises and Tenant shall have such signage rights with respect to the Second Expansion Premises.

14. **Surrender.** Tenant shall not be required to restore any of the existing alterations in the Existing Premises.

15. **Lender Consent.** Landlord represents that there is no mortgage or deed of trust encumbering Buildings E or J.

16. **No Further Modification.** Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall apply with respect to the Second Expansion Premises and shall remain unmodified and in full force and effect.

[signatures contained on following page]
IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written.

LANDLORD:

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,
a Delaware limited partnership

By: HCP Estates USA Inc.,
a Delaware corporation,
its General Partner

By: /s/ Scott Bohn
Name: Scott Bohn
Its: Vice President

TENANT:

ARCUS BIOSCIENCES, INC.,
a Delaware corporation

By: /s/ Terry Rosen
Name: Terry Rosen
Its: CEO

By: /s/ Juan Jaen
Name: Juan Jaen
Its: President
EXHIBIT A

OUTLINE OF SECOND EXPANSION PREMISES
This Tenant Work Letter shall set forth the terms and conditions relating to the initial improvement of the Second Expansion Premises by Tenant following the date of this Second Amendment. This Tenant Work Letter is essentially organized chronologically and addresses the issues of construction, in sequence, as such issues will arise during construction in the Second Expansion Premises.

SECTION I

CONDITION OF SECOND EXPANSION PREMISES

Landlord shall deliver the Second Expansion Premises to Tenant in good, vacant, broom clean condition, in compliance with applicable laws (to the extent required to allow the legal occupancy of the Second Expansion Premises for the permitted use), with the roof water-tight and shall cause the plumbing, electrical systems, fire sprinkler system, lighting, and all other building systems serving the Second Expansion Premises to be in good operating condition and repair. In addition, Landlord hereby agrees to perform certain maintenance to the existing HVAC units serving the Second Expansion Premises, the scope of which shall be determined in Landlord’s reasonable discretion (the “HVAC Work”), which HVAC Work Landlord shall use commercially reasonable efforts to perform on or before the date which is sixty (60) days following the Effective Date. In the event Landlord has not performed the HVAC Work on or before the date which is seventy-five (75) days following the Effective Date (the “HVAC Work Outside Date”), then, as Tenant’s sole remedy for such delay, the date Tenant is otherwise obligated to commence payment of Base Rent for the Second Expansion Premises shall be delayed by one day for every two (2) days that the performance of the HVAC Work is delayed beyond the HVAC Work Outside Date. Further, Landlord at its sole cost shall be responsible to cause the exterior of Building J, the base Building, the existing Building entrances, and all exterior Common Areas (including required striping and handicapped spaces in the parking areas) to be in compliance with Applicable Laws, ADA and parking requirements, to the extent required to allow the legal occupancy of the Premises for the permitted use or completion of the Tenant Improvements (subject to Tenant’s interior design and utilization of existing entrances for required egress from Building J), and the structural portions of Building J to be in compliance with applicable laws and ADA requirements to the extent required to allow the legal occupancy of the Second Expansion Premises for the permitted use (subject to Tenant’s interior design and utilization of existing entrances for required egress from Building J). Tenant acknowledges that Tenant has had the opportunity to thoroughly examine the Second Expansion Premises. Subject to the express terms hereof, Tenant shall accept the Second Expansion Premises in their existing, “as-is” condition on the date of delivery thereof to Tenant. Except as specifically set forth in the Lease or this Second Amendment, Landlord shall have no obligation to make or pay for any improvements to the Second Expansion Premises.
SECTION 2

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Commencing as of the date of this Second Amendment, Tenant shall be entitled to a one-time improvement allowance (the “Tenant Improvement Allowance”) in the amount of $450,000.00 (i.e., $15.00 per rentable square foot of the Second Expansion Premises) for the costs relating to the initial design and construction of Tenant’s improvements, refurbishment work and other renovations to the Second Expansion Premises or which are “Tenant Improvement Allowance Items,” as that term is defined in Section 2.2.1, below (collectively, the “Tenant Improvements”). Subject to the terms of this Exhibit B, in no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter or otherwise in connection with Tenant’s construction of the Tenant Improvements or any Tenant Improvement Allowance Items, as defined below, in a total amount which exceeds the sum of the Tenant Improvement Allowance. All Tenant Improvements that have been paid for with or reimbursed from the Tenant Improvement Allowance shall be deemed Landlord’s property under the terms of the Lease. Any portion of the Tenant Improvement Allowance as to which Tenant has not properly requested disbursement by December 31, 2020, shall revert to Landlord and Tenant shall have no further rights with respect thereto.

2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 Tenant Improvement Allowance Items. Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance and Additional TI Allowance shall be disbursed by Landlord only for the following items and costs (collectively the “Tenant Improvement Allowance Items”):

2.2.1.1 Payment of all reasonable fees of the “Architect” and the “Engineers,” as those terms are defined in Section 3.1 of this Tenant Work Letter, project management fees, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord for specialists (such as a structural engineer) if needed for the review of the “Approved Working Drawings,” as that term is defined in Section 3.4 of this Tenant Work Letter;

2.2.1.2 The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

2.2.1.3 The payment for all demolition and removal of existing improvements in the Second Expansion Premises;

2.2.1.4 The cost of construction of the Tenant Improvements, including, without limitation, testing and inspection costs, costs incurred for removal of existing furniture, fixtures or equipment in the Second Expansion Premises, hoisting and trash removal costs, costs to purchase and install in the Second Expansion Premises equipment customarily incorporated into laboratory improvements or laboratory utility systems, including, without limitation, UPS, DI Systems, boilers, air compressors, glass/cage washers and autoclaves, painting, and contractors’ fees and general conditions;

2.2.1.5 The cost of any changes in the Base Building when such changes are required by the Approved Working Drawings (including if such changes are due to the fact that such work is prepared on an unoccupied basis), such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

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2.2.1.6 The cost of any changes to the Approved Working Drawings or Tenant Improvements required by all applicable building codes (the “Code”);

2.2.1.7 Sales and use taxes;

2.2.1.8 Costs expended by Landlord pursuant to Section 4.1.1 of this Tenant Work Letter, below.

2.2.2 Disbursement of Tenant Improvement Allowance. During the construction of the Tenant Improvements, Landlord shall make monthly disbursements of the Tenant Improvement Allowance and Additional TI Allowance, if applicable, for Tenant Improvement Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows.

2.2.2.1 Monthly Disbursements. On or before the fifth (5th) day of each calendar month, during the design and construction of the Tenant Improvements (or such other date as Landlord may designate), Tenant shall deliver to Landlord: (i) a request for reimbursement of amounts paid to the “Contractor,” as that term is defined in Section 4.1.1 of this Tenant Work Letter, approved by Tenant, in a form to be provided by Landlord, showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Second Expansion Premises, detailing the portion of the work completed and the portion not completed; (ii) invoices from all of “Tenant’s Agents,” as that term is defined in Section 4.1.2 of this Tenant Work Letter, for labor rendered and materials for the Second Expansion Premises; (iii) executed conditional and/or unconditional mechanic’s lien releases, as applicable, from all of Tenant’s Agents which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Sections 8132, 8134, 8136 and 8138; and (iv) all other information reasonably requested by Landlord. As between Landlord and Tenant, Tenant’s request for payment shall be deemed Tenant’s acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant’s payment request. Within forty-five (45) days thereafter, Landlord shall deliver a check to Tenant made payable to Tenant in payment of the lesser of: (A) the amounts so requested by Tenant as set forth in this Section 2.2.2.1, above, and (B) the balance of any remaining available portion of the Tenant Improvement Allowance and Additional TI Allowance, if applicable, provided that Landlord does not dispute any request for payment based on non-compliance of any work with the “Approved Working Drawings,” as that term is defined in Section 3.4, below, or due to any substandard work. Landlord’s payment of such amounts shall not be deemed Landlord’s approval or acceptance of the work furnished or materials supplied as set forth in Tenant’s payment request.

2.2.2.2 Final Deliveries. Following the completion of construction of the Tenant Improvements, Tenant shall deliver to Landlord properly executed final mechanic’s lien releases in compliance with both California Civil Code Section 8134 and either Section 8136 or Section 8138 from all of Tenant’s Agents, and a certificate certifying that the construction of the Tenant Improvements in the Second Expansion Premises has been substantially completed. Tenant shall record a valid Notice of Completion in accordance with the requirements of Section 4.3 of this Tenant Work Letter.

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Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
2.2.2.3 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance and Additional TI Allowance, if applicable, to the extent costs are incurred by Tenant for Tenant Improvements. All Tenant Improvement Allowance Items that have been paid for with or reimbursed from the Tenant Improvement Allowance and Additional TI Allowance shall be deemed Landlord’s property under the terms of the Lease.

2.3 Building Standards. The quality of Tenant Improvements shall be in keeping with the existing improvements in the Premises.

2.4 Removal of Tenant Improvements. Landlord may, by written notice to Tenant given concurrently with Landlord’s approval of the “Final Working Drawings”, as that term is defined in Section 3.3, below, require Tenant, prior to the end of the Lease Term, or given following any earlier termination of the Lease, at Tenant’s expense, to remove any Tenant Improvements which are deemed to be “Above Standard Tenant Improvements” (defined below) and to repair any damage to the Second Expansion Premises and Building caused by such removal and return the affected portion of the Second Expansion Premises to its previously existing condition. Other than with respect to Above Standard Tenant Improvements as set forth in this Section 2.4, Landlord shall not require Tenant to remove from the Second Expansion Premises any other Tenant Improvements (to the extent the same are constructed in the Second Expansion Premises in accordance with the terms of this Tenant Work Letter) upon the expiration or any earlier termination of the Lease Term. “Above Standard Tenant Improvements” shall mean any part of the Tenant Improvements which do not constitute normal and customary general laboratory or office improvements as reasonably determined by Landlord (Above Standard Tenant Improvements shall include, without limitation, improvements such as voice, data and other cabling, raised floors, floor penetrations, any installations outside the Premises or any areas requiring floor reinforcement, personal baths and showers, vaults, rolling file systems, internal stairwells, supplemental air conditioning units and structural alterations of any type). In addition to the foregoing, the following shall also be considered Above Standard Improvements: (i) laboratory improvements exceeding fifty percent (50%) of the rentable square footage of the Second Expansion Premises, (ii) a vivarium exceeding ten percent (10%) of the rentable square footage of the Second Expansion Premises, or (iii) a chemistry lab exceeding twenty-five percent (25%) of the rentable square footage of the Second Expansion Premises. Landlord approves in concept and shall not require Tenant to remove any of the Tenant Improvements to the extent shown on the Space Plan attached hereto as Schedule 1.

2.5 Additional Tenant Improvement Allowance. In addition to the Tenant Improvement Allowance, Tenant shall have the right, by written notice to Landlord, which expressly states that Tenant wishes to draw upon the Additional TI Allowance, given on or before December 31, 2020, to use up to $25.00 per rentable square foot of the Second Expansion Premises (i.e., up to $750,000.00) (the “Additional TI Allowance”) towards the payment of the costs of the Tenant Improvement Allowance Items. In the event Tenant exercises its right to use all or any portion of the Additional TI Allowance, Tenant shall be required to pay Landlord, commencing on the date the Tenant Improvements are completed (the “Additional Payment Commencement Date”), the “Additional TI Allowance Payment,” as that term is defined below, in consideration of Landlord provision of the Additional TI Allowance. The “Additional TI Allowance Payment” shall be determined as the missing component of an annuity, which

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annuity shall have (i) the amount of the Additional TI Allowance utilized by Tenant as the present value amount, (ii) a number equal to the number of full calendar months then remaining in the Lease Term as the number of payments, (iii) a monthly interest factor equal to eighty-three one-hundredths percent (0.83%), which is equal to ten percent (10%) divided by twelve (12) months per year, and (iv) the Additional TI Allowance Payment as the missing component of the annuity.

Following the calculation of the Additional TI Allowance Payment, Landlord and Tenant will enter into a lease amendment to confirm the amount thereof. Any portion of the Tenant Improvement Allowance or Additional TI Allowance as to which Tenant has not properly requested disbursement by December 31, 2020, shall revert to Landlord and Tenant shall have no further rights with respect thereto.

2.6 Failure to Disburse the Tenant Improvement Allowance. To the extent that Landlord fails to make payments from the Tenant Improvement Allowance or Additional TI Allowance in accordance with the terms of this Tenant Work Letter, and such amounts remain unpaid for thirty (30) days after notice from Tenant, then without limiting Tenant’s other remedies under the Lease, Tenant may, after Landlord’s failure to pay such amounts within five (5) business days after Tenant’s delivery of a second notice from Tenant delivered after the expiration of such 30-day period, pay the same and deduct the amount thereof from the Rent next due and owning under the Lease. Notwithstanding the foregoing, if during either the 30-day or 5-day period set forth above, Landlord (i) delivers notice to Tenant that it disputes any portion of the amounts claimed to be due, and (ii) pays any amounts not in dispute, Tenant shall have no right to offset any amounts against rent, but may institute proceedings to recover such amounts from Landlord.

SECTION 3
CONSTRUCTION DRAWINGS

3.1 Selection of Architect. Tenant shall retain an architect/space planner (the “Architect”) approved in advance by Landlord (which approval shall not be unreasonably withheld) to prepare the Final Space Plan and Final Working Drawings as provided in Sections 3.2 and 3.3, below. Landlord hereby approves Ware Malcomb as the Architect. Tenant shall retain the engineering consultants or design/build subcontractors designated by Tenant and reasonably approved in advance by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed (the “Engineers”) to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work in the Second Expansion Premises, which work is not part of the Base Building. All such plans and drawings shall comply with the drawing format and specifications reasonably determined by Landlord, and shall be subject to Landlord’s reasonable approval, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the Base Building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord’s review of any plans or drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord’s review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters.
3.2 **Final Space Plan.** Tenant shall supply Landlord with four (4) copies signed by Tenant of its final space plan for the Tenant Improvements before any architectural working drawings or engineering drawings have been commenced. The final space plan (the “Final Space Plan”) shall include a layout and designation of all offices, labs, rooms and other partitioning, their intended use, and equipment to be contained therein. Landlord may request clarification or more specific drawings for special use items not included in the Final Space Plan. Landlord shall advise Tenant within five (5) business days after Landlord’s receipt of the Final Space Plan for the Second Expansion Premises if the same is unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require. Landlord hereby approves the space plan and scope of work attached hereto as Schedule 1 (the “Space Plan”), and will not withhold its consent to the aspects of the working drawings to the extent set forth on the Space Plan.

3.3 **Final Working Drawings.** After the Final Space Plan has been approved by Landlord, Tenant shall supply the Engineers with a complete listing of standard and non-standard equipment and specifications, including, without limitation, Title 24 calculations, electrical requirements and special electrical receptacle requirements for the Second Expansion Premises, to enable the Engineers and the Architect to complete the “Final Working Drawings” (as that term is defined below) in the manner as set forth below. Upon the approval of the Final Space Plan by Landlord and Tenant, Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Second Expansion Premises, and Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is sufficiently complete to allow all of Tenant’s Agents to bid on the work and to obtain all applicable permits (collectively, the “Final Working Drawings”) and shall submit the same to Landlord for Landlord’s approval, which shall not be unreasonably withheld, conditioned, or delayed. Tenant shall supply Landlord with four (4) copies signed by Tenant of such Final Working Drawings. Landlord shall advise Tenant within seven (7) business days after Landlord’s receipt of the Final Working Drawings for the Second Expansion Premises (five (5) business days for re-submissions) if the same is unsatisfactory or incomplete in any respect (provided that, except in the case of re-submissions, if the scope of such Final Working Drawings are such that Landlord cannot reasonably complete its review in such period, Landlord will inform Tenant, and such period will be extended five (5) additional business days). If Tenant is so advised, Tenant shall promptly cause the Final Working Drawings to be revised in accordance with such review and any disapproval of Landlord in connection therewith. If Landlord fails to respond to or approve of the Final Working Drawings or any re-submission thereof within the foregoing period after Landlord’s receipt of the Final Working Drawings or any re-submission, Tenant may submit a notice (the “Final Working Drawings Notice”) with the following words in bold font, all capitalized: “FINAL NOTICE: FAILURE TO RESPOND IN TWO (2) BUSINESS DAYS CONSTITUTES APPROVAL BY LANDLORD OF THE FINAL WORKING DRAWINGS.” Failure of Landlord to respond to or approve of the Final Working Drawings or any re-submission thereof within two (2) business days after Landlord’s receipt of the Final Working Drawings Notice will constitute approval by Landlord of the Final Working Drawings.

3.5 **Approved Working Drawings.** The Final Working Drawings shall be approved by Landlord (the “Approved Working Drawings”) prior to the commencement of construction of the Second Expansion Premises by Tenant. Concurrently with Tenant’s delivery of the Final
SECTION 4
CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Tenant’s Selection of Contractors.

4.1.1 The Contractor: Landlord’s Project Manager. Tenant shall retain a licensed general contractor, approved in advance by Landlord, to construct the Tenant Improvements ("Contractor"). Landlord hereby approves MAI Construction, Inc. as the Contractor. Landlord’s approval of the Contractor shall not be unreasonably withheld. Landlord shall retain Project Management Advisors, Inc. ("PMA") as a third party project manager for construction oversight of the Tenant Improvements on behalf of Landlord, and Tenant shall pay a fee to Landlord with respect to the PMA services equal to $4,069.00 per month of construction while Tenant is actively designing and/or constructing the Tenant Improvements (prorated for partial months), which amount shall be paid by Landlord deducting such amount from the Tenant Improvement Allowance each month while funds therein remain.

4.1.2 Tenant’s Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant and the Contractor shall be known collectively as “Tenant’s Agents”. The subcontractors used by Tenant, but not any laborers, materialmen, and suppliers, must be approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed. Landlord hereby approves of the subcontractors set forth in Schedule 2. If Landlord does not approve any of Tenant’s proposed subcontractors, Tenant shall submit other proposed subcontractors for Landlord’s written approval, which approval shall not be unreasonably withheld, conditioned or delayed.

4.2 Construction of Tenant Improvements by Tenant’s Agents.

4.2.1 Construction Contract: Cost Budget. Tenant shall engage the Contractor under a commercially reasonable and customary construction contract, reasonably approved by Landlord (collectively, the “Contract”). Prior to the commencement of the construction of the Tenant Improvements, and after Tenant has accepted all bids for the Tenant Improvements, Tenant shall provide Landlord with a detailed breakdown, by trade, of the final costs to be incurred or which have been incurred, as set forth more particularly in Sections 2.2.1.1 through 2.2.1.8, above, in connection with the design and construction of the Tenant Improvements to be performed by or at the direction of Tenant or the Contractor, which costs form a basis for the estimated total costs of the work of the Tenant Improvement project (the “Final Costs”). The difference between the amount of the Final Costs and the amount of the Tenant Improvement Allowance (less any portion thereof already disbursed by Landlord, or in
the process of being disbursed by Landlord, on or before the commencement of construction of the Tenant Improvements) is referred to herein as the “Over-Allowance Amount”. The Over-Allowance Amount shall be paid by Tenant out of its own funds following the disbursement of any of the then remaining portion of the Tenant Improvement Allowance and Additional TI Allowance. In the event that, after the Final Costs have been delivered by Tenant to Landlord, the costs relating to the design and construction of the Tenant Improvements shall change, any additional costs necessary to such design and construction in excess of the Final Costs, shall be paid by Tenant as an addition to the Over-Allowance Amount out of its own funds, but Tenant shall continue to provide Landlord with the documents described in Sections 2.2.2.1 (i), (ii), (iii) and (iv) of this Tenant Work Letter, above, for Landlord’s approval, prior to Tenant paying such costs. All Tenant Improvements (other than personal property and fixtures) paid for by the Over-Allowance Amount shall be deemed Landlord’s property under the terms of the Lease.

4.2.2 Tenant’s Agents.

4.2.2.1 Compliance with Drawings and Schedule. Tenant’s and Tenant’s Agent’s construction of the Tenant Improvements shall comply with the following: (i) the Tenant Improvements shall be constructed in strict accordance with the Approved Working Drawings; and (ii) Tenant’s Agents shall submit schedules of all work relating to the Tenant’s Improvements to Contractor and Contractor shall, within five (5) business days of receipt thereof, inform Tenant’s Agents of any changes which are necessary thereto, and Tenant’s Agents shall use commercially reasonable efforts to adhere to such corrected schedule.

4.2.2.2 Indemnity. Tenant’s indemnity of Landlord as set forth in Article 10 of the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant’s Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant’s non-payment of any amount arising out of the Tenant Improvements and/or Tenant’s disapproval of all or any portion of any request for payment. Such indemnity by Tenant, as set forth in the Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Landlord’s performance of any ministerial acts reasonably necessary (i) to permit Tenant to complete the Tenant Improvements, and (ii) to enable Tenant to obtain any building permit or certificate of occupancy for the Second Expansion Premises, subject to the terms of the penultimate sentence of Section 10.1 of the Lease. The foregoing indemnity shall not apply to claims caused by the gross negligence or willful misconduct of Landlord, its member partners, shareholders, officers, directors, agents, employees, and/or contractors or Landlord’s violation of the Lease.

4.2.2.3 Requirements of Tenant’s Agents. Each of Tenant’s Agents shall guarantee to Tenant and for the benefit of Landlord that the portion of the Tenant Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of substantial completion of the work under the Contract (“Substantial Completion”). Each of Tenant’s Agents shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with its contract that shall become defective within one (1) year after Substantial Completion. The correction of such work shall include, without additional charge, all additional expenses and damages incurred in connection with such removal or replacement of all or any part of the Tenant Improvements, and/or the Building and/or common areas that may be damaged or disturbed thereby. All such warranties or guarantees as to materials or workmanship of or with
respect to the Tenant Improvements shall be contained in the Contract or subcontract and shall be written such that such guarantees or warranties shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

4.2.2.4  Insurance Requirements.

4.2.2.4.1  General Coverages. All of Tenant’s Agents shall carry the following insurance with insurers having a minimum A.M. best rating of A-VIII or better (i) worker’s compensation insurance covering all of Tenant’s Agents’ respective employees with a waiver of subrogation in favor of Landlord and the property manager, (ii) commercial general liability insurance with a limit of not less than $1,000,000 per occurrence and $2,000,000 general aggregate, including products/completed operations and contractual coverage, and including Landlord and its property manager as additional insureds, and (ii) if the cost of such Tenant Improvements exceeds $100,000 in the aggregate, then Builders Risk insurance covering the construction of the Tenant Improvements, and such policy shall include Landlord as an additional insured, it being understood and agreed that the Tenant Improvements shall be insured by Landlord pursuant to the Lease, immediately upon completion thereof.

4.2.2.4.2  Intentionally Omitted.

4.2.2.4.3  General Terms. Certificates for all insurance carried pursuant to this Section 4.2.2.4 shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the Contractor’s equipment is moved onto the site. All such policies of insurance must contain a provision that the company writing said policy will endeavor to give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Tenant Improvements paid for by Landlord are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant’s sole cost and expense. Tenant’s Agents shall maintain all of the foregoing insurance coverage in force until the Tenant Improvements are fully completed, except for any Products and Completed Operation Coverage insurance required by Landlord, which is to be maintained for three (3) years following completion of the work. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 4.2.2.2 of this Tenant Work Letter.

4.2.3  Governmental Compliance. The Tenant Improvements shall comply in all respects with the following: (i) all state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer’s specifications.

4.2.4  Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all times, provided however, that Landlord’s failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord’s rights hereunder
nor shall Landlord’s inspection of the Tenant Improvements constitute Landlord’s approval of the same. Should Landlord reasonably disapprove any portion of the Tenant Improvements, on the grounds that the construction is defective or fails to comply with the Approved Working Drawings, Landlord shall notify Tenant in writing of such disapproval and shall specify the items disapproved. Any such defects or deviations shall be rectified by Tenant at no expense to Landlord, provided however, that in the event a defect or deviation exists that materially adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning or life-safety systems of the Building, the structure or exterior appearance of the Building or any other tenant’s use of such other tenant’s leased premises, Landlord may, take such action as Landlord reasonably deems necessary, at Tenant’s expense and without incurring any liability on Landlord’s part, to correct any such defect, deviation and/or matter, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the defect, deviation and/or matter is corrected to Landlord’s reasonable satisfaction.

4.2.5 Meetings. Commencing upon the date Tenant begins to plan the Tenant Improvements, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Contractor (once retained) regarding the progress of the preparation of Approved Working Drawings and the construction of the Tenant Improvements, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord’s request, certain of Tenant’s Agents shall attend such meetings. In addition, minutes shall be taken at all such meetings, a copy of which minutes shall be promptly delivered to Landlord. One such meeting each month shall include the review of Contractor’s current request for payment, if any.

4.3 Notice of Completion; Copy of Record Set of Plans. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause a valid Notice of Completion to be recorded in the office of the Recorder of the county in which the Building is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant’s agent for such purpose, at Tenant’s sole cost and expense. At the conclusion of construction, (i) Tenant shall cause the Architect and Contractor (x) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (y) to certify to the best of their knowledge that the “record-set” of as-built drawings are true and correct, which certification shall survive the expiration or termination of the Lease, and (z) to deliver to Landlord two (2) sets of copies of such record set of drawings (hard copy and CAD files) within ninety (90) days following Substantial Completion, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Second Expansion Premises. Within fifteen (15) days after request by Tenant following the Substantial Completion of the Tenant Improvements, Landlord will acknowledge its approval of the Tenant Improvements (provided that such approval has been granted) by placing its signature on a Contractor’s Certificate of Substantial Completion fully executed by the Architect, Contractor and Tenant. Landlord’s approval shall not create any contingent liabilities for Landlord with respect to any latent quality, design, Code compliance or other like matters that may arise subsequent to Landlord’s approval.
SECTION 5
MISCELLANEOUS

5.1 Tenant’s Representative. Tenant has designated Steve Chan, VP of Finance, as its sole representatives with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord from Tenant, shall each have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

5.2 Landlord’s Representative. Landlord has designated Jeff Marcowitz with PMA, as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

5.3 Time is of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a “number of days” shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

5.4 Tenant’s Lease Default. Notwithstanding any provision to the contrary contained in the Lease or this Tenant Work Letter, if any default by Tenant under the Lease or this Tenant Work Letter occurs at any time on or before the substantial completion of the Tenant Improvements and such default remains uncured ten (10) days following Landlord’s notice of such default to Tenant, then in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance.

5.5 Landlord Caused Delays. Base Rent as to the Second Expansion Premises shall be abated for the number of days of actual delay of the substantial completion of the Tenant Improvements in the Second Expansion Premises to the extent caused by a “Landlord Caused Delay,” as that term is defined, below, but only to the extent such Landlord Caused Delay causes the substantial completion of the Tenant Improvements to occur after the date which is ninety (90) days following the delivery date. As used herein, “Landlord Caused Delay” shall mean actual delays in the substantial completion of the Premises to the extent resulting from interference (when judged in accordance with industry custom and practice) with Tenant’s construction of the Tenant Improvements to the extent caused by (i) Landlord’s failure to timely approve or disapprove any matter requiring Landlord’s approval pertaining to the Tenant Improvements within the time periods set forth above or if not specified, within a reasonable period of time; (ii) Landlord’s failure to timely disburse the Tenant Improvement Allowance or Additional TI Allowance; or (iii) material and unreasonable interference by Landlord with substantial completion of the Second Expansion Premises if such interference (A) objectively precludes or delays the construction of Tenant Improvements therein or any portion thereof, and (B) relates to access by Tenant to the Second Expansion Premises or any of the Building’s facilities (including loading docks and freight elevators) or services and utilities (including temporary power and parking areas as provided herein) during normal construction hours, or the use thereof during normal construction hours. If Tenant contends that a Landlord Caused Delay has occurred, Tenant shall notify Landlord in writing of the event which constitutes such Landlord Caused Delay. Tenant will additionally use reasonable efforts to mitigate the effects of any Landlord Caused Delay through the re-sequencing or re-scheduling.
of work, if feasible, but this sentence will not be deemed to require Tenant to incur overtime or after-hours costs unless Landlord agrees in writing to bear such costs. In addition, Tenant shall endeavor to provide notice to Landlord when Tenant becomes aware of any expected or potential Landlord Caused Delays prior to any such delay actually occurring, in order to allow Landlord to attempt to mitigate such potential delay. If such actions, inaction or circumstance described in the notice (the “Landlord Delay Notice”) are not cured by Landlord within one (1) business day of Landlord’s receipt of the Landlord Delay Notice and if such action, inaction or circumstance otherwise qualify as a Landlord Caused Delay, then a Landlord Caused Delay shall be deemed to have occurred commencing as of the date of Landlord’s receipt of the Landlord Delay Notice and ending as of the date such delay ends.
SCHEDULE 2

APPROVED SUBCONTRACTORS

Ceiling & Drywall:
Tisys Construction
Magnum Drywalls
Bayside Drywall

Laboratory Casework:
ISEC
E-TOPS
Genie Scientific

Mechanic & Plumbing:
ACCO Engineered Systems
Therma Mechanical
Thermal Mechanical

Electrical:
RK Electric
Rodda Electric
Howell Electric
This Bill of Sale ("Agreement") is made and entered into as of October 1, 2017, from HAYWARD POINT EDEN I LIMITED PARTNERSHIP, a Delaware limited partnership ("Owner") to ARCUS BIOSCIENCES, INC., a Delaware corporation ("Buyer").

RECITALS

A. Concurrent with the consummation of this Agreement, Owner and Buyer shall execute that certain Second Amendment to Lease of even date herewith (the "Second Amendment") by and between Owner, as landlord, and Buyer, as tenant, with respect to that certain premises more particularly described in the Second Amendment (the "Premises") in the buildings located at 26118 Research Road, Hayward, California, 3920 Point Eden Way, Hayward, California, and 3928 Point Eden Way, Hayward, California, which buildings are located in the Britannia Point Eden Business Park (the "Project"); and

B. Owner is the owner of all of the office furniture, fixtures, personal property, and equipment which is currently located in the Premises, other than any placed in the Premises by Buyer, including the gym equipment therein (the "Furniture").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, Owner and Buyer agree as follows:

TERMS AND CONDITIONS

1. Consideration. As consideration for the sale of the Furniture by Owner to Buyer, Buyer hereby agrees to pay to Owner the amount of One and 00/100 Dollar ($1.00) (the "Purchase Price").

2. Transfer and Assignment. Subject to the terms and provisions contained herein, as of the Effective Date (as defined below) of this Agreement, Owner transfers and conveys to Buyer all of its right, title and interest in and to the Furniture, free and clear of all liens, encumbrances and security interests created by Owner. Buyer accepts the transfer and conveyance of the right, title and interest of Owner in and to the Furniture subject to the provisions contained herein. Buyer accepts the Furniture in its currently existing “as-is” condition. As used herein, the “Effective Date” means the date on which Owner and Buyer fully execute and deliver both this Agreement and the Second Amendment.

3. Inspection of the Furniture. Buyer has had the opportunity to inspect the Furniture and determine that it is acceptable to Buyer. Owner has not made, and shall not be bound by, any statements, agreement, or representations regarding the Furniture except as expressly set forth in Section 2.

EXHIBIT C
-1-

Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
4. NO WARRANTY FOR MERCHANTABILITY AND FITNESS. SUBJECT TO SECTION 2, BUYER AGREES THAT OWNER MAKES NO WARRANTIES, EXPRESSED OR IMPLIED AND ALL WARRANTIES OF ANY KIND, INCLUDING WITHOUT LIMITATION ANY EXPRESSED OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE OR CONDITION OF SAME, ARE HEREBY EXCLUDED BOTH AS TO THE FURNITURE AND AS TO MAINTENANCE OR REPAIR WORK PERFORMED BY OWNER, IF ANY, ON THE FURNITURE. BUYER HEREBY ACCEPTS THE FURNITURE ON AN “AS-IS” “WHERE-IS” BASIS WITH ALL FAULTS. IT IS EXPRESSLY AGREED THAT OWNER SHALL HAVE NO RESPONSIBILITY TO REPAIR, MAINTAIN, REPLACE, OR OTHERWISE CARE FOR THE FURNITURE. OWNER AND BUYER AGREE THAT THE DISCLAIMERS OF WARRANTIES AS CONTAINED IN THIS PARAGRAPH ARE CONSPICUOUS.

5. RELEASE AND COVENANT NOT TO SUE. AS AN INDUCEMENT TO, AND AS FURTHER CONSIDERATION FOR OWNER AGREEING TO SELL THE FURNITURE TO BUYER UPON THE TERMS AND CONDITIONS SET FORTH IN THIS AGREEMENT, BUYER COVENANTS AND AGREES THAT, SUBJECT TO SECTION 2, IT SHALL FOREVER RELEASE OWNER, AND COVENANTS NOT TO SUE OWNER, WITH RESPECT TO ANY MATTER ARISING OUT OF THE FURNITURE, INCLUDING, WITHOUT LIMITATION, ITS CONDITION REGARDLESS OF WHETHER SUCH CONDITION IS KNOWN OR UNKNOWN AND/OR WHETHER SUCH CONDITION IS LATENT OR PATENT. THE FOREGOING RELEASE AND COVENANT NOT TO SUE SHALL APPLY TO ALL CLAIMS AT LAW OR IN EQUITY, SUBJECT TO SECTION 2, INCLUDING, BUT NOT LIMITED TO, CLAIMS OR CAUSES OF ACTION FOR PERSONAL INJURY OR DEATH, PROPERTY DAMAGE AND CLAIMS FOR CONTRIBUTION.

6. Entire Agreement. This Agreement constitutes the entire agreement between Owner and Buyer regarding Furniture and supersedes all oral statements and prior writings relating thereto. No representations, warranties, or agreements have been made by Owner or Buyer with respect to this Agreement or the obligations of Owner or Buyer in connection therewith.

7. Severability. If any provisions of this Agreement shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall not be affected or impaired, and such remaining provisions shall remain in full force and effect.

8. Voluntary Agreement. The parties hereto, and each of them, further represent and declare that they have carefully read this Agreement and know the contents thereof and that they sign the same freely and voluntarily. This Agreement and each provision of this Agreement was negotiated by the parties and therefore, neither this Agreement nor any provision of this Agreement shall be interpreted for or against any party on the basis such party or its attorney drafted the agreement or provision in question.
9. **Successor and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permissible assigns.

10. **Counterparts.** This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

[signatures contained on following page]

EXHIBIT C
-3-

Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
Owner and Buyer have executed this Bill of Sale as of the date first set forth above.

**“OWNER”**

HAYWARD POINT EDEN I LIMITED PARTNERSHIP,
a Delaware limited partnership

By: HCP Estates USA Inc.,
a Delaware corporation,
its General Partner

By: __________________________
Name: _________________________
Its: __________________________

**“BUYER”**

ARCUS BIOSCIENCES, INC.,
a Delaware corporation

By: __________________________
Name: _________________________
Title: __________________________

By: __________________________
Name: _________________________
Title: __________________________

EXHIBIT C
Britannia Point Eden
[Second Amendment]
[Arcus Biosciences, Inc.]
A RCUS BIOSCIENCES, INC.

A MENDED COMPENSATION PROGRAM FOR NON-EMPLOYEE DIRECTORS

EFFECTIVE AS OF THE IPO DATE

A. Cash Compensation: Annual cash retainers each paid quarterly, in arrears.

1. Retainer for each non-employee member of the Board: $35,000
2. Additional retainer for Lead Independent Director: $3,500
3. Additional retainer for Chair of Audit Committee: $15,000
4. Additional retainer for Chair of Compensation Committee: $10,000
5. Additional retainer for Chair of Nominating and Corporate Governance Committee: $8,000
6. Additional retainer for non-Chair members of Audit Committee: $7,500
7. Additional retainer for non-Chair members of Compensation Committee: $5,000
8. Additional retainer for non-Chair member of Nominating and Corporate Governance Committee: $4,000

B. Equity Compensation

1. Initial stock option grants. The Compensation Committee will grant to each non-employee director who first becomes a member of the Board of Directors on or after the IPO date an “initial option” to purchase a number of shares of the Company’s Common Stock to be determined by the Board of Directors in its sole discretion. The grant will be made on or as soon as reasonably practicable after the date of his or her election, with the grant date and exercise price to be determined by the Company. Subject to the director’s continuous service on the Board of Directors, the initial option will vest and become exercisable in substantially equal monthly installments over 36 months of continuous service provided by such member of the Board of Directors. The initial option will become fully vested and exercisable in the event that the Company is subject to a change in control.

2. Annual stock option grants. In each year beginning in 2019, the Compensation Committee will grant to each non-employee director who continues serving on the Board after the annual meeting of the Company’s stockholders an “annual option” to purchase a number of shares of the Company’s Common Stock to be determined by the Board of Directors in its sole discretion. The grant will be made on or as soon as reasonably practicable after the date of the annual meeting,
with the grant date and exercise price to be determined by the Company. Subject to the director’s continuous service on the Board of Directors, the annual option will vest and become exercisable in full on the earlier of (x) the date that is 12 months following the date of grant or (y) the date of the next annual stockholder meeting following the grant. The annual option will become fully vested and exercisable in the event that the Company is subject to a change in control. The foregoing notwithstanding, a new director who has received the initial option grant under Paragraph 1 above will not in the same calendar year receive an annual option grant under this Paragraph 2.

“Change in Control” shall mean (i) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (ii) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company; provided, however, that a Change in Control shall not include any transaction or series of related transactions (1) principally for bona fide equity financing purposes or (2) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Change in Control has occurred. In addition, if a Change in Control constitutes a payment event with respect to any amount that is subject to U.S. Internal Revenue Code Section 409A, then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by such U.S. Internal Revenue Code Section 409A.

3. **Stock Plan**. Except as otherwise set forth above, the initial and annual options will be granted under and subject to the general terms and conditions of a stockholder-approved equity incentive plan of the Company and a form of stock option agreement thereunder.

C. **Expenses**

The reasonable expenses incurred by directors in connection with attendance at Board or committee meetings will be reimbursed upon submission of appropriate substantiation.
CONFIDENTIAL TREATMENT REQUESTED

LICENSE AGREEMENT

between

ARCUS BIOSCIENCES, INC.

and

ABMUNO THERAPEUTICS LLC

*** CERTAIN INFORMATION IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.
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LICENSE AGREEMENT

This License Agreement ("Agreement"), effective as of December 8, 2016 ("Effective Date"), is by and between Arcus Biosciences, Inc. ("Arcus"), with offices at 3928 Point Eden Way, Hayward, CA 94545 and Abmuno Therapeutics LLC ("Abmuno"), with offices at 914 Channing Way, Berkeley, CA 94710. Arcus and Abmuno may be referred to in this Agreement individually as a “Party” or together as the “Parties.”

BACKGROUND

WHEREAS, Abmuno possesses certain patents, patent applications, proprietary know-how, scientific and technical information relating to certain antibodies to TIGIT (as defined below);

WHEREAS, Arcus wishes to obtain, and Abmuno is willing to grant, an exclusive license to such intellectual property rights for the development, use, manufacture and commercialization of products for any use, including, without limitation, the treatment, prevention or control of any human disease or condition;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS. For purposes of this Agreement, the following capitalized terms, whether used in the singular or plural, shall have the following meanings:

1.1 “Abmuno” means Abmuno Therapeutics LLC.

1.2 “Abmuno Indemnites” shall have the meaning assigned thereto in Section 8.2.

1.3 “Affiliate” means any Person that, directly or indirectly, controls, is controlled by or is under common control with a Party for so long as such control exists, where “control” means the decision-making authority as to such Person and, further, where such control shall be presumed to exist where a Person owns more than fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) entitled to vote regarding composition of the board of directors or other body entitled to direct the affairs of the entity.

1.4 “Antibody” means an anti-TIGIT antibody.

1.5 “Applicable Law” means any law, statute, rule or regulation issued by a Governmental Authority or Regulatory Authority and any judicial, governmental, or administrative order, judgment, decree, or ruling, in each case as applicable to the subject matter of this Agreement and the Parties and having a binding effect on it and them.

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1.6 “Arbitration Date” shall have the meaning assigned thereto in Section 11.5.

1.7 “Arcus” means Arcus Biosciences, Inc.

1.8 “Arcus Indemnitees” shall have the meaning assigned thereto in Section 8.1.

1.9 “BLA” means a Biologics License Application or any amendments thereto submitted to the FDA, or any equivalent thereof submitted to a Regulatory Authority outside the United States.

1.10 “Claim” means any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

1.11 “Clinical Trials” means a clinical trial in human subjects designed to measure the safety and/or efficacy of a Licensed Product. Clinical Trials shall include Phase I Clinical Trials, Phase II Clinical Trials, Phase III Clinical Trials and any pre-clinical or post-Regulatory Approval studies undertaken in relation to any Licensed Product.

1.12 “Combination Product” means a product that is a combination of a Licensed Product sold together with another biologically active compound(s) or another biologically active ingredient(s) (such other compound or ingredient, the “Other Product”) for a single invoiced price.

1.13 “Commercialization” or “Commercialize” means engaging in any and all activities directed to marketing, promoting, conducting post-Regulatory Approval studies, distributing, offering for sale, selling, importing, exporting or exploiting a product.

1.14 “Commercially Reasonable Efforts” means those efforts commensurate with those efforts commonly used in the biopharmaceutical industry by a company of comparable size in connection with the development or commercialization of products that are of similar status, including market potential, profit potential and strategic value, as determined based on conditions then prevailing, including safety, efficacy, competitive considerations within the marketplace, projected market size, intellectual property protection and duration, manufacturing costs and other relevant commercial and regulatory considerations.

1.15 “Confidential Information” shall have the meaning assigned thereto in Section 6.1.

1.16 “Control” or “Controlled” means with respect to any item of or right under Licensed Patents or Licensed Know-How, the possession of (whether by ownership or license, other than pursuant to this Agreement) the ability of a Party to grant a license or sublicense of such items or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such license or sublicense.
1.17 “Cover” or “Covering” means (i) with respect to any Patent, that at least one Valid Claim of such Patent would be infringed by the manufacture, use or sale of a product, method or device, as applicable, and (ii) with respect to any other intellectual property right, that the manufacture, use or sale of a product, method or device would infringe or misappropriate such rights, as applicable, unless in the case of either (i) or (ii), such manufacture, use or sale was in accordance with a granted license.

1.18 “Development” or “Develop” means engaging in preclinical and clinical drug development activities, including, but not limited to, discovery, test method development, stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, analytical method validation, manufacturing process validation, cleaning validation, post-approval changes, quality assurance/quality control, statistical analysis, report writing, preclinical studies, Clinical Trials, regulatory filing submission and approval and regulatory affairs.

1.19 “Disclosing Party” shall have the meaning assigned thereto in Section 6.1.

1.20 “Effective Date” shall have the meaning assigned thereto in the first paragraph of this Agreement.

1.21 “FD&C Act” means the United States Federal Food, Drug & Cosmetic Act, as amended, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

1.22 “FDA” means the United States Food and Drug Administration and any successor agency thereto.

1.23 “Field” means all uses, including, without limitation, the diagnosis, treatment, prevention or control of any human disease or condition.

1.24 “First Commercial Sale” means, with respect to any Licensed Product and with respect to any country of the Territory, the first commercial transfer or disposition for value of a Licensed Product by Arcus, its Affiliates or their sublicensees to a Third Party following, if required by Applicable Law, Regulatory Approval of such Licensed Product and, when Regulatory Approval is not required by Applicable Law for the Licensed Product, the first commercial sale in that country, in each case for use or consumption of such Licensed Product in such country by the general public; provided that sales for clinical study purposes or compassionate, named patient (paid or unpaid) or similar use will not constitute a First Commercial Sale.

1.25 “GLP Safety Study” means toxicology studies that meet the requirements set forth in 21 CFR Part 58 pertaining to Good Laboratory Practices for use or intended for use in an investigational new drug application, but excluding toxicology studies performed in the course of evaluating compounds prior to selection of a development candidate.
1.26 “Good Manufacturing Practices” or “GMP” means, with respect to the United States, the minimum then-current good manufacturing practices for methods, facilities, and controls to be used for the manufacture, processing, packing, or holding of a drug to assure that it meets the requirements of the FD&C Act for safety and has the identity and strength and meets the quality and purity characteristics, specified in 21 C.F.R. Parts 210 and 211, as may be amended, and, with respect to any other country or jurisdiction, the equivalent regulations in such other country or jurisdiction.

1.27 “Governmental Authority” means an applicable multi- or supra-national, federal, state, local, municipal or other government authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.28 “Improvements” means any adaptation, change, redesign, modification, invention, discovery, enhancement or development conceived, reduced to practice, developed or made after the Effective Date and (i) incorporated into any Licensed Product, (ii) made with respect to the specifications, the raw materials or the method or process of manufacture or production of any Licensed Product, including any product which performs the same function as any Licensed Product, (iii) incorporating, utilizing, or developed utilizing, Licensed Know-How, or (iv) requiring the practice of an invention claimed in the Licensed Patents. Inventorship for Improvements shall be determined in accordance with the patent laws of the United States (Title 35, United States Code).

1.29 “IND” means (i) in the United States, an Investigational New Drug Application, as defined in the FD&C Act, filed with the FDA that is required to be filed with the FDA before conducting a Clinical Trial (including all supplements and amendments that may be filed with respect to the foregoing); and (ii) any foreign counterpart of the foregoing.

1.30 “Intellectual Property Rights” means any and all patent rights, copyright rights, trade secret rights, sui generis database rights and all other intellectual and industrial property rights of any sort throughout the world (including any application therefor) whether now known or hereafter existing.

1.31 “JAMS” shall have the meaning assigned thereto in Section 11.5.

1.32 “JN Biosciences” means JN Biosciences LLC.

1.33 “JN Biosciences Agreement” means the License Agreement between Abmuno and JN Biosciences LLC, dated December 8, 2016.

1.34 “JN Biosciences Licensed Patents” means any and all Patents licensed or sublicensed to Abmuno pursuant to the JN Biosciences Agreement that are necessary and/or useful in Developing, using, manufacturing, Commercializing and/or otherwise exploiting Licensed Products in the Field within the Territory (solely as a result of its containing an Antibody, or any portions or derivatives thereof or modifications to the sequence thereof, provided such derivatives or modifications do not incorporate or use any other technology of JN Biosciences covered by a Patent, and not with respect to any other component or technology incorporated therein or used in connection therewith).

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1.35 “Joint Improvement” means an Improvement with respect to which employees and/or agents of both Arcus and Abmuno are joint inventors in the course of the activities hereunder, regardless of whether any Third Parties are also joint inventors, including, without limitation, all Intellectual Property Rights therein. Inventorship for Joint Improvements shall be determined in accordance with the patent laws of the United States (Title 35, United States Code).

1.36 “JSC” shall have the meaning assigned thereto in Section 3.3.2.

1.37 “Know-How” means proprietary technical information, processes, formulae, data, inventions, methods, knowledge, discoveries, know-how, trade secrets and other information, whether or not patentable, but that is not generally known and is still Confidential Information, including any tangible embodiments of the foregoing.

1.38 “Licensed IP” means the Licensed Patents and Licensed Know-How and Abmuno’s interest in the Joint Improvements collectively.

1.39 “Licensed Know-How” means [***].

1.40 “Licensed Patents” means the Patents listed in Exhibit 1 hereto and (i) patent applications filed either from the foregoing or from an application claiming priority to the foregoing, including all provisional patent applications, non-provisional patent applications, substitutions, continuations, continuations-in-part, divisions, renewals and continued prosecution applications, and all patents granted thereon, (ii) patents-of-addition, revalidations, reissues, reexaminations and extensions, adjustments or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (iii) inventor’s certificates, utility models, innovation patents and design patents for any of the foregoing, (iv) other forms of government-issued rights substantially similar to any of the foregoing, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions, to any of such foregoing, (v) United States and foreign counterparts of any of the foregoing, (vi) the JN Biosciences Licensed Patents and (vii) all other Patents that have at least one Valid Claim Covering, and are necessary for, the Development, use, manufacture, Commercialization and/or other exploitation of a Licensed Product in the Field in the Territory, whether or not listed on Exhibit 1, in the case of (vii), to the extent any of such Patents are owned or Controlled by Abmuno or any Affiliate of Abmuno as of the Effective Date or during the Term of this Agreement.

1.41 “Licensed Products” means any product that (i) contains an Antibody, and (ii) the Development, manufacture, use, sale or importation of which incorporates or utilizes any Licensed Know-How or, absent the licenses granted to Arcus under this Agreement, would infringe a Valid Claim of a Licensed Patent.

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1.42 “Losses” means any and all damages (including, but not limited to, all loss of profits, diminution in value, and incidental, indirect, consequential, special, reliance, exemplary, punitive, statutory and treble damages), awards, deficiencies, settlement amounts, defaults, assessments, fines, dues, penalties, costs, fees, liabilities, obligations, taxes, liens, losses and expenses (including, but not limited to, court costs, interest and reasonable fees of attorneys, accountants and other experts) incurred by or awarded to Third Parties and required to be paid to Third Parties with respect to a Claim by reason of any judgment, order, decree, stipulation or injunction, or any settlement entered into in accordance with the provisions of this Agreement, together with all documented out-of-pocket costs and expenses incurred in contesting any Third Party Claim or complying with any judgments, orders, decrees, stipulations and injunctions that arise from or relate to a Third Party Claim.

1.43 “Net Sales” means, with respect to any Licensed Product, the gross sales price of such Licensed Product invoiced by Arcus, its Affiliates or their sublicensee(s) (which sublicensees do not include distributors) (the “Selling Party”) to Third Parties (which Third Parties do not include distributors), less:

Net Sales will be determined from books and records maintained in accordance with GAAP, consistently applied throughout Arcus and across all products of Arcus.

1.44 “Other Product” shall have the meaning assigned thereto in the definition of Combination Product.

1.45 “Party” or “Parties” shall have the meaning assigned thereto in the first paragraph of this Agreement.

1.46 “Patent” means any and all national, regional and international (i) issued patents and pending patent applications (including provisional patent applications), (ii) patent applications filed either from the foregoing or from an application claiming priority to the foregoing, including all provisional applications, converted provisionals, substitutions, continuations, continuations-in-part, divisions, renewals and continued prosecution applications, and all patents granted thereon, (iii) patents-of-addition, revalidations, reissues, reexaminations and extensions, adjustments or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (iv) inventor’s certificates, utility models, innovation patents and design patents, (v) other forms of government-issued rights substantially similar to any of the foregoing, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any of such foregoing and (vi) United States and foreign counterparts of any of the foregoing.
1.47 “Patented Products” means any product, the Development, manufacture, use, sale or importation of which, absent the licenses granted to Arcus under this Agreement, would infringe a Valid Claim of a Licensed Patent.

1.48 “Person” means any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, proprietorship or other de jure entity organized under Applicable Laws of any jurisdiction.

1.49 “Phase I Clinical Trial” means a Clinical Trial that provides for the first introduction into humans of a product with the primary purpose of determining safety, metabolism and pharmacokinetic properties and clinical pharmacology of such product, in a manner that is generally consistent with 21 CFR § 312.21(a), as amended (or its successor regulation).

1.50 “Phase II Clinical Trial” means a Clinical Trial, the principal purpose of which is to make a preliminary determination as to whether a product is safe for its intended use and to obtain sufficient information about such product’s efficacy, in a manner that is generally consistent with 21 CFR § 312.21(b), as amended (or its successor regulation), to permit the design of further Clinical Trials.

1.51 “Phase III Clinical Trials” means a pivotal Clinical Trial with a defined dose or a set of defined doses of a therapeutic product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with 21 CFR § 312.21(c), as amended (or its successor regulation), for the purpose of enabling the preparation and submission of a BLA or a foreign equivalent thereof.

1.52 “Pricing Approval” means the later of (i) the approval, agreement, determination or governmental decision establishing the price for a Licensed Product that can be legally charged to consumers, as required in a given jurisdiction or country in connection with Commercialization of such Licensed Product in such jurisdiction or country and (ii) the approval, agreement, determination or governmental decision establishing, the level of reimbursement for such Licensed Product that will be reimbursed by Governmental Authorities, as required in a given jurisdiction or country in connection with Commercialization of such Licensed Product in such jurisdiction or country.

1.53 “Promotional Materials” shall have the meaning set forth in Section 2.3.

1.54 “Receiving Party” shall have the meaning assigned thereto in Section 6.1.

1.55 “Regulatory Approval” means regulatory approval required to Commercialize a Licensed Product for a disease or condition in accordance with the Applicable Laws of a given country, including Pricing Approval if Pricing Approval is required under Applicable Law to Commercialize such Licensed Product for such disease or condition in such country. In the United States, its territories and possessions, Regulatory Approval means approval of a BLA or an equivalent by the FDA.

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1.56 “Regulatory Authority” means, with respect to a country in the Territory, any national (e.g., the FDA), supra-national (e.g., the European Commission, the Council of the European Union, or the European Medicines Agency), regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Authority involved in the granting of a Regulatory Approval, for biopharmaceutical products in such country.

1.57 “Stage 1 Technology Transfer” shall have the meaning assigned thereto in Section 3.3.1.

1.58 “Stage 2 Technology Transfer” shall have the meaning assigned thereto in Section 3.3.1.

1.59 “Term” shall have the meaning assigned thereto in Section 10.1.

1.60 “Territory” means all the countries and territories of the world.

1.61 “Third Party” means a Person who is not a Party or an Affiliate of a Party.

1.62 “Third Party Claim” shall have the meaning assigned thereto in Section 8.3.

1.63 “TIGIT” means T cell immunoreceptor with Ig and ITIM domains; also known as VSIG9, VSTM3 and WUCAM and having the sequence and activity as described in Uniprot ID Q495A1, NCBI Reference Sequence: NP_776160.2, as well as splice variants and allotypic variants of the TIGIT protein with a sequence identity of at least [***]% of sequences referenced herein.

1.64 “Trademarks” shall have the meaning assigned thereto in Section 2.3.

1.65 “Transferred Technology” shall have the meaning assigned thereto in Section 3.3.1.

1.66 “United States” means the United States of America and its territories and possessions.

1.67 “Valid Claim” means with respect to a Patent in a country, any claim of an (i) issued Patent that has not (a) expired, irretrievably lapsed or been abandoned, revoked, dedicated to the public or disclaimed or (b) been found to be unpatentable, invalid or unenforceable by an unreversed and unappealable decision of a Governmental Authority in such country or (ii) application for a Patent that (a) has been pending for less than [***] years from the earliest claimed priority date and is being prosecuted in good faith and has not been abandoned or finally disallowed without the possibility of appeal or re-filing and (b) has not been admitted to be invalid or unenforceable through reissue, reexamination, or disclaimer, and which is not subject to an interference claim.

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2. LICENSE GRANTS, OWNERSHIP AND EXCLUSIVITY.

2.1 License Grant. Subject to the terms and conditions of this Agreement, Abmuno grants to Arcus, and Arcus accepts, an exclusive (even as to Abmuno and its Affiliates), non-transferable (except as set forth in Section 11.7) license, with the right to sublicense (as provided in Section 2.2) under the Licensed IP, to make, have made, use, register, sell, offer to sell, have sold, import, export, exploit, research, improve, Develop and Commercialize Licensed Products in the Field in the Territory.

2.2 Sublicensing and Subcontracting. Arcus may sublicense at any time, without the prior written consent of Abmuno, its rights to research, otherwise Develop, manufacture, sell, otherwise Commercialize or exploit Licensed Products, in whole or in part, to any (i) Affiliate or (ii) Third Parties; provided that, in the case of a sublicense to a Third Party, such Third Party is a company that (a) engages in, and/or has one or more affiliates that engages in, research, development and/or commercialization of one or more biopharmaceuticals or biologics products and (b) [***]. In addition, notwithstanding the foregoing, after Arcus has [***], Arcus may sublicense, without the prior written consent of Abmuno, its rights to research, otherwise Develop, manufacture, sell, otherwise Commercialize or exploit Licensed Products, in whole or in part, to any Third Parties, provided only that such Third Party is a company that engages in, and/or has one or more affiliates that engages in, research, development and/or commercialization of one or more biopharmaceuticals or biologics products. If Abmuno is unable to determine whether the information referenced in (b) above about the sublicensee is true based on publicly available information, then Arcus, within fifteen (15) days after a request from Abmuno, at its option, shall either (A) provide information to Abmuno (subject to Section 6 hereof) about the sublicensee sufficient to validate the criteria in (b) above or (B) have one of its officers certify in writing as to the truth of the aforementioned criteria. If Abmuno’s prior written consent is required for Arcus to sublicense its rights to research, otherwise Develop, manufacture, sell, otherwise Commercialize or exploit Licensed Products, in whole or in part, to a Third Party, Abmuno may not unreasonably withhold, condition or delay any such consent, and if Abmuno fails to reject in writing any such proposed sublicense within ten (10) business days after delivery of written request by Arcus to Abmuno for such sublicense, then Abmuno shall be deemed to have consented to such sublicense. Arcus shall secure all appropriate covenants, obligations and rights from any sublicensee to ensure that such sublicensee is subject to, and Arcus can comply with, all of Arcus’s applicable covenants and obligations to Abmuno under this Agreement. Arcus shall be responsible for any failure of its sublicensees to comply with the applicable provisions of this Agreement.

If requested by Arcus, Abmuno will discuss, acting reasonably and in good faith, with Arcus any proposed modifications as may be requested by a potential sublicensee with respect to the terms and conditions of this Agreement. Upon termination of this Agreement for any reason, any sublicensee shall have the right to seek a license from Abmuno to the Licensed IP, and Abmuno agrees to negotiate such licenses in good faith under reasonable terms and conditions (e.g., under terms and conditions substantially similar to those herein); provided that such sublicense was not the cause of such termination. At the request of Arcus, Abmuno agrees to meet with any potential sublicensee to provide assurance of contingency terms for obtaining a license and sublicense from Abmuno in the event of termination of this Agreement prior to termination of the related sublicense agreement with Arcus.

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For the sake of clarity, contract manufacturers and distributors shall not be deemed sublicensees, but instead, shall be deemed subcontractors for the purposes of this Section. Arcus may freely subcontract its rights to research, otherwise Develop, manufacture, sell, otherwise Commercialize or exploit Licensed Products, in whole or in part; provided (A) Arcus shall secure all appropriate covenants, obligations and rights from any subcontractor to ensure that such subcontractor is subject to, and Arcus can comply with, all of Arcus’s applicable covenants and obligations to Abmuno under this Agreement and (B) Arcus shall be responsible for any failure of its subcontractors to comply with the applicable provisions of this Agreement.

Any Arcus sublicensee may further sublicense and subcontract its rights to research, otherwise Develop, manufacture, sell, otherwise Commercialize or exploit Licensed Products, in whole or in part; provided that any such sublicense is granted, or such subcontract is entered into, in accordance with the terms of this Section above.

2.3 Promotion. Licensed Products shall be Commercialized solely under trademarks and trade dress selected by Arcus (collectively, “Trademarks”) and solely in connection with packaging, inserts, digital content and similar information and materials selected by Arcus or its Affiliates or any of their sublicensees (collectively, “Promotional Materials”). As between the Parties, Arcus shall exclusively own all Promotional Materials and all Trademarks for Licensed Products, and shall be responsible for the procurement, filing and maintenance of trademark registrations for such Trademarks and all related costs and expenses.

2.4 Ownership of Improvements. Arcus shall own all right, title and interest in and to any Improvements invented solely by Arcus, including, without limitation, any Intellectual Property Rights therein. Each Party shall own a fifty percent (50%) undivided interest in all Joint Improvements. The Parties hereby make any assignments necessary to accomplish the foregoing ownership provisions. Except as expressly provided in this Agreement and subject to any restrictions therein, each joint owner may make, sell, use, license, assign, mortgage or keep Joint Improvements, and otherwise undertake all activities a sole owner might undertake with respect to such inventions, discoveries and know-how, without the consent of and without accounting to the other joint owner; provided that any assignment, license or other disposition or use (i) shall at all times be and remain subject to the grants of rights and accompanying conditions and obligations with respect thereto under this Agreement, and (ii) allow the Parties to exercise their rights and perform their obligations under this Agreement, in particular to Develop and Commercialize Licensed Products in at least the same scope as prior to such assignment, license or other such disposition.

2.5 No Implied Rights. Nothing contained in this Agreement confers or will be construed to confer any rights or licenses by implication, estoppel or otherwise, in, to or under any intellectual property rights, other than the rights and licenses expressly granted in this Agreement. All rights not expressly granted by a Party under this Agreement are reserved to such Party. Without limitation, as between the Parties, Abmuno retains sole and exclusive ownership of all rights, title and interests in and to the Licensed IP.

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2.6 Non-Competition. Abmuno shall not, and shall ensure that its Affiliates (if any) shall not, initiate, or be involved in, any new anti-TIGIT discovery, Development or Commercialization project for a period of [***] years following the Effective Date. In addition, Abmuno shall cause each of [***], and shall use Commercially Reasonable Efforts to cause JN Biosciences, [***] to enter into an agreement with Arcus in such form as has been approved by Arcus, either concurrently with or prior to the Parties’ execution of this Agreement, under which, in accordance with the terms of such agreements, [***].

2.7 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to “intellectual property” as defined under Section 101(35A) of the U.S. Bankruptcy Code. Upon the bankruptcy of any Party, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party.

2.8 JN Biosciences Agreement. Abmuno shall (i) faithfully and timely perform and discharge all of its obligations under the JN Biosciences Agreement, (ii) to the extent within Abmuno’s reasonable control, not take any action or allow any event to occur that would give JN Biosciences the right to terminate the JN Biosciences Agreement, and (iii) not exercise any right to itself terminate the JN Biosciences Agreement. Abmuno shall not amend or modify the JN Biosciences Agreement to the extent that such amendment or modification would reasonably be expected to have a material adverse effect on the Licensed Patents and/or Licensed Know-How sublicensed to Arcus under this Agreement, or on Arcus’s ability to exercise its rights under such sublicense, without the prior written consent of Arcus, not to be unreasonably withheld, conditioned or delayed. Abmuno agrees, that if JN Biosciences seeks relief under any bankruptcy, reorganization, insolvency or similar laws, Abmuno shall act in good faith to take all reasonably necessary action to preserve the sublicense rights granted to Arcus hereunder, including but not limited to, seeking to preserve Abmuno’s and Arcus’s rights under Section 365(n) of the U.S. Bankruptcy Code, 11 U.S.C. section 101 through 1330 et seq.

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3. DEVELOPMENT AND COMMERCIALIZATION.

3.1 Development and Commercialization Activities. Arcus shall use Commercially Reasonable Efforts to Develop and Commercialize Patented Products in the Field. Notwithstanding the foregoing, Arcus is obligated to file an IND in the United States on a Patented Product no later than [***] months from the Effective Date; provided that Stage 2 Technology Transfer, as defined in Section 3.3.1 below, is completed no later than [***] days following the Effective Date. The deadline for Arcus to file an IND in the United States on a Patented Product shall be extended by one (1) day for each day that Abmuno is late in completing Stage 2 Technology Transfer. Any delay or postponement in the filing of an IND in the United States on a Patented Product beyond the deadline for such filing will be subject to approval by Abmuno, which approval shall not be unreasonably withheld, conditioned or delayed.

3.2 Manufacturing. Arcus shall use Commercially Reasonable Efforts to manufacture or otherwise obtain supply of the requirements of formulated, packaged and labeled Patented Products in connection with its Development and Commercialization obligations hereunder, in accordance with all Applicable Laws, GMP (as applicable) and this Agreement.

3.3 Assistance.

3.3.1 Abmuno shall use Commercially Reasonable Efforts to transfer or have transferred (i) the data, materials and analytical methods described on the attached Exhibit 2A to Arcus within a period of [***] days following the Effective Date (unless otherwise expressly provided in Exhibit 2A), subject to the terms of any licenses covering such data, materials and analytical methods that have been provided to Arcus in writing (“Stage 1 Technology Transfer”) and (ii) the reports and other materials described on the attached Exhibit 2B to Arcus within a period of [***] days following the Effective Date (“Stage 2 Technology Transfer”). The data, materials and analytical methods described on the attached Exhibit 2A and the reports and other materials described on the attached Exhibit 2B shall be collectively referred to herein as the “Transferred Technology”. For the avoidance of doubt, for the purposes of this Agreement, Transferred Technology shall be deemed to be included in Licensed Know-How. Stage 1 Technology Transfer and Stage 2 Technology Transfer will be performed by Abmuno at no charge to Arcus.

3.3.2 Within seven (7) days after the Effective Date, Arcus and Abmuno will establish a Joint Steering Committee, composed of an equal number of representatives from the Parties, to oversee and assist in the transfer of the Transferred Technology (the “JSC”). The JSC will meet monthly or as needed to review progress and to provide guidance, as required, to maximize the value of the Licensed Products. A representative from JN Biosciences may attend meetings of the JSC to advise the JSC on scientific matters. The JSC will have solely an advisory role to aid Arcus in the most efficient advancement of the Licensed Products. Following the filing of the first IND for a Licensed Product in the United States by Arcus, the JSC will continue to exist only and for as long the Parties mutually deem it to be helpful to the development of the Licensed Products. In addition, Abmuno shall use good faith, Commercially Reasonable Efforts to disclose to Arcus promptly, all other information comprising the Licensed Know-How and any other information related to Licensed Patents as Arcus may reasonably request from time-to-time. Abmuno shall perform its obligations under this Section 3.3.2 at no charge to Arcus.

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3.4 Clarification. [***].

4. REGULATORY MATTERS.

4.1 General. Arcus shall be solely responsible for, and shall use Commercially Reasonable Efforts in connection with seeking Regulatory Approval for the Patented Products.

4.2 Recalls or Corrective Action. Arcus shall have sole responsibility for and shall make all decisions with respect to any recall, market withdrawal or other corrective action related to the Licensed Products in the Territory.

5. FINANCIAL PROVISIONS. In consideration of the rights granted by Abmuno to Arcus hereunder, and of the performance of technology transfer-related services under this Agreement, Arcus agrees to make the following payments:

5.1 Execution Payment. Within thirty (30) days after (i) receipt of a written invoice, which shall be provided on or as soon as practicable after the Effective Date, and (ii) delivery to Arcus of a copy of this Agreement duly executed by Abmuno, Arcus shall pay to Abmuno an upfront fee of [***].

5.2 Milestone Payments. In the event Arcus (on its own or through an Affiliate or their sublicensees) achieves a milestone specified below during the Term, Arcus shall promptly, but in no event more than thirty (30) days after the achievement of each such milestone, notify Abmuno in writing of the achievement of such milestone. Arcus shall pay to Abmuno the milestone payments as specified below within thirty (30) days after receipt of a written invoice to be provided by Abmuno as soon as practicable following achievement of the particular milestone. Each milestone payment shall be payable only once for the first Licensed Product to achieve such milestones, regardless of the total number of Licensed Products to achieve the applicable milestone or the number of times each such milestone is achieved for a given Licensed Product. If the first Licensed Product to achieve an applicable milestone is not a Patented Product, then the payment specified in the table below earned with respect to such Licensed Product achieving such milestone shall be reduced by [***].

<table>
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<th>Milestones</th>
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5.3 Payment Terms. All sums due under this Agreement shall be payable in United States dollars by bank wire transfer in immediately available funds from a bank account

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6. CONFIDENTIAL INFORMATION AND PROPRIETARY RIGHTS.

6.1 Definition. “Confidential Information” means confidential or proprietary information, data or know-how, whether provided in written, oral, visual or other form, provided by one Party (the “Disclosing Party”) to the other Party (the “Receiving Party”) in connection with this Agreement, including, but not limited to, the terms of this Agreement and information relating to the Disclosing Party’s existing or proposed research, development efforts, patent applications, business or products. Confidential Information shall not include any such information that: (i) is already known to the Receiving Party or its Affiliates (other than under an obligation of confidentiality) at the time of disclosure (as evidenced by written records of the Receiving Party); (ii) is or becomes generally available to the public other than through any act or omission of the Receiving Party or its Affiliates that is in breach of this Agreement; (iii) is disclosed to the Receiving Party or its Affiliates by a Third Party who had no separate nondisclosure obligation in respect of such information; or (iv) is independently discovered or developed by or on behalf of the Receiving Party or its Affiliates without the use of the Confidential Information of the Disclosing Party (as evidenced by written records of the Receiving Party). The terms of this Agreement shall be deemed Confidential Information of each Party.

6.2 Confidentiality. The Receiving Party shall keep in confidence all Confidential Information of the Disclosing Party with the same degree of care it employs to maintain the confidentiality of its own Confidential Information, but no less than a reasonable degree of care. The Receiving Party shall not use such Confidential Information for any purpose other than in performance of this Agreement, or in the case of Arcus as the Receiving Party, in accordance with the rights granted to Arcus under this Agreement, or disclose the same to any other Person other than to such of its own and its Affiliates’ employees, agents, sublicensees and subcontractors who have a need to know such Confidential Information to implement the terms of this Agreement and who are bound by written obligations of confidentiality and non-use at least as restrictive as those set forth herein. A Receiving Party shall advise any employee, agent, sublicensee and subcontractor who receives Confidential Information of such obligations under this Agreement. The Receiving Party will be liable for breach of this Section 6 by any of its employees, agents, sublicensees and subcontractors. Notwithstanding anything to the contrary herein, Abmuno, as the Receiving Party, may disclose Confidential Information of Arcus, as the

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6.3 **Permitted Disclosure and Use.** The Receiving Party shall have the right to disclose Confidential Information if, (i) in the reasonable opinion of the Receiving Party’s legal counsel, such disclosure is required by any Applicable Laws (including the rules of any stock exchange); provided that the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party and the Receiving Party uses Commercially Reasonable Efforts to seek confidential treatment of such Confidential Information; or (ii) a court, tribunal, administrative agency or other Governmental Authority orders such disclosure, provided that the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party to permit the Disclosing Party to intervene and to request protective orders or other confidential treatment. The Receiving Party will cooperate reasonably with any such efforts by the Disclosing Party. Furthermore, notwithstanding any other provision of this Agreement, Arcus may disclose Confidential Information (a) as necessary in connection with any financing, merger, sublicensing or similar transaction, subject to enforceable obligations of confidentiality and non-use at least as restrictive as those set forth herein, or as necessary to obtain legal or financial advice from its attorneys, accountants and legal or financial advisors and (b) as necessary in connection with prosecuting or defending litigation, Regulatory Approvals, Pricing Approvals and other regulatory filings and communications, and filing, prosecuting and enforcing Patents in connection with Arcus’s rights and obligations pursuant to this Agreement, in each case under this clause (b), subject to reasonable efforts to limit public disclosure, including the seeking of protective orders. The Parties shall also be permitted to make disclosures consistent with, and pursuant to, Sections 11.1 and 11.2.

6.4 **Intentionally omitted.**

6.5 **Attorney-Client Privilege.** Neither Party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under Applicable Law of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense agreement setting forth, among other things, the foregoing principles but are not obligated to do so.

6.6 **Survival.** This Section 6 shall survive the expiration or termination of this Agreement for a period of [***] years.

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7. REPRESENTATIONS AND WARRANTIES.

7.1 Mutual Representations and Warranties. Arcus and Abmuno each represents and warrants to the other as of the Effective Date:

7.1.1 Such Party (i) is a company duly organized, validly existing and in good standing under the Applicable Laws of the jurisdiction of its organization; and (ii) has the requisite corporate power and authority and the legal right to enter into this Agreement and to carry out the provisions of this Agreement;

7.1.2 The execution, delivery and performance of this Agreement by such Party, including, without limitation, in the case of Abmuno, the delivery by Abmuno (or JN Biosciences on its behalf as described in Exhibit 2) of any Transferred Technology to Arcus for use as contemplated under this Agreement, (i) do not conflict with any provision of the organizational documents of such Party; (ii) will not, to such Party’s knowledge, violate any Applicable Laws or any order or decree of any court or Governmental Authority; and (iii) will not violate or conflict with any terms of any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Party is a party, or by which such Party is bound or becomes bound during the Term; and

7.1.3 This Agreement has been duly executed and delivered by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

7.2 Abmuno Representations and Warranties. Abmuno represents, warrants and covenants to Arcus as of the Effective Date:

7.2.1 Abmuno (i) has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Licensed Patents, or any component of the Licensed Know-How, (ii) with respect to any agreements or other instruments pursuant to which Abmuno acquires its rights to the Licensed Patents and Licensed Know-How, it will maintain, and use Commercially Reasonable Efforts to cause JN Biosciences to maintain, in full force and effect and commit no act or omission, and use Commercially Reasonable Efforts to cause JN Biosciences to not commit any act or omission, that would give rise to any Third Party right to terminate such licenses or other instruments to the extent that termination of such license or other instrument would have a material adverse effect on any right licensed to Arcus hereunder, and (iii) there are no Patents or Know-How owned or controlled by Abmuno, other than the Licensed Patents and Licensed Know-How, that would prevent Arcus, its Affiliates or their sublicensees from Developing, manufacturing and/or Commercializing Licensed Products as set forth herein, and from exploiting the rights granted under Section 2.1. Abmuno has provided Arcus with a true and complete (other than redacted financial terms) copy of the Third Party agreements that are referenced in (ii) directly above, including, without limitation, any and all amendments and side letters related thereto;

7.2.2 There are no claims, judgments or settlements against, pending with respect to any Licensed IP, and to Abmuno’s knowledge, no such claims, judgments or

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settlements are threatened. [***], except as otherwise set forth in Exhibit 4, Arcus’s contemplated use of the Licensed IP by Arcus to make, use and sell a Licensed Product will not violate, infringe, misappropriate or unlawfully use any intellectual property of any Person. To the knowledge of Abmuno, no Person has violated, infringed, misappropriated or unlawfully used any of the Licensed IP. Abmuno has not, and to Abmuno’s knowledge, JN Biosciences has not, commenced or threatened any proceeding, or asserted any allegation or claim, against any Person for infringement or misappropriation of any Licensed IP;

7.2.3 The JN Biosciences Agreement is in full force and effect, and there are no defaults or threatened defaults under, and no disputes between Abmuno and JN Biosciences with respect to, the JN Biosciences Agreement. Abmuno has provided Arcus with a true and complete (other than redacted financial terms) copy of the JN Biosciences Agreement, including, without limitation, any and all amendments and side letters related thereto; and

7.2.4 Except as otherwise set forth in Exhibit 5, neither Abmuno nor JN Biosciences is a party to any agreement that prohibits or restricts the full exploitation of any Licensed IP as contemplated under this Agreement. Abmuno has provided Arcus with a true and complete (other than redacted financial terms) copy of the Third Party agreements that are set forth in Exhibit 5, including, without limitation, any and all amendments and side letters related thereto.

7.2.5 All functional data for HuTIG1 that is in the possession of Abmuno, JN Biosciences or any of its Affiliates, including, without limitation, any such data arising or resulting from any failed experiments, will be delivered to Arcus in accordance with Section 3.3.1.

7.3 Disclaimer of Warranty. Except for the express warranties set forth in this Agreement, nothing in this Agreement shall be construed as a representation or warranty by either Party (i) that any Licensed Product made, used, sold or otherwise disposed of under this Agreement is or will be free from infringement of patents, copyrights, trademarks or other intellectual property rights of any Third Party; (ii) regarding the effectiveness, value, safety, or non-toxicity of any technology; or (iii) that any Licensed Product will obtain Regulatory Approval or achieve any other milestone events specified in Section 5.2. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES, AND EACH PARTY EXPRESSLY DISCLAIMS, WAIVES, RELEASES AND RENOUNCES, ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF PATENT SUFFICIENCY AND ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT, AND ALL WARRANTIES ARISING FROM ANY COURSE OF DEALING OR PERFORMANCE OR USAGE OF TRADE.

8. INDEMNIFICATION.

8.1 Indemnification by Abmuno. Subject to Section 8.3, Abmuno shall defend, indemnify and hold harmless Arcus and its Affiliates and each of their officers, directors, shareholders, employees, independent contractors, successors and assigns (collectively, “Arcus

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Indemnitees”) from and against all Third Party Claims, and pay all associated Losses, arising out of or relating to (i) any breaches by Abmuno of any of its representations or warranties in this Agreement or (ii) the research, Development, manufacture, transfer, use, handling, storage, sale or other disposition of Licensed Products by or on behalf of Abmuno, JN Biosciences or any of its or their Affiliates, agents and contractors prior to the Effective Date, including Third Party Claims based on product liability, bodily injury, risk of bodily injury, death or property damage or the failure to comply with Applicable Law, except in the case of (ii), to the extent Arcus is obligated to defend, indemnify and hold harmless any Abmuno Indemnitees pursuant to Section 8.2.

8.2 Indemnification by Arcus. Subject to Section 8.3, Arcus shall defend, indemnify and hold harmless Abmuno and its Affiliates and JN Biosciences, and each of their officers, directors, shareholders, employees, independent contractors, successors and assigns (collectively, “Abmuno Indemnitees”) from and against all Third Party Claims, and pay all associated Losses, arising out of or relating to (i) any breaches by Arcus of any of its representations or warranties in this Agreement or (ii) the research, Development, manufacture, transfer, use, handling, storage, sale or other disposition of Licensed Products by or on behalf of Arcus or any of its Affiliates, agents and contractors after the Effective Date, including Third Party Claims based on product liability, bodily injury, risk of bodily injury, death or property damage or the failure to comply with Applicable Law, except in the case of (ii), to the extent Abmuno is obligated to defend, indemnify and hold harmless any Arcus Indemnitees pursuant to Section 8.1.

8.3 Procedure for Indemnification.

8.3.1 Notice. The indemnified party will notify promptly the indemnifying party in writing if it becomes aware of a Claim (actual or potential) by any Third Party or any proceeding (including any investigation by a Governmental Authority) (“Third Party Claim”) for which indemnification may be sought and will give such related information as the indemnifying party shall reasonably request.

8.3.2 Defense of Claim. The indemnifying party shall defend or control the defense of Third Party Claims. The indemnifying party shall be responsible for satisfying and discharging any award made to or settlement reached with the Third Party pursuant to the terms of this Agreement. The indemnifying party shall retain counsel reasonably acceptable to the indemnified party (such acceptance not to be unreasonably withheld, refused, conditioned or delayed) to represent the indemnified party and shall pay the reasonable fees and expenses of such counsel related to such proceeding. In any such proceeding, the indemnified party, at its sole expense, shall have the right to retain its own counsel. The indemnified party shall cooperate in all reasonable respects in the defense of such Third Party Claim, as requested by, and at the reasonable expense of, the indemnifying party. The indemnifying party shall not, without the written consent of the indemnified party (which consent shall not be unreasonably withheld, refused, conditioned or delayed), effect any settlement of any such Third Party Claim, unless such settlement includes a full and unconditional release of the indemnified party from all liability on such Claims.

8.4 Set-Off Rights. If it is determined under Section 11.5 that Abmuno has failed to meet or is in breach of any of its (i) indemnification obligations under Section 8.1 or (ii) representations or warranties in Article 7, Arcus shall be entitled to, and may seek payment of, its damages by set-off against any milestone payment that has been earned but not yet paid pursuant to Section 5.2, in each case, without limiting any of Arcus’ other rights under this Agreement or under Applicable Law.

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8.5  **Limitation of Damages.**  IN NO EVENT SHALL EITHER PARTY BE LIABLE HEREUNDER TO THE OTHER PARTY FOR ANY PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST REVENUE, LOST PROFITS, OR LOST SAVINGS) HOWEVER CAUSED AND UNDER ANY THEORY, EVEN IF IT HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS SET FORTH IN THIS SECTION SHALL NOT APPLY WITH RESPECT TO (I) ANY BREACH BY EITHER PARTY OF SECTION 6 (CONFIDENTIAL INFORMATION AND PROPRIETARY RIGHTS), (II) THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY OR (III) ANY BREACH BY ABMUNO OF THE FIRST SENTENCE OF SECTION 2.6 (NON-COMPETITION). NOTHING IN THIS SECTION IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER SECTION 8.1 OR SECTION 8.2.

9.  **PATENTS.**

9.1  **Prosecution and Maintenance.**

9.1.1  Arcus shall have the first right to file, prosecute and maintain all Licensed Patents at Arcus’s sole expense using its own outside counsel reasonably acceptable to Abmuno. Arcus will use Commercially Reasonable Efforts to prepare, file, prosecute and maintain Licensed Patents; provided, however, that Arcus does not represent or warrant that any patent will issue or be granted based on patent applications contained in the Licensed Patents. Arcus shall keep Abmuno reasonably informed of material decisions or actions concerning the prosecution and maintenance of such Licensed Patents, including, without limitation, by providing copies of office actions and other material communications with patent offices, and providing a reasonable opportunity for Abmuno to deliver comments to Arcus regarding such prosecution materials, such comments to be considered by Arcus in good faith. Abmuno shall reasonably cooperate with Arcus in its efforts to prepare, file, prosecute and maintain Licensed Patents, including, without limitation, in responding promptly to Arcus’s requests for data, affidavits, and other information and assistance to support filing, prosecution and maintenance of the Licensed Patents in a timely manner. Arcus shall not take any action during prosecution and maintenance of the Licensed Patents that would materially adversely affect Abmuno, without Abmuno’s prior written consent, such consent not to be unreasonably withheld, delayed or conditioned. If Abmuno fails to provide in writing its consent or its reasons for not providing such consent within [***] days after delivery of written request by Arcus to Abmuno for such consent, then Abmuno shall be deemed to have consented to such action.

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9.1.2 In the event that Arcus decides not to continue the prosecution or maintenance of a Patent within the Licensed Patents in any country, Arcus shall provide Abmuno with express written notice of such decision at least [***] days prior to any pending lapse or abandonment thereof, or if a decision not to continue prosecution or maintenance is responsive to an official communication from governmental agency that is received by Arcus less than [***] days prior to a deadline for taking action in response to such communication, then the deadline for giving such notice to Abmuno shall be [***]% of the time remaining for response after such communication is received by Arcus. In such event, Arcus shall provide Abmuno with an opportunity to assume responsibility for prosecution and maintenance of such Patent. In the event that Abmuno, at Abmuno’s expense, assumes such responsibility, Arcus shall transfer the responsibility for prosecution and maintenance of such Patent to Abmuno, and in such case, Arcus, at Arcus’s expense, shall provide Abmuno an update of the filing, prosecution and maintenance status for each such Patent, including copies of any material official correspondence to or from patent offices. Arcus shall no longer have any right or license in, to or under such Patent under this Agreement. For purposes of clarification, upon assuming responsibility for prosecution and maintenance of any Patent, Abmuno, at Abmuno’s sole discretion, may or may not continue such prosecution and maintenance, and shall have a right, at any time, to abandon such prosecution and/or maintenance or to transfer such prosecution and/or maintenance, or a share of such prosecution and maintenance, to JN Biosciences. In the event that Abmuno, solely or together with JN Biosciences, prosecutes, or JN Biosciences solely prosecutes, such a Patent to issuance, Arcus may reinstate Arcus’s rights and license under such Patent to the full extent of Abmuno’s and JN Biosciences’ interests in such Patent by (i) reimbursing Abmuno and JN Biosciences for their documented costs and expenses related to the prosecution and maintenance of such Patent and (ii) assuming, in writing, Abmuno’s and JN Biosciences’ responsibility, to the full extent of such responsibility, for the continued prosecution and maintenance of such Patent in accordance with this Section 9. In the event a Patent issues with respect to any such Patent during the period that Abmuno, either solely or jointly with JN Biosciences, or JN Biosciences by itself, is conducting the prosecution and maintenance of such Patent, Abmuno shall provide prompt written notice thereof to Arcus. If Arcus elects to reimburse Abmuno and JN Biosciences for their costs and expenses related to the prosecution and maintenance of such Patent and to reassume Abmuno’s and JN Biosciences’ responsibility for the continued prosecution and maintenance of such Patent, in order to reinstate its rights and license to such Patent, then Arcus shall provide Abmuno with written notice of such election, and Abmuno shall provide to Arcus promptly its and JN Biosciences’ documented costs and expenses related to the prosecution and maintenance of such Patent, and following receipt of Arcus’ reimbursement of such costs and expenses, shall transfer that portion of responsibility held by Abmuno, and shall use Commercially Reasonable Efforts to cause JN Biosciences to transfer that portion of responsibility held by JN Biosciences, for prosecution and maintenance of such Patent to Arcus. In such case, Abmuno, at Abmuno’s expense, shall provide Arcus an update of the filing, prosecution and maintenance status for each such Patent, including copies of any material official correspondence to or from patent offices, that Abmuno is in possession of.

9.2 Infringement of Licensed Patents. Each Party will notify the other Party promptly in writing upon becoming aware of any alleged or threatened infringement by a Third Party of any Licensed Patents. Arcus shall have the sole right to enforce any patent within the Licensed Patents against any infringement or alleged infringement thereof. Arcus may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such
suit and recover any damages, awards or settlements resulting therefrom; provided that any such damages, awards or settlements shall be [***]. Arcus may retain one hundred percent (100%) of any such damages, awards or settlements. Abmuno shall reasonably cooperate in any such litigation, including, without limitation, joining any such suit, at Arcus’s request and expense. Arcus shall not enter into any settlement of any claim described in this Section 9.2 that would admit to the invalidity, narrowing of scope or unenforceability of the Licensed Patents, incur any financial liability on the part of Abmuno or require an admission of liability, wrongdoing or fault on the part of Abmuno without Abmuno’s prior written consent.

9.3 **Infringement Claims by Third Parties.** If either (i) any Licensed Product Developed, made, Commercialized or otherwise exploited by or under authority of Arcus becomes the subject of a Third Party’s claim or assertion of infringement of a patent relating to the manufacture, use, sale, offer for sale or importation of such Licensed Product in the Field in the Territory, or (ii) if a declaratory judgment action is brought naming either Party as a defendant and alleging invalidity of any of the Licensed Patents, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant (the “Defending Party”). If Abmuno is named in such legal action but not Arcus, then Arcus shall have the right to join, at its own expense, any such legal action and to be represented in such action by its own counsel. None of the Parties shall enter into any settlement of any claim described in this Section that admits to the invalidity, narrowing of scope or unenforceability of the Licensed Patents or this Agreement, incurs any financial liability on the part of the other Party or requires an admission of liability, wrongdoing or fault on the part of the other Party without such other Party’s prior written consent. In any event, the other Party shall reasonably assist the Defending Party and cooperate in any such litigation at the Defending Party’s cost and the Defending Party shall reimburse the other Party’s reasonable out-of-pocket costs associated therewith.

9.4 **Biosimilars.** Each Party shall promptly, but in any event no later than ten (10) business days after receipt of notice of such application, notify the other Party if it becomes aware of any application for regulatory approval of a biosimilar anywhere in the Territory where any Licensed Product is a reference product under such application. Arcus shall take the lead and be responsible for preparing and filing any responses with any Regulatory Authority and negotiating any patent resolution in connection with any such application as set forth in paragraphs 2 through 6 of Section 351(l) of the United States Public Health Service Act (42 U.S.C. § 262(l)(2)-(6)), or any foreign equivalent thereof. Abmuno shall cooperate with Arcus’s reasonable requests for assistance in connection therewith.

10. **TERM AND TERMINATION.**

10.1 **Term.** The term of this Agreement (the “Term”) shall commence on the Effective Date, and unless terminated earlier as provided in this Section 10, shall continue in full force and effect until the later of (i) the expiry of the last-to-expire Licensed Patent which has at least one Valid Claim Covering a Licensed Product or (ii) ten (10) years from the date of First Commercial Sale of any Licensed Product in any country. Upon expiration of this Agreement,

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the licenses granted to Arcus by Abmuno under this Agreement to make, have made, use, register, sell, offer to sell, have sold, import, export, exploit, research, improve, Develop and Commercialize Licensed Products in the Field in the Territory shall be fully paid-up, irrevocable and non-exclusive.

10.2 Termination.

10.2.1 Convenience. Arcus may terminate this Agreement, in its entirety, with or without cause at any time by giving Abmuno at least [***] days prior written notice.

10.2.2 Material Breach.

(a) In the event a material breach of this Agreement, the non-breaching Party may deliver notice of such breach to the breaching Party, such notice containing full details of said breach. In such notice, the non-breaching Party shall identify (acting reasonably and in good faith) examples of the actions or conduct that such Party would consider to be an acceptable cure of such breach. The breaching Party shall have, subject to Section 10.2.2(b), [***] days to cure such breach ([***] days in the case of a Party’s breach of its payment obligations). Subject to Section 10.2.2(b), if the Party receiving notice of breach fails to cure such breach within the [***] day period or [***] day period (as applicable), the Party originally delivering the notice may terminate this Agreement upon written notice to the other Party.

(b) If a Party gives notice of termination under Section 10.2.2(a) and the other Party disputes in writing prior to the end of the applicable cure period whether such notice was proper, then the issues of whether a breach has occurred shall be resolved in accordance with Section 11.5. If as a result of such dispute resolution process it is determined that the notice of breach was proper, then such termination shall be deemed to have been effective if the breaching Party fails thereafter to cure such breach in accordance with the determination made in the resolution process within the applicable cure period set forth in Section 10.2.2(a) following such determination. If as a result of such dispute resolution process it is determined that the notice of breach was improper, then no termination shall have occurred and this Agreement shall have remained in effect. All of the terms and conditions of this Agreement shall remain in full force and effect during the pendency of such dispute resolution process.

10.2.3 Bankruptcy. To the extent permitted under Applicable Law, either Party may terminate this Agreement in its entirety immediately upon written notice, if the other Party makes an assignment for the benefit of creditors, or a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all of the other Party’s property, or the other Party seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding or such a proceeding is instituted against the other Party and is not dismissed within [***] days, or the other Party, without a successor, dissolves or liquidates.

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10.3 Effects of Termination.

10.3.1 In the event that this Agreement is terminated pursuant to the terms of this Agreement, all rights and licenses granted to Arcus and its Affiliates, as well as all sublicenses granted under this Agreement by Arcus and/or any of its Affiliates, shall immediately terminate; provided, however, Arcus and its Affiliates and any of their sublicensees shall be entitled to sell, for a period of [***] months after the effective date of termination, any inventories of Licensed Products in the Field in the Territory that are on-hand as of the effective date of termination. In no event does this Section 10.3.1 limit any rights of Arcus under the second paragraph of Section 2.2.

10.3.2 In the event that this Agreement is terminated pursuant to Section 10.2.1, or by Abmuno pursuant to Section 10.2.2, or by Abmuno pursuant to Section 10.2.4:

(a) Subject to the terms and conditions of this Section 10.3 and Section 10.4, Arcus shall grant and hereby grants to Abmuno an exclusive license, with the right to grant sublicenses, under Arcus’s rights to any Patents owned or Controlled by Arcus as of the effective date of such termination claiming any invention conceived or reduced to practice by or on behalf of Arcus during the term of this Agreement, in each case, to the extent Covering any Improvement and any Joint Improvement and that, in each case, are necessary to manufacture, Develop and Commercialize a Licensed Product, but only to manufacture, Develop and Commercialize Licensed Product.

(b) Arcus shall provide to Abmuno the tangible embodiments of all material Know-How owned or Controlled by Arcus to the extent necessary for the Development and Commercialization of Licensed Products and in existence and in Arcus’ possession as of the date of such termination, subject to Abmuno’s reimbursement of Arcus’s actual costs and expense incurred in transferring such items, and subject to the terms and conditions of this Section 10.3 and Section 10.4, Abmuno shall have an exclusive, sublicensable right and license under such Know-How solely for researching, manufacturing, Developing and Commercializing Licensed Products.

(c) Arcus shall provide to Abmuno all data generated during the term of this Agreement in direct connection with the Development and/or Commercialization of Licensed Products and assign to Abmuno all of Arcus’s entire right, title and interest in and to all such data, subject to Abmuno’s reimbursement of Arcus’s actual costs incurred in transferring such items, and preparing and making such items available in connection with such transfer.

(d) Nothing contained in this Section 10.3.2 confers or will be construed to confer any rights or licenses by implication, estoppel or otherwise, in, to or under any intellectual property rights, other than the rights and licenses expressly granted in this Section 10.3.2. All rights not expressly granted by Arcus under this Section 10.3.2 are reserved to Arcus, and Arcus may use and otherwise exploit Patents described in Section 10.3.2(a) and Know-How described in Section 10.3.2(b) to manufacture, Develop and Commercialize products other than Licensed Products.

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(e) Abmuno shall secure all appropriate covenants, obligations and rights from any sublicensee of Abmuno to ensure that such sublicensees are subject to, and Abmuno can comply with, all of Abmuno’s applicable covenants and obligations to Arcus under this Section 10.3 and Section 10.4. Abmuno shall be responsible for any failure of its sublicensees to comply with the applicable provisions of this Section 10.3 and Section 10.4.

(f) The Know-How described in Section 10.3.2(b) is deemed to be the Confidential Information of Arcus and shall be handled in accordance with Section 6, except that (i) Abmuno may use such Know-How in accordance with the rights granted to Abmuno under this Section 10.3.2 and (ii) Abmuno may disclose such Know-How (A) as necessary in connection with any financing, merger, sublicensing or similar transaction, subject to confidentiality, or as necessary to obtain legal or financial advice from its attorneys, accountants and legal or financial advisors and (B) in connection with prosecuting or defending litigation, Regulatory Approvals, Pricing Approvals and other regulatory filings and communications in connection with Abmuno’s rights under this Section 10.3.2, in each case under this clause (B), subject to reasonable efforts to limit public disclosure, including the seeking of protective orders.

10.4 Accrued Rights; Surviving Obligations. Except as provided elsewhere, termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of any Party prior to such termination or expiration. Such termination or expiration shall not relieve any Party from obligations which are expressly or by implication intended to survive termination or expiration of this Agreement, including, but not limited to, Sections 1, 6 and 11, and Sections 2.5, 7.3, 8.1, 8.2, 8.3, 8.5, 10.3 and 10.4, and shall not affect or prejudice any provision of this Agreement which is expressly or by implication provided to come into effect on, or continue in effect after, such termination or expiration. Notwithstanding anything to the contrary in Section 8.1(ii), following any termination or expiration of this Agreement, Abmuno’s obligation to defend, indemnify and hold harmless Arcus Indemnitees from and against certain Third Party Claims and Losses under Section 8.1(ii) shall include those Third Party Claims and associated Losses arising out of or relating to the research, Development, manufacture, transfer, use, handling, storage, sale or other disposition of Licensed Products by or on behalf of Abmuno, JN Biosciences or any of its or their Affiliates, agents and contractors after the termination or expiration of this Agreement.

11. MISCELLANEOUS.

11.1 Publications. As between the Parties, Arcus shall have the sole and exclusive right, but not the obligation, to make any publication and other scientific disclosures in respect of the Licensed Products, including, without limitation, in respect of data and results arising out of Development of Licensed Products, and Abmuno shall make no such publication or other scientific disclosure without the prior written consent of Arcus. Notwithstanding anything to the contrary in this Agreement, including, without limitation, Section 6 (Confidential Information and Proprietary Rights), Arcus may disclose, without the prior written consent of Abmuno (or JN Biosciences), any and all properties of the Licensed Products in connection with any publication and other scientific disclosures in respect of the Licensed Products.

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11.2 **Public Announcements.** Except as may be expressly permitted under this Section 11.2 or mandated by Applicable Laws or the rules of any stock exchange, neither Party will make any public announcement of any information regarding this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed. Once any statement is approved for disclosure by the Parties, either Party may make a subsequent public disclosure containing the same information disclosed in such prior public announcement without further approval of the other Party. Notwithstanding the above, Arcus shall have the right to issue a press release and/or make a public announcement concerning the Development or Commercialization status of any Licensed Product, including, but not limited to, achievement of any Development milestones.

11.3 **Relationship of the Parties.** Each Party shall bear its own costs incurred in the performance of its obligations hereunder without charge or expense to the other except as expressly provided in this Agreement. Neither Party shall have any responsibility for the hiring, termination or compensation of the other Party’s employees or for any employee benefits of such employee. No employee or representative of a Party shall have any authority to bind or obligate the other Party to this Agreement in any manner whatsoever, or to create or impose any contractual or other liability on the other Party without said Party’s approval. For all purposes, the Parties’ legal relationship under this Agreement to each other shall be that of independent contractor. This Agreement is not a partnership agreement and nothing in this Agreement shall be construed to establish a relationship of partners or joint venturers between the Parties.

11.4 **Registration of this Agreement.** To the extent, if any, that either Party concludes in good faith and acting reasonably that it or the other Party is required to file or register this Agreement or a notification thereof with any Governmental Authority, such Party shall inform the other Party thereof. If both Parties jointly agree that either Party is required to submit or obtain any such filing, registration or notification, they shall cooperate in such filing, registration or notification and shall execute all documents reasonably required in connection therewith. In such filing, registration or notification, the Parties shall request confidential treatment of sensitive provisions of this Agreement, to the extent permitted by Applicable Law. The Parties shall promptly inform each other as to the activities or inquiries of any such Governmental Authority relating to this Agreement, and shall reasonably cooperate to respond to any request for further information therefrom on a timely basis.

11.5 **Dispute Resolution.** Any dispute arising from or relating to the subject matter of this Agreement that cannot be resolved within a period of thirty (30) days after notice of a dispute has been given by one Party hereunder to the other (the last day of such thirty (30) day period being herein referred to as the “Arbitration Date”), shall be finally settled by arbitration in San Francisco, California, using the English language in accordance with the Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services, Inc. (“JAMS”) then in effect, by one or more commercial arbitrator(s) with substantial experience in resolving complex commercial contract disputes, who may or may not be selected from the appropriate list of JAMS arbitrators. If the Parties cannot agree upon the number and identity of

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the arbitrators within fifteen (15) days following the Arbitration Date, then a single arbitrator shall be selected on an expedited basis in accordance with the Arbitration Rules and Procedures of JAMS. Any arbitrator so selected shall have substantial experience in the biopharmaceutical industry. The arbitrator(s) shall have the authority to grant specific performance and to allocate between the Parties the costs of arbitration (including service fees, arbitrator fees and all other fees related to the arbitration) in such equitable manner as the arbitrator(s) may determine. The prevailing Party in the arbitration shall be entitled to receive reimbursement of its reasonable expenses (including reasonable attorneys’ fees, expert witness fees and all other expenses) incurred in connection therewith. Judgment upon the award so rendered may be entered in a court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. Notwithstanding the foregoing, each Party shall have the right to institute an action in a court of proper jurisdiction for preliminary injunctive relief pending a final decision by the arbitrator(s); provided that a permanent injunction and damages shall only be awarded by the arbitrator(s). For all purposes of this Section, the parties consent to exclusive jurisdiction and venue in the United States federal Courts located in the Northern District of California.

11.6 **Governing Law.** This Agreement shall be construed, and the respective rights of the Parties determined, according to the substantive law of California without regard to the provisions governing conflict of laws, except matters of intellectual property law, which shall be determined in accordance with the intellectual property laws relevant to the intellectual property in question. The United Nations Convention on the International Sale of Goods shall not apply to this Agreement. Money damages may not be an adequate remedy if certain provisions of this Agreement are breached by a Party and, therefore, the other Party may, in addition to any other legal or equitable remedies, seek an injunction or other equitable relief against such breach or threatened breach.

11.7 **Assignment.** This Agreement, and the rights and licenses granted hereunder, may not be assigned or transferred by either Party, in whole or in part, without the prior written consent of the other Party; provided that, without consent of the other Party, either Party may assign this Agreement, in whole or in part, to any of its Affiliates if such Party guarantees the performance of this Agreement by such Affiliate; and provided further that, without consent of the other Party, either Party may assign this Agreement to a successor to all or substantially all of the assets or business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or other similar transaction. Any assignment in violation of this provision is void and without effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns. In the event that Abmuno assigns or transfers any of the Licensed IP to a Third Party, Abmuno shall impose on such assignee or transferee such obligations as are necessary so that Arcus retains and obtains all of the rights to which it is entitled with respect to such Licensed IP under this Agreement.
11.8 **Notices.** All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, in English, and will be deemed to have been duly given only if delivered personally, by mail (first class, postage prepaid, return receipt requested), or by overnight delivery using a globally-recognized carrier, to the Parties at the following addresses:

**Arcus:**
Arcus Biosciences, Inc.
3928 Point Eden Way
Hayward, CA 94545
Attn: Juan Jaen, Ph.D., President

*with a copy to:*
Gunderson Dettmer Stough, Villeneuve, Franklin and Hachigian, LLP
201 South Main Street
Suite 700
Ann Arbor, MI 48104
Attn: Marcia Hatch, Esq.

**Abmuno:**
Abmuno Therapeutics LLC,
914 Channing Way
Berkeley, CA 94710
Attn: Omar Duramad, Ph.D., President

*with a copy to:*
Shaheen Sheik-Sadhal, Esq.
Esse Law, PC
5753 Santa Ana Canyon Rd.
Suite G420
Anaheim Hills, CA 92807

or to such other address as the addressee shall have last furnished in writing in accord with this provision. All notices shall be deemed effective upon receipt by the addressee.

11.9 **Severability.** If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

11.10 **Headings.** The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

11.11 **Waiver.** No waiver of any term or condition of this Agreement shall be effective unless set forth in a written instrument duly executed by or on behalf of the waiving Party. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any prior, concurrent or future occasion. Except as expressly set forth in this Agreement, all rights and remedies available to a Party, whether under this Agreement or afforded by Applicable Law or otherwise, will be cumulative and not in the alternative to any other rights or remedies that may be available to such Party.

11.12 ** Entire Agreement.** This Agreement (including any exhibits or schedules hereto) constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all previous agreements and understandings between the Parties, whether written or oral, including, but not limited, to all proposals, negotiations, conversations, letters of intent, term sheets, memoranda of understanding or discussions, between the Parties relating to the subject matter of this Agreement and all past dealing or industry custom.

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11.13 **Modification.** This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and the clause to be modified, which amendment is signed by duly authorized representatives of Arcus and Abmuno.

11.14 **No Third Party Beneficiaries.** None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including, but not limited to, any creditor of either Party hereto, except the Indemnification provision in Section 8.

11.15 **Ambiguities.** This Agreement shall be deemed to have been drafted jointly by both Parties; and ambiguities, if any, shall not be construed against either Party, irrespective of which Party may have actually drafted the ambiguous provision.

11.16 **Counterparts.** This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document. Signatures received via facsimile, or other electronic means, including in a digitally produced format (e.g., .pdf), shall have the same force and effect as execution of an original, and such signatures shall be deemed original and valid signatures.

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IN WITNESS WHEREOF, Arcus and Abmuno, by their duly authorized officers, have executed this Agreement as of the Effective Date.

ARCUS BIOSCIENCES, INC.

By: /s/ Juan C. Jaen
Name: Juan C. Jaen
Title: President

ABMUNO THERAPEUTICS LLC

By: /s/ Omar Duramad
Name: Omar Duramad
Title: Manager

[ Signature Page to Arcus-Abmuno License Agreement ]
EXHIBIT 2A

TRANSFERRED TECHNOLOGY IN STAGE 1 TECHNOLOGY TRANSFER

[***]

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TRANSFERRED TECHNOLOGY IN STAGE 2 TECHNOLOGY TRANSFER

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CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 3

Intentionally omitted

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**CONFIDENTIAL TREATMENT REQUESTED**

**EXHIBIT 4**

**THIRD PARTY IP**

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**EXHIBIT 5**

**AGREEMENTS**

[***]

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CONFIDENTIAL TREATMENT REQUESTED

LICENSE AGREEMENT

between

ARCUS BIOSCIENCES, INC.

and

WUXI BIOLOGICS (CAYMAN) INC.

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**CONFIDENTIAL TREATMENT REQUESTED**

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LICENSE AGREEMENT

This License Agreement ("Agreement"), effective as of August 16, 2017 ("Effective Date"), is by and between Arcus Biosciences, Inc. ("Arcus"), with offices at 3928 Point Eden Way, Hayward, CA 94545, U.S.A., and WuXi Biologics (Cayman) Inc. ("WuXi"), with an address at Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Arcus and WuXi may be referred to in this Agreement individually as a "Party" or together as the "Parties."

BACKGROUND

WHEREAS, WuXi possesses certain patents, patent applications, proprietary know-how, scientific and technical information relating to certain Antibodies targeting PD-1 (as defined below);

WHEREAS, Arcus wishes to obtain, and WuXi is willing to grant, an exclusive license to certain of such intellectual property rights in the Territory (as defined below) for the development, use, manufacture and commercialization of products including the Antibody (as defined below) for any use, including, without limitation, the treatment, diagnosis, prevention or cure of any human disease or condition;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS. For purposes of this Agreement, the following capitalized terms, whether used in the singular or plural, shall have the following meanings:

"Affiliate" means any Person that, directly or indirectly, controls, is controlled by or is under common control with a Party for so long as such control exists, where "control" means the decision-making authority as to such Person and, further, where such control shall be presumed to exist where a Person owns more than fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) entitled to vote regarding composition of the board of directors or other body entitled to direct the affairs of the entity. For purposes of this Agreement, (i) WuXi AppTec (Cayman) Inc., SynTheAll Pharmaceutical Co., Ltd., and WuXi NextCode Genomics, Inc., and their respective subsidiaries, are expressly excluded from being, and shall not be deemed, an Affiliate of WuXi and (ii) PACT Pharma, Inc. and its respective subsidiaries, are expressly excluded from being, and shall not be deemed, Affiliates of Arcus.

"Antibody" means any anti-PD-1 antibody owned or Controlled by WuXi or any Affiliate of WuXi as of the Effective Date which is Covered by the Licensed Patents and/or Licensed Know-How, including without limitation, WuXi’s proprietary anti-PD-1 monoclonal antibody referred to as WBP3055.

"Applicable Law" means any law, statute, rule or regulation issued by a Governmental Authority or Regulatory Authority and any judicial, governmental, or administrative order, judgment, decree, or ruling, in each case as applicable to the subject matter of this Agreement and the Parties and having a binding effect on it and them.

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“Arbitration Date” shall have the meaning assigned thereto in Section 11.4.

“Arcus” means Arcus Biosciences, Inc.

“Arcus Improvements” shall have the meaning assigned thereto in Section 2.5.

“Arcus Indemnitees” shall have the meaning assigned thereto in Section 8.1.

“Biologics MSA” shall have the meaning assigned thereto in Section 3.3.

“Biosimilar Product” means, with respect to a particular Licensed Product and a particular country, any pharmaceutical product of a third party (excluding any Arcus Affiliate, sublicensee, distributor or other subcontractor, or any other party deriving rights from Wuxi or Arcus related to this Agreement) that contains a substantially similar active ingredient as such Licensed Product and that relies on such Licensed Product as a Reference Product under the Biologics Price Competition and Innovation Act, or any comparable regulatory regime in any other country in the Territory, and (i) for which biosimilarity or interchangeability (as applicable) with such Licensed Product has been demonstrated and (ii) which has received Regulatory Approval in such country relying in whole or in part on any data generated in support of a Regulatory Approval for such Licensed Product.

“Biosimilar Product Presence” shall have the meaning assigned thereto in Section 5.5.1.

“BLA” means a Biologics License Application or any amendments thereto submitted to the FDA, or any equivalent thereof submitted to a Regulatory Authority outside the United States.

“Change of Control” shall have the meaning assigned thereto in Section 10.5.

“Claim” means any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

“Clinical Trials” means a clinical trial in human subjects that has been approved by a Regulatory Authority and an institutional review board or ethics committee, and is designed to measure the safety and/or efficacy of a Licensed Product. Clinical Trials shall include Phase I Clinical Trials, Phase II Clinical Trials, Phase III Clinical Trials and any pre-clinical or post-Regulatory Approval studies undertaken in relation to any Licensed Product.

“CMO” shall have the meaning assigned thereto in Section 3.2.3.

“Combination Product” means (i) a finished dosage form of a Licensed Product containing the Antibody and one or more pharmaceutically active ingredients other than such Antibody or (ii) a Licensed Product sold as one of a bundle of products without a separate price.

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“Commercialization” or “Commercialize” means engaging in any and all activities directed to marketing, promoting, conducting post-Regulatory Approval studies, distributing, offering for sale, selling, having sold, making, having made, using, importing, exporting or exploiting, a Licensed Product (as defined below).

“Commercially Reasonable Efforts” means those efforts commensurate with those efforts commonly used in the biopharmaceutical industry by a company of comparable size in connection with the development, manufacturing or commercialization of products that are of similar status, including market potential, profit potential and strategic value, as determined based on conditions then prevailing, including safety, efficacy, competitive considerations within the marketplace, projected market size, intellectual property protection and duration, manufacturing costs, resource allocation, pricing, re-importation concerns, regulatory requirements needed to achieve Regulatory Approval, and other relevant commercial and regulatory considerations.

“Confidential Information” shall have the meaning assigned thereto in Section 6.1.

“Control” or “Controlled” means with respect to any item of or right under Licensed Patents or Licensed Know-How, the possession of (whether by ownership or license, other than pursuant to this Agreement) the ability of a Party to grant a license or sublicense of such items or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such license or sublicense.

“Cover” or “Covering” means (i) with respect to any Patent, that at least one Valid Claim of such Patent would be infringed by the manufacture, use, import, offer for sale, or sale of a product, method or device, as applicable, and (ii) with respect to any other intellectual property right, that the manufacture, use, import, offer for sale, or sale of a product, method or device would infringe or misappropriate such rights, as applicable, in each case in the absence of the licensed rights granted under this Agreement.

“Defending Party” shall have the meaning assigned thereto in Section 9.3.

“Development” or “Develop” means engaging in preclinical and clinical drug development activities, including, but not limited to, discovery, test method development, stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, analytical method validation, manufacturing process validation, cleaning validation, post-approval changes, quality assurance/quality control, statistical analysis, report writing, preclinical studies, Clinical Trials, regulatory filing submission and approval and regulatory affairs.

“Disclosing Party” shall have the meaning assigned thereto in Section 6.1.

“Disclosure Obligations” shall have the meaning assigned thereto in Section 6.3.

“Dose Escalation Batch” shall have the meaning assigned thereto in Section 3.4.

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“**Dose Escalation Study**” shall mean, with respect to a Licensed Product, a Phase I Clinical Trial for such Licensed Product that includes the dosing of the number of patients defined in the protocol to (i) establish the maximum tolerated dose of such Licensed Product or, if no maximum tolerated dose is established, evaluates dosing levels sufficient to establish recommended therapeutic dose for the Licensed Product provided for in the protocol for such Phase I Clinical Trial and (ii) establish the recommended dose of such Licensed Product for use in any further Clinical Trial.

“**Effective Date**” shall have the meaning assigned thereto in the first paragraph of this Agreement.

“**Excluded Territory**” means the countries of China (including Hong Kong, Taiwan, and Macau), Thailand, Korea, Indonesia, Brazil and Russia.

“**FD&C Act**” means the United States Federal Food, Drug & Cosmetic Act, as amended, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

“**FDA**” means the United States Food and Drug Administration and any successor agency thereto.

“**Field**” means any and all fields of use, including, without limitation, the diagnosis, treatment, prevention or control of any human disease or condition.

“**First Commercial Sale**” means the date, following Regulatory Approval in a given country, that the first Licensed Product is offered for sale or sold, whichever is earlier, to an arms’ length customer.

“**GAAP**” means Generally Accepted Accounting Principles in the United States.

“**Good Manufacturing Practices**” or “**GMP**” means, with respect to the United States, the minimum then-current good manufacturing practices for methods, facilities, and controls to be used for the manufacture, processing, packing, or holding of a drug to assure that it meets the requirements of the FD&C Act for safety and has the identity and strength and meets the quality and purity characteristics, specified in 21 C.F.R. Parts 210 and 211, as may be amended, and, with respect to any other country or jurisdiction, the equivalent regulations in such other country or jurisdiction.

“**Governmental Authority**” means an applicable multi- or supra-national, federal, state, local, municipal or other government authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

“**IFRS**” means International Financial Reporting Standards, as promulgated by the International Standards Accounting Board.
“Improvements” means any adaptation, change, redesign, modification, invention, discovery, enhancement or development conceived, reduced to practice, developed or made after the Effective Date and (i) incorporated into any Licensed Product, (ii) made with respect to the specifications, the raw materials or the method or process of manufacture or production of any Licensed Product, including any product which performs the same function as any Licensed Product, (iii) incorporating, utilizing, or developed utilizing, Licensed Know-How, or (iv) requiring the practice of an invention claimed in the Licensed Patents. Inventorship for Improvements shall be determined in accordance with the patent laws of the United States (Title 35, United States Code).

“Initiation” of a human Clinical Trial shall mean the first dosing, whether of the investigational product, placebo or comparator, of the first subject so dosed in such trial.

“Intellectual Property Rights” means any and all patent rights, copyrights, trade secret rights, software rights, sui generis database rights, and all other intellectual and industrial property rights of any sort throughout the world (including any application therefor) whether now known or hereafter existing.

“JAMS” means Judicial Arbitration and Mediation Services, Inc.

“Joint Improvement” means, if applicable, an Improvement with respect to which employees and/or agents of both Arcus and WuXi are joint inventors in the course of the activities hereunder, regardless of whether any Third Parties are also joint inventors, including, without limitation, all Intellectual Property Rights therein. Inventorship for Joint Improvements shall be determined in accordance with the patent laws of the United States (Title 35, United States Code).

“Know-How” means proprietary technical information, processes, formulae, data, inventions, methods, knowledge, discoveries, know-how, trade secrets and other information, whether or not patentable and whether or not reduced to practice, but that is not known to the public and is still Confidential Information, including any tangible embodiments of the foregoing.

“Licensed IP” means the Licensed Patents, Licensed Know-How and WuXi’s interest in the Improvements and Joint Improvements.

“Licensed Know-How” means (i) the Licensed Technology and (ii) other Know-How that is, in each case of (i) and (ii), (a) Controlled by WuXi or any Affiliate of WuXi as of the Effective Date or at any time during the Term and (b) shared by WuXi with Arcus as required by this Agreement or as specifically requested by Arcus in direct connection with an Antibody, as can be demonstrated by reasonable evidence. Notwithstanding the foregoing, Licensed Know-How shall not include any materials or information that (1) exist in the public domain through no act or omission of Arcus, or its Affiliates, sublicensees, or subcontractors, or (2) are in the possession of Arcus or otherwise known by Arcus before disclosure thereof to Arcus by or on behalf of WuXi, as can be demonstrated by reasonable written evidence.
“Licensed Patents” means the Patents listed in Exhibit 1 hereto and (i) patent applications filed either from the foregoing or from an application claiming priority to the foregoing, including all provisionals, substitutions, continuations, continuations-in-part, divisions, renewals and continued prosecution applications, and all patents granted thereon, (ii) patents-of-addition, revalidations, reissues, reexaminations and extensions, adjustments or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (iii) inventor’s certificates, utility models, innovation patents and design patents for any of the foregoing, (iv) other forms of government-issued rights substantially similar to any of the foregoing, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions, to any of such foregoing, (v) United States and foreign counterparts of any of the foregoing, and (vi) all other Patents that have at least one Valid Claim Covering the Development, manufacture, Commercialization and/or other exploitation of a Licensed Product in the Field in the Territory, whether or not listed on Exhibit 1, in the case of (vi), to the extent any of such Patents are Controlled by WuXi or any Affiliate of WuXi as of the Effective Date or during the Term of this Agreement.

“Licensed Product” means any pharmaceutical product that contains an Antibody (as the same may be modified or further developed) in all forms, presentations, formulations, administrations, dosages, dosage forms and packages.

“Licensed Technology” means the data, reports, analytical methods, non-clinical and safety information, regulatory filings and correspondences and/or other materials and information described in Exhibit 2, attached hereto, and expressly excludes manufacturing information until and unless a Transfer Election occurs.

“Losses” means any and all damages (including, but not limited to, all loss of profits, diminution in value, and incidental, indirect, consequential, special, reliance, exemplary, punitive, statutory and treble damages), awards, deficiencies, settlement amounts, defaults, assessments, fines, dues, penalties, costs, fees, liabilities, obligations, taxes, liens, losses and expenses (including, but not limited to, court costs, interest and reasonable fees of attorneys, accountants and other experts) incurred by or awarded to Third Parties and required to be paid to Third Parties with respect to a Claim by reason of any judgment, order, decree, stipulation or injunction, or any settlement entered into in accordance with the provisions of this Agreement, together with all reasonable documented out-of-pocket costs and expenses incurred in contesting any Third Party Claim or complying with any judgments, orders, decrees, stipulations and injunctions that arise from or relate to a Third Party Claim.

“Manufacturing Agreements” shall have the meaning assigned thereto in Section 3.2.

“Manufacturing Exclusivity Period” shall have the meaning assigned thereto in Section 3.2.2.

“NDA” means: (i) in the United States, a New Drug Application (as more fully defined in 21 CFR 314.5, et seq.) filed with the FDA, or any successor application thereto; or (ii) in any other country or group of countries, the equivalent application or submission for approval to market a pharmaceutical product filed with the governing Regulatory Authority in such country or group of countries.

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“Net Sales” means, with respect to any Licensed Product, the gross sales price of such Licensed Product invoiced by or for Arcus, or its Affiliates or sublicensees (the “Selling Party”), to Third Parties negotiated at arms’ length (including without limitation any hospital or pharmacy), less any of the following applicable deductions related to such sale and included in the invoiced amount:

[***]

Net Sales will be determined from books and records maintained in accordance with GAAP or IFRS, consistently applied throughout Arcus, its Affiliates and sublicensees, and across all Licensed Products of the foregoing. If there is overlap between any of deductions [***], each individual item shall only be deducted once in each Net Sales calculation.

[***]

If, on a country-by-country basis, a Licensed Product is sold in the form of a Combination Product, the Net Sales for such Licensed Product in the Combination Product under this Agreement will be calculated by [***].

“Other Product” means, with respect to a Combination Product, any active pharmaceutical ingredient other than a particular Antibody within such Combination Product. It is understood that an Other Product may be another antibody.

“Party” or “Parties” shall have the meaning assigned thereto in the first paragraph of this Agreement.

“Patent” means any and all national, regional and international (i) issued patents and pending patent applications (including provisional patent applications), (ii) patent applications filed either from the foregoing or from an application claiming priority to the foregoing, including all provisional applications, converted provisional, substitutions, continuations, continuations-in-part, divisions, renewals and continued prosecution applications, and all patents granted thereon, (iii) patents-of-addition, revalidations, reissues, reexaminations and extensions, adjustments or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (iv) inventor’s certificates, utility models, innovation patents and design patents, (v) other forms of government-issued rights substantially similar to any of the foregoing, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any of such foregoing and (vi) United States and foreign counterparts of any of the foregoing.

“Patent Term Extensions” shall have the meaning assigned thereto in Section 9.1.5.

“PD-1” means the cell surface receptor protein commonly referred to as “Programmed Cell Death Protein 1” or “PD-1.”

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“Permitted Representatives” shall have the meaning assigned thereto in Section 6.2.

“Person” means any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, proprietorship or other de jure entity organized under Applicable Laws of any jurisdiction.

“Phase I Clinical Trial” shall mean a Clinical Trial of a Licensed Product that would satisfy the requirements for a Phase I study as defined in 21 CFR § 312.21(a) or a Phase I study as defined in ICH E8 Guideline, in each case, as amended (or its successor regulation).

“Phase Ib Clinical Trial” shall mean the cohort expansion phase of a Phase I Clinical Trial of a Licensed Product after the Dose Escalation Study portion of such Phase I Clinical Trial that includes the dosing of one or more cohorts of patients, the principal purpose of which cohort expansion phase is to evaluate safety, tolerability and indication of efficacy of such Licensed Product in patients.

“Phase II Clinical Trial” shall mean a proof of concept Clinical Trial, the principal purpose of which is to make a preliminary determination as to whether a product is efficacious in one or more target populations and/or indications, including at the intended clinical dose or range of doses, to permit the design of further Clinical Trials.

“Phase III Clinical Trial” shall mean a pivotal Clinical Trial with a defined dose or a set of defined doses of a therapeutic product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with and as defined in 21 CFR § 312.21(c) as amended (or its successor regulation), for the purpose and design of establishing with statistical significance that the Licensed Product is safe and effective with respect to a given indication sufficient to obtain Regulatory Approval for such Licensed Product. A Clinical Trial shall not be deemed a Phase III trial unless it will fulfill the requirements of such a trial, or is described as such in the protocol for such trial filed with the applicable Regulatory Authority.

“Pricing Approval” means the later of (i) the approval, agreement, determination or governmental decision establishing the price for a Licensed Product that can be legally charged to consumers, as required in a given jurisdiction or country in connection with Commercialization of such Licensed Product in such jurisdiction or country and (ii) the approval, agreement, determination or governmental decision establishing, the level of reimbursement for such Licensed Product that will be reimbursed by Governmental Authorities, as required in a given jurisdiction or country in connection with Commercialization of such Licensed Product in such jurisdiction or country.

“Promotional Materials” means packaging, inserts, digital content and similar information and materials selected by Arcus or its Affiliates or any of its or their sublicensees.

“Receiving Party” shall have the meaning assigned thereto in Section 6.1.

“Regulatory Approval” means final regulatory approval required to Commercialize a Licensed Product for a disease or condition in accordance with the Applicable Laws of a given country.

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including Pricing Approval if Pricing Approval is required to Commercialize such Licensed Product for such disease or condition in such country. In the United States, its territories and possessions, Regulatory Approval means approval of a BLA or an equivalent by the FDA.

“Regulatory Authority” means, with respect to a country in the Territory, any national (e.g., the FDA), supra-national (e.g., the European Commission, the Council of the European Union, or the European Medicines Agency), regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Authority involved in the granting of a Regulatory Approval, for biopharmaceutical products in such country.

“Royalty Term” shall have the meaning assigned thereto in Section 5.4.

“SEC” shall have the meaning assigned thereto in Section 6.3.

“Sublicense Income” shall have the meaning assigned thereto in Section 5.6.1.

“Term” shall have the meaning assigned thereto in Section 10.1.

“Territory” means all the countries and territories of the world other than the Excluded Territory.

“Third Party” means a Person who is not a Party or an Affiliate of a Party.

“Third Party Claim” shall have the meaning assigned thereto in Section 8.3.

“Third Party License” shall have the meaning set forth in Section 5.5.2.

“Third Party Royalties” shall have the meaning set forth in Section 5.5.2.

“Trademarks” means trademarks and trade dress selected by Arcus or its Affiliates or any of its or their sublicensees.

“Transfer Election” shall have the meaning assigned thereto in Section 3.2.3.

“United States” means the United States of America and its territories and possessions.

“U.S. Bankruptcy Code” shall have the meaning assigned thereto in Section 2.7.

“Valid Claim” means with respect to a Patent in a country, any claim of an (i) issued Patent that has not (a) expired, irretrievably lapsed or been abandoned, revoked, dedicated to the public or disclaimer or (b) been found to be unpatentable, invalid or unenforceable by an unreversed and unappealable final decision of a Governmental Authority in such country or (ii) application for a Patent that (a) has been pending for less than [***] years from the date of filing of that application, is being prosecuted in good faith, and has not been abandoned or finally disallowed without the possibility of appeal or re-filing and (b) has not been admitted to be invalid or unenforceable through reissue, reexamination, or disclaimer.

“WuXi” means WuXi Biologics (Cayman) Inc.

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2. LICENSE GRANTS, OWNERSHIP AND EXCLUSIVITY.

2.1 License Grant. Subject to the terms and conditions of this Agreement, WuXi shall grant and hereby grants to Arcus, and Arcus accepts, (i) an exclusive (even as to WuXi and its Affiliates), non-transferable (except as set forth in Section 11.6) license, with the right to sublicense (as provided in Section 2.2) under the Licensed IP, to make, have made, use, register, sell, offer to sell, have sold, import, export, exploit, research, improve, Develop and Commercialize Licensed Products in the Field in the Territory; and (ii) a non-exclusive, non-transferable (except as set forth in Section 11.6) license, with the right to sublicense (as provided in Section 2.2) under the Licensed IP to Develop and manufacture Licensed Products anywhere in the world only for applications in the Field solely for the purpose of Developing, manufacturing and Commercializing Licensed Products for use in and for the Territory. All rights not expressly granted to Arcus under this Agreement are reserved to WuXi. Exercise or attempted exercise of the licensed rights granted in Section 2.1(i) by Arcus or its Affiliates in any Excluded Territory is a material breach of this Agreement. Arcus shall prohibit its sublicensees and subcontractors from exercising such licensed rights in the Excluded Territory, and shall use Commercially Reasonable Efforts to enforce such prohibition. If Arcus or any of its Affiliates receives, or becomes aware of the receipt by a sublicensee or subcontractor of any orders for any Licensed Product for use in the Excluded Territory, Arcus shall notify WuXi thereof and shall procure that such recipient refers such orders to WuXi or WuXi’s designee.

2.2 Sublicensing and Subcontracting. Arcus may sublicense its rights under Section 2.1(i) and/or 2.1(ii) to the Licensed IP during the Term of this Agreement, provided that each such sublicense must be in writing and Arcus must provide a copy of each sublicense (and any sub-sublicense) agreement to WuXi within [***] days after execution of such sublicense, which copy may be redacted only to the extent not relevant to the determination of Arcus’ and any Affiliates’ or sublicensees’ compliance with its payment obligations under this Agreement. Arcus shall secure all appropriate covenants, obligations and rights from any sublicensee to ensure that such sublicensee is subject to, and Arcus can comply with, all of Arcus’s applicable representations, warranties, covenants and obligations to WuXi under this Agreement including those required provisions in Section 2.3.

Arcus agrees for itself that it shall be jointly and severally responsible, along with its relevant sublicensee or Affiliate, for any failure of such sublicensee or Affiliate to comply with the applicable provisions of this Agreement; provided that, Arcus may, upon written notice to WuXi, cause the relevant sublicensee to cure such failure within the cure period (if any) that would have been applicable to Arcus had the failure been attributable to the acts or omissions of Arcus. If Arcus does so, such failure by the sublicensee shall not be deemed a breach of this Agreement so long as the failure has been cured. For the avoidance of doubt, in no event shall Arcus be deemed to have agreed to such joint and several responsibility on behalf of or for any of its sublicensees, and in no event shall Arcus be deemed to have any obligation to obtain any such agreement or acknowledgement from any of its sublicensees.
In the event any such sublicense is terminated by Arcus, Arcus shall notify WuXi of such termination and provide WuXi with a summary of the reasons for such termination, to the extent they substantially relate to the rights granted to Arcus under this Agreement.

If requested by Arcus, WuXi will discuss, acting reasonably and in good faith, with Arcus any proposed modifications as may be requested by a potential sublicensee with respect to the terms and conditions of this Agreement. Upon termination of this Agreement for any reason other than for an uncured material breach by Arcus pursuant to Section 10.2.2(b) of this Agreement, any sublicensee shall have the right to seek a license from WuXi to the Licensed IP, and WuXi agrees to negotiate such licenses in good faith under reasonable terms and conditions (e.g., under terms and conditions substantially similar to those herein; provided, however, that such sublicensee has previously met all obligations under this Agreement and its sublicense agreement).

Contract manufacturers, wholesalers and distributors shall not be deemed sublicensees, but instead, shall be deemed subcontractors. Subject to Section 3.1, Arcus may freely subcontract its rights, in whole or in part, to Develop, manufacture, Commercialize or otherwise exploit Licensed Products provided (i) any such agreements will be in writing; (ii) Arcus shall secure all appropriate covenants, obligations and rights from any such subcontractor to ensure that such subcontractor is subject to, and Arcus can comply with, all of Arcus’s applicable covenants and obligations to WuXi under this Agreement; and (iii) Arcus shall be responsible for any failure of its subcontractors to comply with the applicable provisions of this Agreement; provided that, Arcus may, upon written notice to WuXi, cause the relevant subcontractors to cure such failure within the cure period (if any) that would have been applicable to Arcus had the failure been attributable to the acts or omissions of Arcus. If Arcus does so, such failure by the subcontractor shall not be deemed a breach of this Agreement so long as the failure has been cured.

2.3 Required Provisions in Sublicenses and Subcontracts. Any direct sublicensee of Arcus may further sublicense and subcontract its rights, in whole or in part, to Develop, manufacture, Commercialize or otherwise exploit Licensed Products provided any such sublicense is granted, or such subcontract is entered into, in accordance with the terms of Section 2.2. Arcus shall use Commercially Reasonable Efforts to require its direct sublicensees to obtain Arcus’ written consent prior to granting any such further sublicenses. If such requirement is included in the written sublicense agreement between Arcus and a direct sublicensee, Arcus agrees to seek WuXi’s prior consent in the event of any sublicensing request by such Arcus direct sublicensee, which consent shall not be unreasonably withheld, conditioned or delayed by WuXi. No further sublicensing or subcontracting is permitted beyond that expressly stated in this Section 2.3 without WuXi’s written consent. Each such Arcus sublicense and further sublicense by an Arcus sublicensee must be in writing and include language materially similar to the following:

[***]

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2.4 **Promotion.** Licensed Products shall be Commercialized solely under Trademarks and solely in connection with Promotional Materials. Arcus and its Affiliates and its and their sublicensees shall exclusively own all Promotional Materials for the Licensed Products and all right, title and interest in and to, and all goodwill from the use of, Trademarks for Licensed Products, and shall be responsible for the procurement, filing and maintenance of trademark registrations for such Trademarks and all related costs and expenses.

2.5 **Ownership of Improvements.** WuXi shall own all right, title and interest in and to any Improvements invented solely by WuXi including, without limitation, any Intellectual Property Rights therein, and all such Improvements will be included within the licensed rights granted in Section 2.1. WuXi and Arcus (or if Arcus so designates in writing, its Affiliates and its and their sublicensees) shall each have an undivided fifty percent (50%) ownership interest in all Joint Improvements, including without limitation, any Intellectual Property Rights therein. WuXi’s interest in its own Improvements and all Joint Improvements will be included within the licensed rights granted in Section 2.1 provided they relate to the rights granted under this Agreement. WuXi shall obtain and maintain licenses for any and all improvements of its other licensees and their direct and indirect sublicensees (collectively, with WuXi’s own Improvements and its interest in the Joint Improvements, the “WuXi Improvements”) so that it may include any and all such WuXi Improvements within the licensed rights granted in Section 2.1 provided they relate to the rights granted by WuXi under this Agreement, and any and all such WuXi Improvements shall automatically be included within the licensed rights granted in Section 2.1, provided they relate to the rights granted under this Agreement. WuXi will promptly disclose all such WuXi Improvements to Arcus during the Term of this Agreement.

Arcus shall own all right, title and interest in and to any Improvements invented solely by Arcus (the “Arcus Improvements”) including, without limitation, any Intellectual Property Rights therein. Subject to the terms and conditions of this Agreement, Arcus shall grant and hereby grants to WuXi, and WuXi accepts, (i) an exclusive (even as to Arcus and its Affiliates), non-transferable (except as set forth in Section 11.6) license, with the right to sublicense (as provided in Section 2.2, mutatis mutandis, as if Arcus was WuXi and WuXi was Arcus) under Arcus’ interest in the Arcus Improvements to make, have made, use, register, sell, offer to sell, have sold, import, export, exploit, research, improve, Develop and Commercialize Licensed Products in the Field in the Excluded Territory; and (ii) a non-exclusive, non-transferable (except as set forth in Section 11.6) license under Arcus’ interest in the Arcus Improvements to manufacture Licensed Products anywhere in the world only for applications in the Field for the purpose of Developing, manufacturing and Commercializing Licensed Products solely for distribution and use in the Excluded Territory. As between the Parties, subject to the foregoing license granted by Arcus to WuXi, Arcus retains sole and exclusive ownership of all rights, title and interests in and to the Arcus Improvements. All rights not expressly granted to WuXi under this Agreement are reserved to Arcus. Exercise or attempted exercise of the licensed rights granted in part (i) of this paragraph in any part of the Territory is a material breach of this Agreement.

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Except as expressly provided in this Agreement and subject to any restrictions therein, each Party may make, have made, sell, have sold, use, license, assign, mortgage or keep Joint Improvements or co-owned improvements, and otherwise undertake all activities a sole owner might undertake with respect to such co-owned Improvements or Joint Improvements, without the consent of and without accounting to the other Party, provided that any assignment, license or other disposition or use (i) shall at all times be and remain subject to the grants of rights and accompanying conditions and obligations with respect thereto under this Agreement, and (ii) allow the Parties to exercise their rights and perform their obligations under this Agreement, in particular to Develop, manufacture and Commercialize Licensed Products in at least the same scope as prior to such assignment, license or other such disposition.

2.6 No Implied Rights; Express Reservation of Rights Not Licensed. Nothing contained in this Agreement confers or will be construed to confer any rights or licenses by implication, estoppel or otherwise, in, to or under any intellectual property rights, other than the rights and licenses expressly granted in this Agreement. All rights not expressly granted by a Party under this Agreement are reserved to such Party. Without limitation, as between the Parties, subject to the licenses granted by WuXi to Arcus under this Agreement, WuXi retains sole and exclusive ownership of all rights, title and interests in and to the Licensed IP.

2.7 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of title 11 of the United States Code (the “U.S. Bankruptcy Code”), licenses of rights to “intellectual property” as defined under Section 101(35A) of the U.S. Bankruptcy Code to the extent permitted thereunder. The Parties shall retain and may fully exercise all of their respective rights and elections under the U.S. Bankruptcy Code. In the event of the bankruptcy of either Party, the non-bankrupt Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property, and such, if not already in its possession, shall be promptly made available to the non-bankrupt Party for use solely in accordance with the terms of this Agreement and Section 365(n) of the U.S. Bankruptcy Code.

3. DEVELOPMENT AND COMMERCIALIZATION

3.1 Development and Commercialization Activities. Arcus shall use Commercially Reasonable Efforts to Develop and Commercialize Licensed Products. Arcus shall use Commercially Reasonable Efforts to manufacture or otherwise obtain supply of its requirements of packaged and labeled Licensed Products in connection with its Development and Commercialization obligations hereunder, in accordance with all Applicable Laws, GMP (as applicable) and this Agreement. For so long as Arcus is conducting Development activities under this Agreement, Arcus shall provide to WuXi, no later than on June 30 and December 31 of each calendar year, with written summaries of the Development activities it performed, or caused to be performed, in respect of Licensed Products since the preceding report (or, with respect to the first such report, since the Effective Date), and the future Development activities it
expects to initiate in respect of Licensed Products during the following six (6)-month period. Arcus agrees to consider any and all comments provided by WuXi in connection with such summaries in good faith.

3.2 Manufacturing.

3.2.1 The Parties shall negotiate in good faith the terms of, and shall seek to enter into, separate clinical and commercial manufacturing agreements, and/or amendments to existing manufacturing agreements, under which WuXi would manufacture and supply Licensed Products for Arcus in the Territory (the “Manufacturing Agreements”). The Parties intend to enter into such Manufacturing Agreements (i) no later than [***] prior to the Initiation of Phase I Clinical Studies for the first Licensed Product (for the clinical manufacturing agreement) and (ii) no later than [***] prior to the anticipated date of Regulatory Approval of the first Licensed Product (for the commercial manufacturing agreement).

3.2.2 The Manufacturing Agreement(s) shall provide for Arcus’ appointment of WuXi as its exclusive manufacturer of Licensed Products from and after the effective date of the Manufacturing Agreement(s) until Arcus makes a Transfer Election under Section 3.2.3, where the Transfer Election is permitted only on or after [***] (the “Manufacturing Exclusivity Period”), subject to (i) WuXi’s ability to provide such Licensed Products in accordance with agreed-upon specifications, in the quantities, and on the timeframes reasonably requested by Arcus and according to the prices set forth in Exhibit 4 hereto (subject to a maximum increase of [***] percent ([***]%) in any one calendar year prior to First Commercial Sale and [***] percent ([***]%) in any one calendar year beginning upon First Commercial Sale); (ii) Arcus’s right to engage a backup supplier to provide Licensed Products as further set forth in this Section 3.2; and (iii) Arcus’ sublicensees rights to utilize their own manufacturing resources as further set forth in this Section 3.2.

(a) Backup Supplier. Upon request by Arcus at any time during the Term, WuXi shall reasonably cooperate and promptly perform any technical transfer and validation activities reasonably necessary to enable Arcus’ designated backup supplier to supply Licensed Product. Prior to the expiration of the Manufacturing Exclusivity Period, Arcus may procure supply from its designated backup supplier solely in the event WuXi is not able to supply Arcus with Licensed Products in accordance with the terms of the Manufacturing Agreement. From and after such time as WuXi resumes its ability to provide accepted orders for Licensed Products in accordance with the terms of the Manufacturing Agreement, Arcus may continue to utilize the aforementioned backup supplier to provide up to [***] percent ([***]%) of Arcus’ needs on an ongoing basis. The Manufacturing Agreement(s) will provide further terms and conditions regarding any such backup supplier. For the avoidance of doubt, Arcus’s use of such backup supplier in accordance with this Section 3.2 shall not be deemed a Transfer Election nor be subject to the increased royalty rates set forth below.

(b) Sublicensee Manufacturing Rights. The Manufacturing Agreements shall permit Arcus’ sublicensees to place orders for such Licensed Products on the same terms and conditions applicable to Arcus; provided that (i) prior to expiration of Manufacturing Exclusivity Period, each Arcus sublicensee shall be free to manufacture up to

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3.2.3 For the avoidance of doubt, nothing in this Agreement shall require Arcus to place orders for the clinical or commercial supply of any Licensed Products. Further, without limiting Arcus’ and its sublicensees’ rights under this Section 3.2, Arcus would have the option, upon expiration of the Manufacturing Exclusivity Period, to convert WuXi’s manufacturing appointment from exclusive to non-exclusive and either (i) grant an Affiliate, sublicensee, subcontractor or any other Third Party (such subcontractor and Third Party, collectively, a “CMO”), the right to manufacture such Licensed Products for Arcus (and procure some of all of its requirements for such Licensed Products from such Affiliate, sublicensee, or CMO) or (ii) manufacture such Licensed Products for itself, on its own behalf (either of such elections in (i) or (ii), a “Transfer Election”). WuXi shall reasonably cooperate with Arcus in transferring technology to Arcus or Arcus’ designated Affiliate, sublicensee, or CMO promptly so that it may begin manufacturing Licensed Products. From and after the effective date of any Transfer Election, the royalties payable to WuXi under Article 5 shall be increased by [***] percent ([***]%) for any transfer to a CMO, provided that if Arcus will itself manufacture or the transfer of manufacturing obligations is to an Affiliate or sublicensee of Arcus, the royalties shall be increased by [***]-percent ([***]%), in each case above the base royalty already due under Section 5.4. The preceding sentence shall not apply if the Transfer Election is due to WuXi’s failure or inability to supply the Licensed Products in accordance with the terms of the applicable Manufacturing Agreement. The increase by [***] percent or [***] percent in this Section [***]. For the avoidance of doubt, the maximum increase in the royalty rate under this Section 3.2 shall not exceed (x) [***] percent ([***]%) if Arcus, its Affiliates and all sublicensees each manufacture for itself or each other and (y) [***] percent ([***]%) irrespective of the number of CMOs used in the manufacturing of the Licensed Products following expiration of the Manufacturing Exclusivity Period.

3.3 Biologic CMC Services. Subject to the terms of the Biologics Master Services Agreement by and between Arcus Biosciences, Inc. and WuXi Biologics (Hong Kong) Limited effective January 24, 2017, as it may be amended from time to time (the “Biologics MSA”), WuXi shall be Arcus’ exclusive provider of CMC services for biologic development candidates, including but not limited to cell line development, process development, analytical development, manufacturing of toxicity materials, GMP manufacturing, QC testing and stability services for the period running three (3) years from the Effective Date, all to be carried out under such Biologics MSA. The Parties shall negotiate any additional terms in good faith and acting reasonably, taking into account terms previously agreed upon by the Parties for such services for other projects. WuXi shall commit to annual pricing increase of no more than [***] percent ([***]%) in any one calendar year prior to First Commercial Sale and [***] percent
(***)% in any one calendar year beginning upon First Commercial Sale for all services rendered under this Section 3.3. Promptly after the Effective Date, the Parties shall negotiate in good faith the terms of, and shall seek to enter into, an amendment to the Biologics MSA, which amendment shall provide for (i) WuXi’s exclusive provision of CMC services as contemplated in this Section 3.3 and (ii) Arcus’ obligations to use WuXi as its exclusive provider of CMC services for biologic development candidates to cease upon any termination of the Biologics MSA due to a material breach thereof and/or upon Arcus’ termination of this Agreement pursuant to Sections 10.2.2(a) or 10.2.3 hereof.

3.4 Assistance; Technology and Material Transfer. WuXi shall use Commercially Reasonable Efforts to confidentially disclose the Licensed Technology to Arcus within a period of [***] [***] days from the Effective Date. In addition, WuXi shall deliver to Arcus or its designee [***] of GMP Licensed Product that meets the specifications attached hereto as Exhibit 3 (“Dose Escalation Batch”) for the first Dose Escalation Study for a Licensed Product within thirty (30) days after Arcus’ written request for delivery (and WuXi shall store, handle, and ship such Dose Escalation Batch in accordance with WuXi’s standard operating procedures and all applicable and reasonable storage, handling and shipping instructions provided by Arcus prior to such delivery, with all risk and title passing to Arcus when delivering such Dose Escalation Batch to a shipper in accordance with Arcus’ instructions). Furthermore, if reasonably requested by Arcus, WuXi shall provide to Arcus promptly any additional information requested by Arcus that is under WuXi’s Control, not otherwise already required to be provided by WuXi hereunder, and reasonably necessary for Arcus to Commercialize, manufacture and/or Develop Licensed Products in the Field in the Territory and will issue an invoice with an appropriate fee based on the work requested and WuXi’s then-current, customary labor rates for similar services. If requested by Arcus, WuXi shall use commercially reasonable efforts to introduce Arcus to one or more of WuXi’s other licensees of Licensed IP for the sole purpose of sharing clinical data and safety information regarding the Licensed Products in the Field in the Excluded Territory.

3.5 Non-Competition Related to Licensed IP. As partial consideration for the rights granted to it under Section 2.1, Arcus hereby covenants, and will require each of its Affiliates and sublicensees to covenant, that, during the Term of this Agreement (or with respect to any Arcus sublicensees, during the term of the respective sublicenses granted by Arcus to such sublicensees), each will not commercialize, in the Territory (or, with respect to Arcus’ sublicensees, the applicable countries of the Territory for which Arcus has granted them a sublicense under the Licensed IP), any product for application in the Field, except a Licensed Product, if such product includes any anti-PD-1 antibody that was licensed in or obtained by Arcus, its Affiliates or the respective sublicensee (as the case may be) after being granted license rights to the Licensed IP. Notwithstanding the foregoing, in no event does the foregoing prohibit or restrict Arcus or any of its Affiliates or sublicensees from (i) developing, manufacturing or commercializing any combination of a development compound of Arcus or any of its Affiliates or sublicensees with another party’s anti-PD-1 antibody or (ii) developing, manufacturing or commercializing any product, other than Licensed Product, that includes any antibody against the target of PD-1, provided that such product is in an earlier stage of development than the first Licensed Product. In addition, notwithstanding the foregoing, the restriction in the first sentence

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of this Section shall not apply to any Third Party permitted assignee of this Agreement or any of such Third Party’s affiliates. WuXi materially relies on this Section 3.5 in the formation of this Agreement, and would not have entered this Agreement but for the rights provided to WuXi by this Section 3.5.

4. REGULATORY MATTERS

4.1 General. Arcus shall be solely responsible for, and shall use Commercially Reasonable Efforts in connection with seeking Regulatory Approval for Licensed Products in the Territory. Summaries of any substantive (but not merely procedural) communications or interactions with a Regulatory Authority in the United States, European Union and Japan, to the extent material to Arcus’ performance of its obligations under this Agreement, will be included in the Development reports referred to in Section 3.1. WuXi shall provide Arcus with all information, data and materials reasonably requested by Arcus in support of its regulatory filings for Licensed Products, including (a) the Product/Manufacturing Information or Chemistry, Manufacturing and Controls section of an IND or NDA/BLA and any foreign equivalents thereof and (b) the drug master file and/or letter of authorization permitting incorporation of such information in an IND or NDA/BLA and any foreign equivalents thereof.

4.2 Recalls or Corrective Action. As between the parties, Arcus shall have sole responsibility for and shall make all decisions with respect to any recall, market withdrawal or other corrective action related to the Licensed Products in the Territory. Arcus shall use Commercially Reasonable Efforts to consult with WuXi before making any such recall, market withdrawal, or taking other corrective action that relates to services performed by WuXi for Arcus, and shall in any event notify WuXi within [***] hours after initiating any recall or market withdrawal of the Licensed Products.

5. FINANCIAL PROVISIONS/ROYALTIES. In consideration of the rights granted by WuXi to Arcus hereunder, and of the performance of technology transfer-related services under this Agreement, Arcus agrees to make the following payments:

5.1 Execution Payment. Arcus shall pay to WuXi an upfront non-refundable fee of [***] in immediately available funds within [***] days of the Effective Date.

5.2 Delivery of Dose Escalation Batch. Within [***] days after the later of (i) receipt of a written invoice for the Dose Escalation Batch or (ii) delivery to Arcus of the Dose Escalation Batch by WuXi, together with all batch records and a certificate of compliance, and acceptance of the Dose Escalation Batch by Arcus, which shall not be unreasonably withheld by Arcus, Arcus shall pay to WuXi a non-refundable amount of [***]. Arcus shall have [***] days from the date of delivery to accept or reject the Dose Escalation Batch, and must state in writing the reasons each portion of the Dose Escalation Batch is rejected, if applicable. Upon expiration of the [***] day period, if Arcus has not rejected the Dose Escalation Batch, in whole or in part, then Arcus is deemed to have accepted the Dose Escalation Batch, and payment shall be due in accordance with this paragraph.

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5.3 **Milestone Payments.** In the event Arcus (on its own or through an Affiliate or their sublicensees) achieves a milestone specified below during the Term, Arcus shall promptly, but in no event more than [***] days after the achievement of each such milestone, notify WuXi in writing of the achievement of such milestone and pay to WuXi the milestone payments as specified below. Each commercialization milestone payment shall be payable only once per Licensed Product, except as expressly noted below. All milestone payments are non-refundable.

<table>
<thead>
<tr>
<th>Development Milestones</th>
<th>First Licensed Product to Achieve Milestone</th>
<th>Each Subsequent Licensed Product to Achieve Milestone</th>
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**Commercialization Milestones**

[***]

When Licensed Products are sold for monies other than United States dollars, the Net Sales referenced in the table above and elsewhere will first be determined in the foreign currency of the country in which such Licensed Products were sold and then converted into equivalent United States funds. The exchange rate will be the rate published by the *Wall Street Journal* for purchase of United States dollars on the last business day of the applicable calendar quarter in which such Net Sales were made. For purposes of clarity, “worldwide Net Sales” means the sum total of all Net Sales of each jurisdiction within the Territory.

5.4 **Royalties.** On a Licensed Product-by-Licensed Product basis, Arcus shall pay non-refundable royalties to WuXi on Net Sales of Licensed Products in the Territory by Arcus, its Affiliates, and sublicensees on an quarterly basis at the applicable rate(s) set forth below:

<table>
<thead>
<tr>
<th>Quarterly Net Sales Increments</th>
<th>Royalty Rate</th>
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<tbody>
<tr>
<td>[***]</td>
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</table>

For example, if quarterly Net Sales of a Licensed Product in the Territory is US$ 3,800,000,000, then the royalty payable by Arcus to WuXi would be calculated as [***].

Royalties under this Section 5.4 shall be payable during the period of time commencing on the First Commercial Sale of a Licensed Product in a country and ending upon the later of: (i) ten (10) years from the date of First Commercial Sale of such Licensed Product in such country [***]; and (ii) expiration of the last-to-expire Licensed Patent which has at least one Valid Claim Covering a Licensed Product in such country (the “Royalty Term”).

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5.5 Royalty Adjustments

5.5.1 Biosimilar Products. If one or more Biosimilar Products with respect to a Licensed Product is sold commercially by one Biosimilar (or Interchangeable) Applicant in a particular country in the Territory during a particular calendar quarter ("Biosimilar Product Presence"), and during such calendar quarter the Net Sales of such Licensed Product has decreased by [***] percent ([***]%) or more when compared to peak Net Sales of such Licensed Product in such country in [***], and such decrease is attributable to such Biosimilar Product Presence, then the royalty rate (used with Net Sales to determine royalty payments) for such Licensed Product in such country during such calendar quarter and for the remainder of the Royalty Term will be reduced by [***] percent ([***]%) for purposes of determining Arcus’s obligation to make royalty payments under this Agreement. Notwithstanding any other provision of this Agreement, Arcus will at all times pay a minimum royalty of [***] percent ([***]%) of Net Sales under Section 5.4.

5.5.2 Royalty Reduction for Payment to Third Party Intellectual Property. If, following the Effective Date, it is necessary for Arcus (or its sublicensee) to obtain from one or more Third Parties’ rights to intellectual property in order to Develop, manufacture or Commercialize any Licensed Product in the Field in the Territory, Arcus will have the sole right to negotiate and obtain a license under such intellectual property (each such Third Party license is referred to herein as a “Third Party License”). Intellectual property from a Third Party will be deemed “necessary” under this Section if Arcus reasonably determines that such rights are necessary for avoiding or preventing one or more claims of infringement or misappropriation by a Third Party in connection with, or otherwise necessary for, the Development, manufacture or Commercialization of the applicable Licensed Product using the rights licensed by WuXi hereunder in such country(ies). Except as set forth in this Section or to the extent of any Third Party claim for which WuXi provides indemnification under Section 8.1, or as the Parties may otherwise agree in writing, Arcus shall bear any payments associated with any payments owed to any Third Party for such a Third Party License (collectively, the “Third Party Royalties”). Arcus may credit up to [***] of the amount of any Third Party Royalties paid by Arcus under a Third Party License pursuant to this Section against the running royalty amounts payable to WuXi at any time under Section 5.4. In no event shall the application of any credit reduce an amount owed under Section 5.4 by more than [***]. If a credit may not be fully offset as a result of the foregoing limitation, then it may be carried forward and offset against future amounts owed under Section 5.4. Notwithstanding any other provision of this Agreement, Arcus will at all times pay a minimum royalty of [***] percent ([***]%) of Net Sales under Section 5.4 even if it owes more to a Third Party. For the purpose of clarity, any increase in royalty due to a Transfer Election in connection with manufacturing rights under Section 3.2 [***]. Thus, in the event of a Transfer Election, the minimum royalty due to WuXi will be [***] percent ([***]%) depending on whether a Third Party, or Arcus or its Affiliate or sublicensee, respectively, will be manufacturing Licensed Products.

5.5.3 Royalty Reporting. Royalties shall be calculated and reported for each calendar quarter within [***] days after the end of each calendar quarter. With delivery of such report, Arcus shall also pay the corresponding amount of the royalty due to WuXi, if any.

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Each report of royalties shall include Net Sales by Arcus and its Affiliates in the Territory on a country-by-country basis for each Licensed Product during the applicable calendar quarter, which report shall include the gross amounts invoiced and Net Sales, the royalties payable, how such royalties payable amounts were calculated (including an accounting of any reductions in applicable royalty rates and/or deductions in determining Net Sales), and the exchange rates used, in each case presented on a country-by-country basis for each Licensed Product, and only for the applicable calendar quarter.

5.6 Sublicensing Income.

5.6.1 Sublicense Income Payments. Arcus shall pay WuXi a percentage of option exercise fees, annual license fees, license maintenance fees, technology access fees, and clinical, development or regulatory milestone payments, in each case, that it receives from its sublicensees in direct connection with the sublicensees’ grant of rights to the Licensed IP, which payments, if applicable, may be prorated by Arcus, acting in good faith, to determine the proportion of such payments reasonably attributed to the Licensed IP (all such payments, collectively, “Sublicense Income”). Notwithstanding the preceding sentence, Sublicense Income shall exclude (a) any payments received by Arcus from any sublicensee’s Commercialization of Licensed Products, including royalty payments and sales milestones and (b) any reimbursements, refunds or amounts paid to support Arcus and/or its Affiliates’ research, development and commercialization activities. The percentage of Sublicense Income owed by Arcus to WuXi is determined by the date on which Arcus enters into the applicable sublicense agreement with the applicable sublicensee:

5.6.2 [***]

5.6.3 [***]

5.6.4 [***]

5.6.5 [***]

All payments under Section 5.6 shall be made within [***] days after the end of the calendar quarter in which Arcus received the corresponding Sublicense Income. When Sublicense Income is received in the form of monies other than United States dollars, the exchange rate that will be used to convert such amounts to U.S. dollars for Sublicense Income payments will be the rate published by the Wall Street Journal for purchase of United States dollars on the last business day of the applicable calendar quarter in which such Sublicense Income was received.

5.7 Payment Terms. All sums due under this Agreement shall be payable in United States dollars by bank wire transfer in immediately available funds to such bank account(s) as the applicable payee shall designate.

5.8 Taxes. If Applicable Law requires Arcus to withhold any taxes from payments made to WuXi under this Agreement, then such taxes shall be deducted by Arcus as required by and shall be paid by Arcus to the proper tax authorities. All official receipts or other
evidence of payment, as applicable, of any withholding tax shall be promptly sent to WuXi as evidence of such payment. Arcus will reasonably assist WuXi in obtaining any necessary documentation to demonstrate such withholding upon reasonable request. Except for the foregoing provisions and as provided in the Net Sales definition, all payments by Arcus shall be made free and clear of, and without reduction for, any and all taxes owed by Arcus or any of its Affiliates or sublicensees.

5.9 Financial Audits. Arcus shall use commercially reasonable efforts to keep accurate and complete records of all financial information needed to calculate Net Sales and/or any other information necessary to determine whether other payments are due to WuXi under this Article 5. Arcus shall retain such records relating to Net Sales and/or any payments made to it in connection with this Agreement during the [***] preceding calendar years. At WuXi’s written request, such records shall be made available for inspection, review and audit, during normal business hours, without undue business interruption and with reasonable advance notice to Arcus, by an independent certified public accountant appointed by WuXi and reasonably acceptable to Arcus for the sole purpose of verifying that Arcus has complied with its payment obligations under this Article 5. In no event may WuXi conduct such audit more than once per calendar year, and prior to the start of any such audit, Arcus may require that such accountant enter into a reasonable confidentiality agreement with it. A copy of any report provided to WuXi by the accountant shall be given concurrently to Arcus. WuXi shall be responsible for all costs and expenses incurred in performing any such audit unless the audit discloses, and Arcus does not reasonably dispute such result, at least a [***] percent ([***]% ) shortfall, in which case Arcus shall bear the reasonable cost of the entire audit.

6. CONFIDENTIAL INFORMATION AND PROPRIETARY RIGHTS.

6.1 Definition. “Confidential Information” means confidential or proprietary information, data or know-how, whether provided in written, oral, visual or other form, provided by one Party (the “Disclosing Party”) to the other Party (the “Receiving Party”) in connection with this Agreement, including, but not limited to, the terms of this Agreement and information relating to the Disclosing Party’s existing or proposed research, development efforts, patent applications, business or products, including without limitation pricing information, vendor and customer information, plans, proprietary technical information, processes, formulae, data, inventions, methods, knowledge, discoveries, know-how, trade secrets, and the like. Confidential Information shall not include any such information that: (i) is already known to the Receiving Party or its Affiliates (other than under an obligation of confidentiality) at the time of disclosure (as evidenced by written records of the Receiving Party); (ii) is or becomes generally available to the public other than through any act or omission of the Receiving Party or its Affiliates; (iii) is disclosed to the Receiving Party or its Affiliates by a Third Party who had no separate nondisclosure obligation in respect of such information; or (iv) is independently discovered or developed by or on behalf of the Receiving Party or its Affiliates without the use of the Confidential Information of the Disclosing Party (as evidenced by written records of the Receiving Party). The terms of this Agreement shall be deemed Confidential Information of each Party.

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6.2 **Confidentiality.** The Receiving Party shall keep in confidence all Confidential Information of the Disclosing Party with the same degree of care it employs to maintain the confidentiality of its own Confidential Information, but no less than a reasonable degree of care. The Receiving Party shall not use such Confidential Information for any purpose other than in performance of this Agreement, or in the case of Arcus as the Receiving Party, in accordance with the rights granted to Arcus under this Agreement, or disclose the same to any other Person other than to such of its Affiliates, its own and its Affiliates’ employees, agents, sublicensees and subcontractors (“Permitted Representatives”) who have a need to know such Confidential Information to implement the terms of this Agreement. A Receiving Party shall advise any Permitted Representative who receives Confidential Information of such obligations. The Receiving Party will be liable for breach of this Article 6 by any of its Permitted Representatives.

6.3 **Permitted Disclosure and Use.** The Receiving Party shall have the right to disclose Confidential Information if, (i) in the reasonable opinion of the Receiving Party’s legal counsel, such disclosure is required by any Applicable Laws, provided that the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party and the Receiving Party uses commercially reasonable efforts to seek confidential treatment of such Confidential Information and to limit the required disclosure to only that which is required; or (ii) a court, tribunal, administrative agency or other Governmental Authority orders such disclosure, provided that the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party to permit the Disclosing Party to intervene and to request protective orders or other confidential treatment and to limit the scope of any potential disclosure. The Receiving Party will cooperate reasonably with any such efforts by the Disclosing Party. Furthermore, notwithstanding any other provision of this Agreement, each Party may disclose Confidential Information (a) as necessary in connection with any financing, merger, sublicensing or similar transaction, subject to confidentiality substantially similar to that required in this Article 6, or as necessary to obtain legal or financial advice from its attorneys, and financial advisors who have an obligation of confidentiality to the Party; and (b) in connection with prosecuting or defending litigation, Regulatory Approvals, Pricing Approvals and other regulatory filings and communications, and filing, prosecuting and enforcing the Licensed Patents in connection with the Party’s rights and obligations pursuant to this Agreement, where each Party will use reasonable efforts to seek protective orders or other applicable confidentiality, and seek to limit the scope of disclosure, as to any such uses. The Parties shall also be permitted to make disclosures consistent with, and pursuant to, Sections 11.1 and 11.2.

In addition, notwithstanding the foregoing, to the extent that either Party’s legal counsel reasonably determines that it is required to make a filing or any other public disclosure with respect to this Agreement or the terms or existence hereof to comply with the requirements, rules, laws or regulations of any applicable stock exchange, Nasdaq or any governmental or regulatory authority or body, including without limitation the U.S. Securities and Exchange Commission (the “SEC”) (collectively, the “Disclosure Obligations”), such Party shall promptly inform the other Party thereof and shall use reasonable efforts to (i) maintain the confidentiality of the other Party’s confidential information in any such filing or disclosure and (ii) limit the scope of such required disclosure. To the extent that either Party reasonably determines that it is

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required to file a copy of this Agreement to comply with the Disclosure Obligations, such Party shall promptly inform the other Party thereof. Prior to making any such filing of a copy of this Agreement, the Parties shall mutually agree on the provisions of this Agreement for which the Parties shall seek confidential treatment, it being understood that if one Party determines to seek confidential treatment for a provision for which the other Party does not, then the Parties will use reasonable efforts in connection with such filing to seek the confidential treatment of any such provision. The Parties shall cooperate, each at its own expense, in such filing, including without limitation such confidential treatment request, and shall execute all documents reasonably required in connection therewith. The Parties will reasonably cooperate in responding promptly to any comments received from the SEC with respect to such filing in an effort to achieve confidential treatment of such redacted form; provided, however, that a Party shall be relieved of such obligation to seek confidential treatment for a provision requested by the other Party if such treatment is not achieved after the first round of responses to comments from the SEC. Notwithstanding anything to the contrary in this Agreement, either Party may make reference to the existence of this Agreement and describe the relationship between the Parties in connection with any required securities filings or other required public disclosure without seeking the other Party’s prior consent. This paragraph shall apply with respect to the filing of a copy of this Agreement or any public disclosure relating to this Agreement to comply with the Disclosure Obligations, notwithstanding the provisions of this Article 6.

6.4 Remedies. Money damages will not be an adequate remedy if this Article 6 is breached and, therefore, either Party may, in addition to any other legal or equitable remedies, seek an injunction or other equitable relief against such breach or threatened breach in relation to Confidential Information that it disclosed to the other Party.

6.5 Attorney-Client Privilege. Neither Party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under Applicable Law of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense or other common interest agreement setting forth, among other things, the foregoing principles, but are not obligated to do so.

6.6 Survival. This Article 6 shall survive the expiration or termination of this Agreement for a period of [***] years.
7. REPRESENTATIONS AND WARRANTIES

7.1 Mutual Representations and Warranties. Arcus and WuXi each represents and warrants to the other as of the Effective Date:

7.1.1 Such Party (i) is a company duly organized, validly existing and in good standing under the Applicable Laws of the jurisdiction of its organization; and (ii) has the requisite corporate power and authority and the legal right to enter into this Agreement and to carry out the provisions of this Agreement;

7.1.2 The execution, delivery and performance of this Agreement by such Party, including, without limitation, in the case of WuXi, the license grant under Section 2.1 and the delivery by WuXi of any Licensed Technology to Arcus for use as contemplated under this Agreement, (i) do not conflict with any provision of the organizational documents of such Party; (ii) will not, to such Party’s knowledge, violate any Applicable Laws including any order or decree of any court or Governmental Authority; and (iii) will not violate or conflict with any terms of any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Party is a party, or by which such Party is bound or becomes bound during the Term; and

7.1.3 This Agreement has been duly executed and delivered by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms. The execution, delivery and performance of this Agreement by it does not materially conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, nor violate any Applicable Law.

7.1.4 It has not granted, and shall not grant during the Term, any right to any Third Party which would materially conflict with the rights granted to the other Party hereunder. It has, and covenants that it shall, maintain and keep in full force and effect all agreements necessary to perform its obligations hereunder.

Each Party further covenants that it will at all times comply with all Applicable Laws relating to the import and export of Licensed Products, or any materials or components related thereto, during the Term of this Agreement.

7.2 WuXi Representations and Warranties. Except as set forth in a document separately submitted by WuXi to Arcus on or before the Effective Date setting forth exceptions to the following representations and warranties:

7.2.1 WuXi (i) represents and warrants to Arcus as of the Effective Date that it has the sole and exclusive right to grant the licenses hereunder and (b) neither it nor any of its Affiliates has previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Licensed Patents, or any component of the Licensed Know-How (other than the transfer of such Licensed Patents and/or Licensed Know-How to WuXi from its Affiliates), (ii) covenants that, with respect to any agreements or other instruments pursuant to which WuXi acquires its rights to the Licensed Patents and Licensed Know-How, it will maintain in full force and effect and commit no act or omission that would give rise to any Third Party or Affiliate right to terminate such licenses or other instruments that could materially impair Arcus’ ability to exercise its rights under this Agreement during the Term, and (iii) represents and warrants as of the Effective Date that there are no Patents or Know-How owned or controlled by WuXi or any of its Affiliates in the Territory, other than the Licensed Patents and Licensed Know-How, that would prevent Arcus, its Affiliates or its or their sublicensees...
from Developing, manufacturing and/or Commercializing Licensed Products as set forth herein, and from exploiting the rights granted under Section 2.1. WuXi represents and warrants to Arcus as of the Effective Date that WuXi has provided Arcus with a true and complete (other than redacted financial terms) copy of the Third Party agreement(s) and any agreements with WuXi’s Affiliates that are referenced in (ii) directly above, including, without limitation, any and all amendments and side letters and other material documentation related thereto, and WuXi covenants that during the Term it shall not amend, waive any rights under, or allow to terminate or expire any such agreements, amendments and/or side letters in any manner that would impair Arcus’ ability to exercise its rights under this Agreement, nor shall it permit its Affiliates to do any of the foregoing;

7.2.2 WuXi represents and warrants to Arcus as of the Effective Date that there are no claims, judgments or settlements against or pending with respect to any Licensed IP, and to WuXi’s knowledge as of the Effective Date, no such claims, judgments or settlements are threatened. To the knowledge of WuXi as of the Effective Date, the proposed Licensed Products covered by the Licensed IP will not violate, infringe, misappropriate or unlawfully use any intellectual property of any Person. WuXi represents and warrants to Arcus as of the Effective Date that, to the knowledge of WuXi, no Person has infringed, misappropriated or unlawfully used any of the Licensed IP. WuXi represents and warrants to Arcus as of the Effective Date that WuXi has not commenced or threatened any proceeding, or asserted any allegation or claim, against any Person for infringement or misappropriation of any Licensed IP; and

7.2.3 WuXi represents and warrants as of the Effective Date that it is not a party to any agreement, and covenants that during the Term it shall not be a party to any agreement, that prohibits or restricts the full exploitation of any Licensed IP as contemplated under this Agreement.

7.2.4 WuXi represents and warrants that it has disclosed to Arcus on or prior to the Effective Date all material agreements (other than redacted financial terms) and information relating to the Development of the Licensed Products that are in WuXi and its Affiliates’ possession as of the Effective Date, and WuXi covenants to provide to Arcus promptly all material information, as requested by Arcus from time-to-time during the Term, relating to the Development and/or manufacturing of the Licensed Products that are in the possession of WuXi or its Affiliates to the extent such material information has not already been provided to Arcus, subject to Sections 2.5, 3.2, 3.4 and 4.1.

7.2.5 WuXi represents and warrants as of the Effective Date that, to the best of its knowledge, each of the excluded entities from the Affiliates does not Control any of the Licensed IP necessary to carry out this Agreement.

7.2.6 WuXi represents and warrants that, as of the Effective Date and during the Term of this Agreement, neither (i) WuXi, nor any of its Affiliates’ employees, officers, subcontractors, or consultants who developed the Antibody and/or the Licensed IP and who have rendered services relating to the Licensed Products under this Agreement, has ever been debarred nor is subject to debarment or convicted of a crime for which an entity or person could be debarred (including by the FDA under 21 U.S.C. § 335a (or subject to a similar sanction of any other Governmental Authority)).

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CONFIDENTIAL TREATMENT REQUESTED

7.3 **Arcus Representations and Warranties.** Except as set forth in a document separately submitted by Arcus to WuXi in writing on or before the Effective Date setting forth exceptions to the following representations and warranties:

7.3.1 Arcus covenants that it will not, and will not authorize any Affiliate, subcontractor, or sublicensee (or their further sublicensee or subcontractor) to, assign, transfer, convey or otherwise encumber its right, title and interest in the Licensed Patents, or any component of the Licensed Know-How, in the Territory except as permitted under this Agreement;

7.3.2 Arcus represents and warrants to WuXi, as of the Effective Date, that there are no claims, judgments or settlements against or pending with respect to Arcus or its commercial activities in the Territory, and to Arcus’s knowledge as of the Effective Date, no such claims, judgments or settlements are threatened. Arcus represents and warrants to WuXi that to the knowledge of Arcus as of the Effective Date, Arcus’s contemplated use or actual use of the Licensed IP in the Territory will not violate, infringe, misappropriate or unlawfully use any intellectual property of any Person. Arcus represents and warrants to WuXi, as of the Effective Date, that Arcus has not commenced or threatened any proceeding, or asserted any allegation or claim, against any Person for infringement or misappropriation of any Licensed IP in the Territory; and

7.3.3 Arcus is not presently and will not become, and will not authorize any Affiliate, subcontractor, or sublicensee (or their further sublicensee or subcontractor), to become, a party to any agreement (other than a sublicense agreement or subcontract agreement that is permitted under this Agreement and entered into by Arcus and any of its sublicensees or subcontractors, as the case may be) that materially prohibits or restricts the exploitation of any Licensed IP in the Territory as contemplated under this Agreement.

7.3.4 Arcus covenants that, as of the Effective Date and during the Term of this Agreement, neither (i) Arcus, nor any of its Affiliates’ employees, officers, subcontractors, consultants, or sublicensees (or their further sublicensees or subcontractors), who will render services relating to the Licensed Products in performing under this Agreement, has ever been debarred nor is subject to debarment or convicted of a crime for which an entity or person could be debarred (including by the FDA under 21 U.S.C. § 335a (or subject to a similar sanction of any other Governmental Authority)); and (ii) Arcus will require language materially similar to that in Section 7.3.4(i) in every sublicense and subcontract agreement under this Agreement.

7.4 **Disclaimer of Warranty.**

Except for the express warranties set forth in this Agreement, nothing in this Agreement shall be construed as a representation or warranty by either Party (i) that any Licensed Product made, used, sold or otherwise disposed of under this Agreement is or will be

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free from infringement of patents, copyrights, trademarks or other intellectual property rights of any Third Party; (ii) regarding the effectiveness, value, safety, or non-toxicity of any technology; or (iii) that any Licensed Product will obtain Regulatory Approval or achieve success or achieve any milestone events specified in Section 5.3. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE LICENSED IP IS PROVIDED “AS IS” AND:

(a) NEITHER PARTY MAKES, AND EACH PARTY EXPRESSLY DISCLAIMS, WAIVES, RELEASES AND RENOUNCES, ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, AND ALL WARRANTIES ARISING FROM ANY COURSE OF DEALING OR PERFORMANCE OR USAGE OF TRADE; and

(b) EACH PARTY EXPRESSLY DISCLAIMS AND RENOUNCES ANY REQUIREMENT TO MANUFACTURE LICENSED PRODUCT OR PROVIDE CELL LINE SERVICES UNDER THIS AGREEMENT, EXCEPT AS PROVIDED FOR UNDER THE BIOLOGICS MSA BETWEEN THE PARTIES AND THE MANUFACTURING AGREEMENT(S) TO BE MUTUALLY AGREED UPON BETWEEN THE PARTIES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS ARTICLE 7 OR OTHERWISE, (I) THE ARCUS IMPROVEMENTS LICENSED TO WUXI UNDER SECTION 2.5 AND (II) THE IMPROVEMENTS OF WUXI’S OTHER LICENSEES AND THEIR DIRECT AND INDIRECT SUBLICENSEES LICENSED TO ARCUS UNDER SECTION 2.5 ARE PROVIDED “AS IS”, WITHOUT ANY WARRANTY OF ANY KIND AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER PARTY SHALL HAVE ANY LIABILITY TO THE OTHER PARTY AS A RESULT OF THE USE OF SUCH IMPROVEMENTS BY SUCH OTHER PARTY OR ITS AFFILIATES OR SUBLICENSEES.

8. INDEMNIFICATION; INSURANCE; LIMITATION ON LIABILITY.

8.1 Indemnification by Wuxi. Subject to Section 8.3, Wuxi shall defend, indemnify and hold harmless Arcus and its Affiliates and each of their officers, directors, employees, independent contractors, successors and assigns (collectively, “Arcus Indemnitees”) from and against all Third Party Claims, and pay all associated Losses, arising out of or relating to any material breaches by Wuxi of any representations, warranties, or covenants under Section 7.1 or 7.2 of this Agreement, except in each case, to the extent any such Third Party Claims or Losses arise out of or relate to any breaches by any Arcus Indemnitees of this Agreement, including, without limitation, any representations, warranties or covenants thereof, or any gross negligence or willful misconduct of any Arcus Indemnitee(s).

8.2 Indemnification by Arcus. Subject to Section 8.3, Arcus shall defend, indemnify and hold harmless Wuxi and its Affiliates and each of their officers, directors, employees, independent contractors, successors and assigns (collectively, “Wuxi Indemnitees”) from and against all Third Party Claims, and pay all associated Losses, arising out of or relating to (i) any material breaches by Arcus or its Affiliates of any representations, warranties, or
covenants under Section 7.1 or 7.3 of this Agreement; and (ii) the Development, manufacture, transfer, use, handling, storage, sale or other disposition of Licensed Products by or on behalf of Arcus or any of its Affiliates, sublicensees, agents and contractors, including claims and threatened claims based on product liability, bodily injury, risk of bodily injury, death or property damage or the failure to comply with any Applicable Law, except in each case, to the extent any such Third Party Claims or Losses arise out of or relate to any breaches by any WuXi Indemnitese of this Agreement, including, without limitation, any representations, warranties or covenants thereof, or any gross negligence or willful misconduct of any WuXi Indemnitees.

8.3 Procedure for Indemnification.

8.3.1 Notice. The indemnified party will notify promptly the indemnifying Party in writing if it becomes aware of a Claim (actual or potential) by any Third Party or any proceeding (including any investigation by a Governmental Authority) (“Third Party Claim”) for which indemnification may be sought, and will give such related information as is necessary to defend or as the indemnifying Party shall reasonably request.

8.3.2 Defense of Claim. The indemnifying Party shall defend or control the defense of Third Party Claims. The indemnifying Party shall be responsible for satisfying and discharging any award made to or settlement reached with the Third Party pursuant to the terms of this Agreement. The indemnifying Party shall retain counsel to represent the indemnified party and shall pay the reasonable fees and expenses of such counsel related to such proceeding. In any such proceeding, but without limiting the foregoing, the indemnified Party, at its sole expense, shall have the right to retain its own counsel. The indemnified Party shall cooperate in all reasonable respects in the defense of such Third Party Claim, as requested by, and at the reasonable expense of, the indemnifying Party. The indemnifying Party shall not, without the written consent of the indemnified Party (which consent shall not be unreasonably withheld, refused, conditioned or delayed), effect any settlement of any such Third Party Claim, unless such settlement includes a full and unconditional release of the indemnified Party from all liability on such Claims.

8.4 Limitation of Liability.

8.4.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE HEREUNDER TO THE OTHER PARTY FOR ANY PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST REVENUE, LOST PROFITS, OR LOST SAVINGS) HOWEVER CAUSED AND UNDER ANY THEORY, EVEN IF IT HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES.

8.4.2 BEFORE THE FIRST COMMERCIAL SALE, WUXI’S MAXIMUM LIABILITY IN RESPECT OF ANY AND ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, IN THE AGGREGATE, SHALL NOT EXCEED [***]. AFTER THE FIRST COMMERCIAL SALE, WUXI’S MAXIMUM LIABILITY IN RESPECT OF ANY AND ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, IN THE AGGREGATE, SHALL NOT EXCEED [***].

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8.4.3 THE LIMITATIONS SET FORTH IN THIS SECTION 8.4 SHALL NOT APPLY WITH RESPECT TO (A) ANY BREACH OF ARTICLE 6 (CONFIDENTIAL INFORMATION AND PROPRIETARY RIGHTS) OR (B) THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY. NOTHING IN THIS SECTION 8.4 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER SECTION 8.1 OR SECTION 8.2.

8.5 Insurance. Arcus shall procure and maintain insurance or self-insurance, including product liability insurance, adequate to enable it to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated, at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by or on its behalf (including by an Affiliate or sublicensee). At a minimum, beginning from Initiation of its first Clinical Trial for a Licensed Product until the first Regulatory Approval in the Territory, Arcus shall obtain umbrella and/or general liability insurance with minimum amounts of [***] U.S. dollars (US$[***]) and product liability insurance with minimum amounts of [***] U.S. dollars to enable Arcus to cover its obligations under this Agreement. After Regulatory Approval in a jurisdiction in the Territory and before (and after) the First Commercial Sale, Arcus shall obtain umbrella and/or general liability insurance with minimum amounts of [***] U.S. dollars (US$[***]) and product liability insurance with minimum amounts of [***] U.S. dollars (US$[***]) to enable Arcus to cover its obligations under this Agreement, or if Arcus is not then insured, Arcus shall require that its Affiliate, Sublicensee, or Third Party manufacturing on its behalf, carry such insurance. It is understood that such insurance or self-insurance shall not be construed to create a limit of Arcus’ liability with respect to its indemnification obligations under this Article 8. Arcus shall provide WuXi with written evidence of such insurance or self-insurance, and any revised insurance policy, within [***] days of it being obtained or revised. Arcus shall provide WuXi with written notice at least [***] days prior to the cancellation, non-renewal or material change in such insurance or self-insurance which materially adversely affects the rights of the other Party hereunder. [***].

9. PATENT

9.1 Prosecution and Maintenance.

9.1.1 Arcus shall have the first right to file, prosecute and maintain all Licensed Patents in the Territory using its own outside counsel reasonably acceptable to WuXi. All such prosecution and maintenance in the Territory will be at Arcus’ sole expense. Arcus shall keep WuXi reasonably informed of all decisions or actions concerning the prosecution and maintenance of such Licensed Patents in the Territory, including, without limitation, by providing copies of office actions and other communications with patent offices, and providing a reasonable opportunity for WuXi to deliver comments to Arcus or its selected counsel regarding such prosecution materials, such comments to be considered by Arcus in good faith and acting reasonably. WuXi shall reasonably cooperate with Arcus in its efforts to prepare, file, prosecute and maintain Licensed Patents, including, without limitation, in disclosing new Improvements to Arcus within thirty (30) days, and in responding promptly to Arcus’ requests for data, affidavits, and other information and assistance to support filing, prosecution and maintenance of the

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Licensed Patents in a timely manner. Arcus shall not take any action during prosecution and maintenance of the Licensed Patents that would materially adversely affect any Patent or Licensed Know-How to be covered by or within the Licensed Patents, without WuXi’s prior written consent, such consent not to be unreasonably withheld or delayed, and Arcus shall file patent applications (based on Licensed Patents) in countries in the Territory as determined by Arcus. WuXi shall have the exclusive right to file, prosecute, and maintain all Licensed Patents in the Excluded Territory, at its sole expense and in its sole discretion, jointly in the names of WuXi and Arcus as applicable, and all other requirements of this Section 9.1.1 shall apply mutatis mutandis so that WuXi may exercise its reserved rights in the Excluded Territory.

9.1.2 The Parties will confer and must mutually agree before any Patent within the Licensed Patents may be abandoned, provided that if this Agreement has been terminated with respect to a particular country, WuXi may act in its sole discretion regarding the prosecution, maintenance, or abandonment, regarding any such Patents in such country.

9.1.3 Subject to Section 9.1.2, in the event that Arcus decides not to continue the prosecution or maintenance of a Patent within the Licensed Patents in any country in the Territory still in force under this Agreement, or decides not to file a patent application based on Licensed Patents in any countries in the Territory, Arcus shall provide WuXi with express written notice of such decision at least [***] days prior to any pending lapse or abandonment thereof, or if a decision not to continue prosecution or maintenance is responsive to an official communication from governmental agency that is received by Arcus less than [***] days prior to a deadline for taking action in response to such communication, then the deadline for giving such notice to WuXi shall be [***]% of the time remaining for response after such communication is received by Arcus. In such event, provided that the Parties have not expressly agreed to abandon a Patent within the Licensed Patents under Section 9.1.2, then Arcus shall provide WuXi with an opportunity to assume responsibility for prosecution and maintenance of such Patent. In such case, WuXi shall provide Arcus timely updates of the filing, prosecution and maintenance status for each such Patent, including copies of any material official correspondence to or from patent offices, to permit Arcus to better coordinate corresponding Patents in other countries in the Territory.

9.1.4 Arcus shall have the first right, but not the obligation, to prosecute and maintain Patents to Joint Improvements and to co-owned Improvements in the Territory, at its sole cost and expense; and WuXi shall have the same rights in the Excluded Territory. Each Party shall consult with the other Party as to the prosecution and maintenance of such Patents reasonably prior to any deadline, submission to or action with any patent office, and shall furnish to the other Party copies of all relevant drafts and documents reasonably in advance of such consultation. Each Party shall consider in good faith any reasonable comments provided by the other Party in connection with the prosecution and maintenance of such Patents, so long as such comments are provided in a timely manner. In the event that either Party desires not to file (including any national phase filing), or desires to abandon or cease prosecution or maintenance of, any such Patent to a Joint Improvement or co-owned Improvement in any country, the Party with the first right to control the prosecution shall provide written notice to the other Party of such intention reasonably in advance of the date any such filing is required to avoid a loss of

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such rights or abandonment of such rights. In such case, at other Party’s sole discretion, upon written notice to the Party having the first right of control, such other Party may elect to continue prosecution or maintenance of any such Patent, in the name of both Arcus and WuXi, or even in the name of the other, at its sole cost and expense.

9.1.5 The Parties shall coordinate and discuss which of the Patents within the Licensed Patents should be selected for term extensions, supplementary protection certificates, and equivalents thereof offering patent protection beyond the initial term with respect to any issued Patents (“Patent Term Extensions”) with respect to the Licensed Products in the Territory. Arcus shall have the right to make the final decision regarding which Patents are selected for Patent Term Extension in the Territory, and shall have the right to seek and obtain such Patent Term Extensions with respect to the Licensed Patents in the Territory.

9.2 Infringement of Licensed Patents. Each Party will notify the other Party, and will require its Affiliates and sublicensees to notify it, promptly in writing upon becoming aware of any alleged or threatened infringement or violation by a Third Party of any Licensed Patents or Licensed Know-How. Arcus shall have the first right to enforce any patent within the Licensed Patents or any rights in the Licensed Know-How against any infringement or alleged infringement or other violation thereof in the Territory. Arcus may, at its own expense, institute suit in the Territory against any infringer or alleged infringer (or violator) and control and defend such suit and recover any damages, awards or settlements resulting therefrom. The amount of such damages, awards or settlements remaining after deduction of Arcus’s expenses and reimbursement to WuXi for its reasonable and documented, out-of-pocket costs may be retained by Arcus, [***]. WuXi shall reasonably cooperate in any such litigation, including, without limitation, joining any such suit in the Territory, at Arcus’s request and expense. Arcus shall not enter into any settlement of any claim described in this Section 9.2 that would admit to the invalidity, narrowing of scope or unenforceability of the Licensed Patents, incurs any financial liability on the part of WuXi or requires an admission of liability, wrongdoing or fault on the part of WuXi, without WuXi’s prior written consent. If Arcus decides not to promptly pursue such litigation in the Territory, WuXi shall have the right in its sole discretion to do so. In the event of enforcement by WuXi, Arcus will reasonably cooperate in any such litigation, including without limitation, joining any such suit if needed to provide standing. WuXi, after deducting its attorney’s fees, costs, and any other expenses (including reimbursement to Arcus of its reasonable and documented out-of-pocket costs), will split the proceeds [***].

9.3 Infringement Claims by Third Parties. If either (i) any Licensed Product Developed, made, Commercialized or otherwise exploited by or under authority of Arcus becomes the subject of a Third Party’s claim or assertion of infringement of a patent relating to the manufacture, use, sale, offer for sale or importation of such Licensed Product in the Field in the Territory, or (ii) if a declaratory judgment action is brought naming either Party as a defendant and alleging invalidity of any of the Licensed Patents in the Territory, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant (the “Defending Party”). If WuXi is named in such legal action

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but not Arcus, then Arcus shall have the right to join, at its own expense, any such legal action and to be represented in such action by its own counsel. None of the Parties shall enter into any settlement of any claim described in this Section in the Territory that admits to the invalidity, narrowing of scope or unenforceability of the Licensed Patents or this Agreement, incurs any financial liability on the part of the other Party or requires an admission of liability, wrongdoing or fault on the part of the other Party without such other Party’s prior written consent. In any event, the other Party shall reasonably assist the Defending Party and cooperate in any such litigation at the Defending Party’s cost and the Defending Party shall reimburse the other Party’s reasonable, documented, out-of-pocket costs associated therewith.

9.4 **Biosimilars.** Each Party shall promptly, but in any event no later than ten (10) business days after receipt of notice of such application, notify the other Party if it becomes aware of any application for regulatory approval of any pharmaceutical product of a third party (excluding any Arcus Affiliate, sublicensee (or their further sublicensees), related to this Agreement) that relies on such Licensed Product as a Reference Product under the Biologics Price Competition and Innovation Act, or any comparable regulatory regime in any other country in the Territory, and (i) for which biosimilarity or interchangeability (as applicable) with such Licensed Product has been or is sought to be demonstrated and (ii) which seeks regulatory approval in such country relying in whole or in part on any data generated in support of a Regulatory Approval for such Licensed Product. Arcus shall take the lead and be responsible for preparing and filing any responses with any Regulatory Authority in the Territory and WuXi shall take the lead and be responsible if in the Excluded Territory, and each respective Party will be responsible for negotiating any patent resolution in connection with any such application as set forth in paragraphs 2 through 6 of Section 351(l) of the United States Public Health Service Act (42 U.S.C. § 262(l)(2)-(6)), or any foreign equivalent thereof. Each Party shall cooperate with the other Party’s reasonable requests for assistance in connection therewith.

10. **TERM AND TERMINATION.**

10.1 **Term.** The term of this Agreement (the “**Term**”) shall commence on the Effective Date, and unless terminated earlier as provided in this Article 10, shall continue in full force and effect, on a Licensed Product-by-Licensed Product and country-by-country basis, until expiry of the Royalty Term for such Licensed Products for the applicable country. Subject to the other terms and conditions of this Agreement and provided that the Agreement is not terminated for cause by WuXi, solely upon natural expiration after the Term of this Agreement with respect to a particular Licensed Product in a particular country, the licenses granted to Arcus by WuXi under this Agreement to make, have made, use, register, sell, offer to sell, have sold, import, export, exploit, research, improve, Develop, manufacture and Commercialize such Licensed Products in the Field in such country of the Territory shall be fully paid-up, royalty-free, perpetual, irrevocable and non-exclusive.

10.2 **Termination.**

10.2.1 **Convenience.** Arcus may terminate this Agreement, in its entirety or on a Licensed Product-by-Licensed Product or country-by-country basis, with or without cause at any time by giving WuXi at least [***] days’ prior written notice.

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10.2.2 Material Breach. 

(a) In the event of WuXi’s material breach of this Agreement, Arcus may deliver notice of such breach to WuXi, such notice containing full details of said breach. In such notice, Arcus shall identify (acting reasonably and in good faith) examples of the actions or conduct that Arcus would consider to be an acceptable cure of such breach. WuXi shall have, subject to Section 10.2.2(c), [***] days to cure such breach. Subject to Section 10.2.2(c), if WuXi fails to cure such breach within the Cure Period, Arcus may terminate this Agreement upon written notice to WuXi.

(b) In the event of Arcus’:

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WuXi may deliver notice of such breach to Arcus, such notice containing full details of said breach. In such notice, WuXi shall identify (acting reasonably and in good faith) examples of the actions or conduct that WuXi would consider to be an acceptable cure of such breach. Arcus shall have, subject to Section 10.2.2(c), [***] days to cure such breach. Subject to Section 10.2.2(c), if Arcus fails to cure such breach within such [***] day period, then WuXi may terminate this Agreement, upon written notice to Arcus.

(c) If a Party gives notice of termination under Section 10.2.2(a) or Section 10.2.2(b) and the other Party disputes in writing prior to the end of the applicable cure period whether such notice was proper, then the issues of whether a breach has occurred shall be resolved in accordance with Section 11.4. If as a result of such dispute resolution process it is determined that the notice of breach was proper, then such termination shall be deemed to have been effective if the breaching Party fails thereafter to cure such breach in accordance with the determination made in the resolution process within the applicable cure period set forth in Section 10.2.2(a) or Section 10.2.2(b), as applicable, using its best efforts to do so following such determination. If as a result of such dispute resolution process it is determined that the notice of breach was improper, then no termination shall have occurred and this Agreement shall have remained in effect. All of the terms and conditions of this Agreement shall remain in full force and effect during the pendency of such dispute resolution process.

10.2.3 Bankruptcy. To the extent permitted under Applicable Law, either Party may terminate this Agreement in its entirety immediately upon written notice, if the other Party makes an assignment for the benefit of creditors, or a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all of the other Party’s property, or the other Party seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding or such a proceeding is instituted against the other Party and is not dismissed within [***] calendar days, or the other Party, without a successor, dissolves or liquidates.

10.2.4 [***].

[***]

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10.3 Effects of Termination

10.3.1 Upon termination pursuant to the terms of this Agreement, all rights and licenses granted to Arcus and its Affiliates, as well as all sublicenses granted under this Agreement by Arcus and/or any of its Affiliates, shall immediately terminate. If this Agreement is properly terminated by Arcus under Section 10.2.2 or 10.2.3, however, all such rights and licenses shall remain in effect and shall automatically become perpetual and irrevocable, and shall remain exclusive, subject only to Arcus’ (i) Development, manufacturing and Commercialization of Licensed Products solely in and for the Territory as permitted in Section 2.1 and (ii) continued payment of amounts owed to WuXi pursuant to Sections 5.1, 5.2, 5.3, 5.4 and 5.6. If such termination is by Arcus under Section 10.2.2, the royalty rates to be paid by Arcus thereafter shall be equitably reduced based on the economic impact to Arcus (if any) of the breach giving rise to such termination right. If the parties are unable to agree on whether and to what extent an adjustment should be made pursuant to the preceding sentence, royalty payments shall be put into an escrow account until the adjustment (if any) has been determined, either by agreement of the parties or pursuant to Section 11.4.

Upon termination of this Agreement for any reason, any sublicensee of WuXi shall have the right to seek a license from Arcus to the Arcus Improvements, and Arcus agrees to negotiate such licenses in good faith under reasonable terms and conditions.

10.3.2 In the event that this Agreement is terminated by WuXi pursuant to Section 10.2.2, Section 10.2.3, or Section 10.2.4(a):

(a) Arcus shall return WuXi’s Know-How and otherwise provide to WuXi the tangible embodiments of all Know-How owned or Controlled by Arcus, to the extent necessary for the Development and Commercialization of Licensed Products in existence as of the date of such termination, subject to WuXi’s reimbursement of Arcus’s reasonable, documented out-of-pocket costs incurred in transferring such items, and WuXi shall have an exclusive, sublicensable right and license under such Know-How solely for researching, manufacturing, Developing and Commercializing Licensed Products. For clarity, WuXi’s exclusive rights in such Know-How are limited to its application with respect to Licensed Products and Arcus shall be free to exploit such Know-How for all purposes other than researching, manufacturing, Developing and Commercializing Licensed Products.

(b) Arcus shall provide to WuXi all data generated during the Term of this Agreement that is necessary for the Development and/or Commercialization of Licensed Products, subject to WuXi’s reimbursement of Arcus’s reasonable, documented, out-of-pocket costs incurred in transferring such items, and preparing and making such items available in connection with such transfer to WuXi.

(c) Arcus, its Affiliates and any of its or their sublicenses shall be entitled to sell, for a period of [***] months after the effective date of termination, any inventories of Licensed Products in the Field in the Territory that are on hand as of the effective date of termination.

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10.4 **Accrued Rights; Surviving Obligations.** Except as provided elsewhere, termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of any Party prior to such termination or expiration. Such termination or expiration shall not relieve any Party from obligations which are expressly or by implication intended to survive termination or expiration of this Agreement, including, but not limited to, Articles 1, 6 (for the [***] period set forth in Section 6.6), 8 (other than Section 8.5) and 11, and Sections 2.2 (the second sentence of the fourth paragraph only), 2.4 (other than the first sentence), 2.5 (the first and second sentences of the first paragraph, the first sentence of the second paragraph and the third paragraph only), 2.6, 2.7, 5.7, 5.8, 5.9 (for the [***] year period set forth therein), 7.4, 10.1, 10.2.2(c), 10.3 and this Section 10.4, and shall not affect or prejudice any provision of this Agreement which is expressly or by implication provided to come into effect on, or continue in effect after, such termination or expiration.

10.5 **Certain Additional Matters Relating to Change of Control of Arcus.** In the event that Arcus undergoes a Change of Control (as defined below), Arcus shall notify WuXi not more than [***] days after execution of the agreements for such Change of Control transaction, and shall thereafter provide written notice to WuXi promptly following consummation (i.e., closing) of such Change of Control transaction. If the consummation of the Change of Control shall result in Arcus or its Affiliates (including any acquiring entity) to have possession of, or control over, any product being developed, manufactured, or commercialized that includes any anti-PD-1 antibody for application in the Field (except a Licensed Product), the terms and conditions (and rights and obligations) of this Agreement shall continue in effect as provided in this Agreement (subject to the each Party’s termination rights under Section 10.2), except that the provisions of the following Sections 10.5(a) and 10.5(b) shall apply (and only upon) the consummation of the Change of Control.

(a) The definition of “Commercially Reasonable Efforts” shall be amended in its entirety to read, as follows:

“Commercially Reasonable Efforts” means those efforts commensurate with those efforts commonly used in the biopharmaceutical industry by a company of comparable size in connection with the development, manufacturing or commercialization of products that are of similar status, including market potential, profit potential and strategic value, as determined based on conditions then prevailing, including safety, efficacy, competitive considerations within the marketplace, projected market size, intellectual property protection and duration, manufacturing costs, resource allocation, pricing, re-importation concerns, regulatory requirements needed to achieve Regulatory Approval, and other relevant commercial and regulatory considerations, provided that no other anti-PD-1 antibody product being developed, manufactured, or commercialized by Arcus or its Affiliates (including any acquiring entity) will be taken into consideration in connection with determining such efforts.

(b) Arcus shall pay WuXi [***] within [***] days after the consummation of a Change of Control of Arcus unless Arcus gives WuXi written notice of termination of this Agreement prior to the end of such ninety (90) day period or this Agreement is otherwise terminated prior to the end of such ninety (90) day period, in which case Arcus shall not be required to make such payment. Any payment required to be made by Arcus under this Section 10.5(b) shall be creditable against any other amounts payable by Arcus to WuXi under this Agreement at any time on or after the consummation of such Change of Control.

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For purposes of this Section 10.5, a “Change of Control” of Arcus means: (i) the sale of all or substantially all of Arcus’ assets or business relating to this Agreement; (ii) a merger, reorganization or consolidation involving Arcus in which the voting securities of Arcus outstanding immediately prior thereto cease to represent at least fifty percent (50%) of the combined voting power of the surviving entity immediately after such merger, reorganization or consolidation; or (iii) a person or entity, or group of persons or entities, acting in concert (other than financial investment groups that do not have as a primary business the development and/or commercialization of pharmaceutical products or companion diagnostics) acquire more than fifty percent (50%) of the voting equity securities or management control of Arcus. Notwithstanding the foregoing, a “Change of Control” of Arcus does not include an initial public offering of Arcus’ securities or an issuance of Arcus’ securities to where the primary purpose of such issuance is to raise capital for Arcus, even if securities are issued to an entity whose primary business is the development and/or commercialization of pharmaceutical products, provided that such entity acquires less than fifty percent (50%) of the voting equity securities or management control of Arcus.

11. MISCELLANEOUS.

11.1 Publications. As between the Parties, Arcus shall have the sole and exclusive right, but not the obligation, to make any publication and other scientific disclosures in respect of the Licensed Products in the Territory, including, without limitation, in respect of data and results arising out of Development of Licensed Products in the Territory, and WuXi shall make no such publication or other scientific disclosure related to any Development of Licensed Products in the Territory without the prior written consent of Arcus. Notwithstanding anything to the contrary in this Agreement, including, without limitation, Article 6 (Confidential Information and Proprietary Rights), Arcus may disclose, without the prior written consent of WuXi, any and all properties of the Licensed Products in connection with any publication and other scientific disclosures in respect of the Licensed Products, provided that Arcus follows this procedure: Arcus will provide each proposed publication in writing to WuXi at least thirty (30) days in advance of any proposed publication date. WuXi may request, and Arcus will grant, one or more of the following: (i) an extension of up to sixty (60) additional days to make any desired patent filing(s) in advance of any actual publication by Arcus or transfer of such proposed publication to a third party for publication; and (ii) that Arcus redact any Confidential Information of WuXi from any such proposed publication. WuXi shall notify Arcus promptly of any publication and other scientific disclosures (and proposed publications and other scientific disclosures) in respect of the Licensed Products that it becomes aware of outside the Territory, including, without limitation, in respect of data and results arising out of Development of Licensed Products outside the Territory, and WuXi shall consider any comments that Arcus provides to WuXi in relation thereto in good faith and acting reasonably.

11.2 Public Announcements. Except as may be expressly permitted under Article 6 or this Section 11.2 or mandated by Applicable Laws or the rules of any stock exchange, neither Party will make any public announcement of any information regarding this

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Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed. Once any statement is approved for disclosure by the Parties, either Party may make a subsequent public disclosure containing the same information disclosed in such prior public announcement without further approval of the other Party. Notwithstanding the foregoing, Arcus and its sublicensees shall have the right to issue a press release and/or make a public announcement concerning the Development or Commercialization status of any Licensed Product, including, but not limited to, achievement of any Development milestones.

11.3 Relationship of the Parties. Each Party shall bear its own costs incurred in the performance of its obligations hereunder without charge or expense to the other except as expressly provided in this Agreement. Neither Party shall have any responsibility for the hiring, termination or compensation of the other Party’s employees or for any employee benefits of such employee. No employee or representative of a Party shall have any authority to bind or obligate the other Party to this Agreement in any manner whatsoever, or to create or impose any contractual or other liability on the other Party, or to hold itself out to a third party as having any of the foregoing rights regarding the other Party, without said other Party’s advance, written approval. For all purposes, the Parties’ legal relationship under this Agreement to each other shall be that of independent contractor. This Agreement is not a partnership agreement and nothing in this Agreement shall be construed to establish a relationship of partners or joint venturers or any other relationship between the Parties, except that of licensor and licensee as set forth in this Agreement.

11.4 Dispute Resolution. Any dispute arising from or relating to the subject matter of this Agreement that cannot be resolved within a period of thirty (30) days after notice of a dispute has been given by one Party hereunder to the other, will be escalated to the CEO or President of each Party for a period of discussion of up to fifteen (15) days following the initial 30 days (the last day of such fifteen (15) day period being herein referred to as the “Arbitration Date”). If the heads of the Parties still cannot resolve the dispute after this 15 day period, such dispute shall be finally settled by arbitration in New York, New York, using the English language in accordance with the Arbitration Rules and Procedures of JAMS then in effect, by one or more commercial arbitrator(s) with substantial experience in resolving complex commercial contract disputes, who may or may not be selected from the appropriate list of JAMS arbitrators. If the Parties cannot agree upon the number and identity of the arbitrators within fifteen (15) days following the Arbitration Date, then a single arbitrator shall be selected on an expedited basis in accordance with the Arbitration Rules and Procedures of JAMS. Any arbitrator so selected shall have substantial experience with pharmaceutical or biopharmaceutical industry licensing. The arbitrator(s) shall have the authority to grant specific performance and to allocate between the Parties the costs of arbitration (including service fees, arbitrator fees and all other fees related to the arbitration) in such equitable manner as the arbitrator(s) may determine. Judgment upon the award so rendered may be entered in a court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. Notwithstanding the foregoing, each Party shall have the right to institute an action in a court of proper jurisdiction for preliminary injunctive relief pending a final decision by the arbitrator(s), provided that a permanent injunction and damages shall only

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11.5 **Governing Law.** This Agreement shall be construed, and the respective rights of the Parties determined, according to the substantive law of New York, USA without regard to the provisions governing conflict of laws. The United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

11.6 **Assignment.** This Agreement may not be assigned or transferred by either Party, in whole or in part, without the prior written consent of the other Party; *provided* that, without consent of the other Party, either Party may assign this Agreement, in whole or in part, to any of its Affiliates if such Party guarantees the performance of this Agreement by such Affiliate; and *provided further* that, without consent of the other Party, either Party may assign this Agreement to a successor to all or substantially all of the assets or business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or other similar transaction or series of transactions if such successor agrees in writing to be bound by all obligations to the other Party under this Agreement. Any assignment in violation of this provision is void and without effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns. In the event WuXi assigns or transfers any of the Licensed IP to a Third Party, WuXi shall impose on such assignee or transferee such obligations as are necessary so that Arcus retains and obtains all of the rights to which it is entitled with respect to such Licensed IP under this Agreement.

11.7 **Notices.** All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, in English, and will be deemed to have been duly given only if delivered personally, by mail (first class, postage prepaid, return receipt requested), or by overnight delivery using a globally-recognized carrier, to the Parties at the following addresses:

**Arcus:**
Arcus Biosciences, Inc.
3928 Point Eden Way
Hayward, CA 94545
Attn: Juan Jaen, Ph.D., President

*with a courtesy copy to:*
Gunderson Dettmer Stough, Villeneuve,
Franklin and Hachigian, LLP
201 South Main Street
Suite 700
Ann Arbor, MI 48104
Attn: Marcia Hatch, Esq.

**WuXi:**
Wuxi Biologics (Cayman) Inc.
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands
Attn: Chris Chen, CEO

*with a courtesy copy to:*
Haynes and Boone, LLP
1221 McKinney Street
Suite 2100
Houston, TX 77010
Attn: Frank Wu, Esq.
CONFIDENTIAL TREATMENT REQUESTED

or to such other address as the addressee shall have last furnished in writing in accord with this provision. All notices shall be deemed effective upon receipt by the addressee. For clarity, the courtesy copy of any such notices will not be effective to provide notice to the Party.

11.8 **Severability.** If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

11.9 **Headings.** The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

11.10 **Waiver.** No waiver of any term or condition of this Agreement shall be effective unless set forth in a written instrument duly executed by or on behalf of the waiving Party. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any prior, concurrent or future occasion. Except as expressly set forth in this Agreement, all rights and remedies available to a Party, whether under this Agreement or afforded by Applicable Law or otherwise, will be cumulative and not in the alternative to any other rights or remedies that may be available to such Party.

11.11 **Entire Agreement.** This Agreement (including any exhibits and schedules hereto) constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all previous agreements and understandings between the Parties, whether written or oral, including, but not limited, to all proposals, negotiations, conversations, letters of intent, term sheets, memoranda of understanding or discussions, between the Parties relating to the subject matter of this Agreement and all past dealing or industry custom.

11.12 **Modification.** This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and the clause to be modified, which amendment is signed by duly authorized representatives of Arcus and WuXi.

11.13 **No Third Party Beneficiaries.** None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including, but not limited to, any creditor of either Party hereto, except the Indemnification provision in Article 8.

11.14 **Ambiguities.** This Agreement shall be deemed to have been drafted jointly by both Parties; and ambiguities, if any, shall not be construed against either Party, irrespective of which Party may have actually drafted the ambiguous provision. Each Party has had an opportunity to consult independent legal counsel in reaching this Agreement.

11.15 **Counterparts.** This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document. Execution of a facsimile copy (including PDF) shall have the same force and effect as execution of an original, and a facsimile signature shall be deemed an original and valid signature.

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IN WITNESS WHEREOF, Arcus and WuXi, by their duly authorized officers, have executed this Agreement as of the Effective Date.

ARCUS BIOSCIENCES, INC.

By: /s/ Juan C. Jaen

Name: Juan C. Jaen

Title: President

WUXI BIOLOGICS (CAYMAN) INC.

By: /s/ Chris Chen

Name: Chris Chen

Title: CEO

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EXHIBIT 1

LICENSED PATENTS

[***]

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LICENSED TECHNOLOGY

[***]

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CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 3

DOSE ESCALATION BATCH SPECIFICATIONS

[***]

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EXHIBIT 4

INITIAL CLINICAL AND COMMERCIAL MANUFACTURING PRICES

[***]

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OPTION AND LICENSE AGREEMENT

THIS OPTION AND LICENSE AGREEMENT ("Agreement") is made and entered into effective as of September 19, 2017 (the "Effective Date"), by and between ARCUS BIOSCIENCES, INC., a company organized under the laws of the State of Delaware, U.S.A., having a business address at 3928 Point Eden Way, Hayward, CA 94545, U.S.A. ("Arcus"), and TAIHO PHARMACEUTICAL CO., LTD., a corporation organized under the laws of Japan, having a business address at 1-27 Kandanishiki-cho, Chiyoda-ku, Tokyo 101-8444, Japan ("TAIHO").

RECITALS

WHEREAS, Arcus owns or controls certain intellectual property assets, including patents, patent applications and know-how, relating to innovative cancer immunotherapies;

WHEREAS, TAIHO is a company that specializes in developing and commercializing pharmaceutical and therapeutic products in the Territory (defined below); and

WHEREAS, the parties desire to establish a strategic relationship, pursuant to which, among other things:

(a) TAIHO will provide research and development support to Arcus in the form of certain non-refundable, non-creditable, cash payments; and

(b) Arcus would grant to TAIHO, with respect to each Option Product (defined below):

(i) during the Exercise Period (defined below) for such Option Product, an exclusive option to obtain an exclusive license to Develop and Commercialize such Option Product in the Field in and for the Territory; and

(ii) upon TAIHO's exercise of the Option (defined below), an exclusive license to Develop and Commercialize Licensed Products in the Field in and for the Territory during the Term (defined below);

in each case, on the terms and subject to the conditions set forth hereinafter.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Arcus and TAIHO hereby agree as follows:

1. DEFINITIONS

1.1 "Accounting Standards" shall mean International Financial Reporting Standards.
1.2 “Achievement” shall mean, with respect to a Development and Regulatory Milestone or a Sales Achievement Milestone, the achievement of such milestone by TAIHO or any of TAIHO’s Sublicensees. “Achieve” and “Achived” shall have a correlative meaning.

1.3 “Acquiring Party” shall have the meaning provided in Section 13.4(b).

1.4 “Act” shall mean, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§301 et seq., and/or the Public Health Service Act, 42 U.S.C. §§262 et seq., as such may be amended from time to time.

1.5 “Affiliate” shall mean, with respect to a Person, any company or entity controlled by, controlling, or under common control with such Person, for as long as such control exists. As used in this definition and Section 13.4, “control” shall mean: (a) possession, directly or indirectly, of the power to direct the management and policies of such company or entity, whether through ownership of voting securities or by contract relating to voting rights or corporate governance; or (b) direct or indirect beneficial ownership of more than 50% of the voting share capital in such company or entity. Notwithstanding the foregoing, (i) the Affiliates of TAIHO shall exclude any Person that is controlled by Otsuka Holdings Co. Ltd., having offices at 2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo 101-0048 Japan (other than TAIHO and any Person that is controlled by TAIHO) and (ii) the Affiliates of Arcus shall exclude PACT Pharma, Inc. ("PACT") and any Person that is controlled by PACT.

1.6 “Amounts Owed” shall have the meaning provided in Section 5.9.

1.7 “Antibody” shall mean an antibody that is Controlled by Arcus.

1.8 “Anti-Corruption Laws” means the U.S. Foreign Corrupt Practices Act, as amended, the Organization for Economic Co-operation and Development (OECD) Convention on combating bribery of foreign public officials in international business transactions, and any other applicable anti-corruption laws.

1.9 “Applicable Laws” shall mean the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidances, ordinances, judgments, decrees, directives, injunctions, orders, permits of or from any court, arbitrator, regulatory authority or governmental agency or authority having jurisdiction over or related to the subject item, including the Act, Anti-Corruption Laws and Export Control Laws.

1.10 “Approved Indication” shall have the meaning provided in Section 5.2(d)(iv).

1.11 “Approved Licensed Product” shall have the meaning provided in Section 5.2(d)(iv).

1.12 “Approval Pathway” shall have the meaning provided in Section 5.2(d)(iv).

1.13 “Arcus Indemnitees” shall have the meaning provided in Section 11.1.

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1.14 “Arcus Invention” shall mean any Invention made solely by one or more employees, consultants or contractors of Arcus.

1.15 “Arcus Know-How” shall mean all Information Controlled by Arcus that is reasonably necessary for or actually used in the Development or Commercialization of Licensed Product or Companion Diagnostic in the Field, including any such Information relating to Arcus Inventions for such Licensed Product or Companion Diagnostic, but excluding Arcus’s interest in Joint Inventions and Arcus Patents.

1.16 “Arcus License” shall have the meaning provided in Section 3.2.

1.17 “Arcus Patents” shall mean, subject to Section 8.2, only those Patent Rights Controlled by Arcus and only to the extent such Patent Rights cover the Development or Commercialization of Licensed Product or Companion Diagnostic in the Field in or for the Territory, excluding Arcus’s interest in Joint Patents.

1.18 “Arcus Partner” shall have the meaning provided in Section 3.4.

1.19 “Arcus Partner Agreement” shall have the meaning set forth in Section 3.4(b).

1.20 “Arcus Program” means [***], in each case that have been, at least in part, [***], provided that [***] prior to or during the Option Period. For clarity, during the period prior to the end of the Option Period, [***].

1.21 “Arcus Technology” shall mean the Arcus Patents and the Arcus Know-How and the Arcus Inventions.

1.22 “Arcus Trademarks” shall have the meaning provided in Section 8.7.

1.23 “Asia” shall mean [***].

1.24 “Assigning Party” shall have the meaning provided in Section 13.4.

1.25 “Auditor” shall have the meaning provided in Section 6.4.

1.26 “Biosimilar Application” shall mean an application submitted to the FDA under 42 U.S.C. §262(k) or Section 351(k) of the PHS Act, or any analogous application submitted to a Regulatory Authority in the United States or in another country in the world.

1.27 “BLA” shall mean a Biologies License Application or similar application or submission filed with or submitted to a Regulatory Authority in a jurisdiction that is necessary to obtain Marketing Approval of a biologic product in such jurisdiction, including any such application filed with the FDA pursuant to 21 C.F.R. Part 601.

1.28 “BPCI Act” means the Biologies Price Competition and Innovation Act of 2009 within the Patient Protection and Affordable Care Act, as set forth in Section 351(k) of the PHS Act (42 U.S.C. 262), which was signed into law in the United States in March 2010, and as may be subsequently amended.

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1.29 “Bridging Study” shall mean a supplemental Clinical Trial of a Licensed Product conducted in Japan that is designed to (a) allow extrapolation of pivotal data obtained from a Registrational Clinical Trial within the Arcus Know-How that, in TAIHO’s good faith opinion, did not include sufficient number of Japanese (or other acceptable Asian) patients to obtain Marketing Approval for such Licensed Product by Japanese Regulatory Authorities based solely on the Arcus Know-How and (b) generate all additional clinical data that, along with data within the Arcus Know-How, will be sufficient to obtain Marketing Approval for such Licensed Product in Japan.

1.30 “Bridging Study Pathway” shall have the meaning provided in Section 5.2(b).

1.31 “Bring-Down Disclosure Schedule” means a schedule of exceptions to the representations and warranties of Arcus, as made in accordance with Section 9.3 with respect to an applicable Arcus Program, as such document may be provided pursuant to Section 2.1(c), which (a) shall have been prepared in good faith in an attempt to accurately and specifically state, as of the applicable License Date, any exceptions to, or other information required to be disclosed pursuant to, the representations and warranties of Arcus set forth in Section 9.2 of this Agreement, (b) shall not contain any general disclaimers (as opposed to specific exceptions to any representation or warranty of Arcus set forth in this Agreement) other than general disclaimers that are not material, and any attempt to include such general disclaimers that are material shall be disregarded; and (c) shall not limit the scope of representations and warranties made by Arcus other than with respect to such applicable Arcus Program.

1.32 “Broadened Indication” shall have the meaning provided in Section 5.2(d)(iii)(2).

1.33 “Business Day” means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of Japan or the State of California, as applicable, or is a day on which banking institutions located in Japan or the State of California are authorized or required by law or other governmental action to close.

1.34 “Challenging Party” shall have the meaning provided in Section 10.2(d).

1.35 “Claims” shall have the meaning provided in Section 11.1.

1.36 “Clinical Trial” shall mean a clinical trial in human patients (not including healthy volunteers) that has been approved by, as applicable, a Regulatory Authority and an institutional review board or ethics committee, and is designed to measure the safety and/or efficacy of an Antibody, Compound or Therapeutic Product.

1.37 “CMO” shall have the meaning provided in Section 4.8(a).

1.38 “CMO Supply Agreement” shall mean each agreement and all related material documents, including exhibits, attachments and amendments thereto, entered into by Arcus or an Arcus Partner, with a Third Party pertaining to the manufacture, production or supply of Option Product or Licensed Product, including any agreement for the manufacture of a component or intermediate of an Option Product or Licensed Product such as an Antibody or Compound.

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1.39 “Combination Product” shall mean (a) a finished dosage form of a Therapeutic Product containing both a given Antibody or Compound and one or more pharmaceutically active ingredients other than such Antibody or Compound or (b) a Therapeutic Product sold as one of a bundle of products without a separate price.

1.40 “Commercialization” shall mean engaging in any and all activities directed or related to manufacturing, marketing, promoting, distributing, offering for sale, selling, importing, exporting or otherwise commercially exploiting a product (and any use for such purposes), including conducting marketing and post-marketing studies. TAIHO may conduct marketing and post-marketing studies of Licensed Products only in or, subject to Section 4.12 below, for use in the Territory. “Commercialize” shall have a correlative meaning.

1.41 “Commercialization Milestone Payments” shall have the meaning provided in Section 5.3.

1.42 “Commercially Reasonable Efforts” shall mean, with respect to the efforts to be expended by a party with respect to any objective, using those reasonable, good faith efforts at least consistent with the efforts such party would devote (and which shall in any case be at least consistent with the level of effort and resources that would be reasonably expected of a company in the pharmaceutical industry of similar size and scope to such party) to a product of similar market potential, profit potential (determined without taking into account payments under this Agreement), stage of development and strategic value resulting from its own research efforts, based on all relevant factors and conditions then prevailing. Without limiting the foregoing, Commercially Reasonable Efforts in all cases requires at least that (i) each party promptly assigns responsibility for such obligations on an ongoing basis; (ii) each party sets and consistently seeks to achieve meaningful objectives for carrying out such obligations; and (iii) each party consistently makes and implements decisions designed to advance progress with respect to such objectives.

1.43 “Companion Diagnostic” shall mean, subject to Section 8.2, a product, test or procedure Controlled by Arcus to identify patients who may or may not benefit from a Licensed Product, to monitor the progress or effect of therapy using or exposure levels of a Licensed Product, or to provide information used to measure, guide or inform the diagnosis, treatment or prognosis of a patient with a Licensed Product.

1.44 “Competitive Infringement” shall have the meaning provided in Section 8.4.

1.45 “Compound” shall mean a chemical compound or other composition (of any modality) that is Controlled by Arcus.

1.46 “Confidential Information” shall have the meaning provided in Section 7.1.

1.47 “Confidentiality Agreement” shall mean, collectively, any and all confidentiality or non-disclosure agreements between the parties, and/or their Affiliates, entered into prior to the Effective Date relating to the subject matter of this Agreement.
“Control” or “Controlled by” shall mean, with respect to any Patent Rights, Information or other intellectual property rights, the possession by a Person of the ability (whether by ownership or license, other than pursuant to a license granted to such Person by a party to this Agreement) to grant access to, or a license or sublicense of, such Patent Rights, Information or other intellectual property rights in accordance with this Agreement without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Person would be first required to grant such access, license, or sublicense. A Person shall be deemed to Control any subject matter so controlled by its Affiliates (subject in each case to Section 13.4(b) below).

“Credits” shall have the meaning provided in Section 5.9.

“Development” shall mean, engaging in research, or pre-clinical, non-clinical or clinical drug development activities, including, but not limited to, test method development, stability testing, toxicology, manufacturing of supplies for Development purposes, manufacturing scale-up, analytical method validation, manufacturing process validation, cleaning validation, post-approval changes, quality assurance/quality control, statistical analysis, report writing, clinical studies, regulatory filing submission and approval and regulatory affairs, but expressly excluding manufacturing of commercial supplies, provided that “Development”, as such term applies to TAIHO, does not include engaging in any pre-clinical drug development activities, including, without limitation, any discovery, formulation, process development or preclinical studies or modifying any Licensed Products, except only to the extent reasonably necessary or useful in connection with efforts to obtain Marketing Approval or develop Licensed Products in accordance with the terms of this Agreement, and in such event, TAIHO shall keep Arcus informed of such activities and, at Arcus’s request, consult with Arcus, in good faith, with respect thereto and how best to proceed. For the avoidance of doubt, any such modified versions of Licensed Products shall be deemed to be Licensed Products under this Agreement. In addition, TAIHO may only conduct clinical studies of the Licensed Products in the Territory, or (subject to Section 4.12 below), outside the Territory for the purpose of Developing and Commercializing the Licensed Products in the Territory. “Developing” and “Develop” shall have correlative meanings.

“Development and Regulatory Milestones” shall have the meaning provided in Section 5.2.

“Development and Regulatory Milestone Payments” shall have the meaning provided in Section 5.2.

“Disclosing Party” shall have the meaning provided in Section 7.1.

“Dose Escalation Data Package” shall mean with respect to an Arcus Program: (a) all Top-Line Data from the first completed Dose Escalation Study for a first Therapeutic Product in such Arcus Program, including for each patient of the Dose Escalation Study, follow-up results directed to evaluating safety and tolerability of the Therapeutic Product for a period of at least [***] days after the last dosing of the last patient in such Dose Escalation Study, or if shorter, the follow-up period set forth in the trial protocol, (b) all Regulatory Filings and
The document contains definitions of various terms, including:

1. **Dose Escalation Study** shall mean, with respect to a Therapeutic Product, a Phase I Clinical Trial for such Therapeutic Product that includes the dosing of the number of patients defined in the protocol to (a) establish the maximum tolerated dose of such Therapeutic Product or, if no maximum tolerated dose is established, evaluates dosing levels sufficient to establish recommended therapeutic dose for the Therapeutic Product provided for in the protocol for such Phase I Clinical Trial and (b) establish the recommended dose of such Therapeutic Product for use in a Phase Ib Clinical Trial or Phase II Clinical Trial.

2. **EMA** shall mean the European Medicines Agency or any successor Regulatory Authority thereto in the European Union having substantially the same function.

3. **Excess Withholding Tax** shall have the meaning provided in Section 13.4.

4. **Executives** shall mean the President or Chief Executive Officer of TAIHO and the President or Chief Executive Officer of Arcus, as applicable.

5. **Exercise Period** shall mean, with respect to a particular Arcus Program, the period commencing upon the Effective Date and ending on the later of (a) [***] days after TAIHO’s receipt of [***] and (b) the expiration of the Option Period, provided the Exercise Period with respect to a particular Arcus Program shall terminate if the Option Products in such Arcus Program have become Licensed Products.

6. **Export Control Laws** shall mean: (a) all applicable U.S. export control laws, including the Arms Export Controls Act (22 U.S.C. Ch. 39), the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 et seq.), the Trading With the Enemy Act (50 U.S.C. app. §§ 1 et seq.), the Export Administration Act of 1979 (50 U.S.C. app. §§ 2401 et seq.), International Boycott Provisions of Section 999 of the U.S. Internal Revenue Code of 1986, and all rules, regulations and executive orders relating to any of the foregoing, including but not limited to the International Traffic in Arms Regulations (22 C.F.R. §§ 120 et seq.), the Export Administration Regulations (15 C.F.R. §§ 730 et seq.), and the regulations administered by the Office of Foreign Assets Controls of the United States Department of the Treasury; and (b) all export controls imposed on any Licensed Product by any country or organization or nations within whose jurisdiction either party operates or does business.

7. **FDA** shall mean the U.S. Food and Drug Administration, or any successor Regulatory Authority thereto in the U.S. having substantially the same function.

8. **Field** shall mean all human uses and indications.

9. **First Commercial Sale** shall mean, with respect to a given Licensed Product in a given country, the first commercial transfer or disposition for value of such Licensed Product by TAIHO or its Sublicensee to a Third Party (other than a Sublicensee) for end use or
consumption of such Licensed Product in such country after receipt of Marketing Approval for such Licensed Product in such country.

1.64 “Flow Down Provisions” shall have the meaning set forth in Section 3.4(b).

1.65 “GCP” shall mean then-current good clinical practices, as set forth in 21 C.F.R. Parts 50, 54, 56, 312 and 314 and as interpreted by relevant ICH guidelines; in each case, as amended from time to time.

1.66 “Generic Competition” shall have the meaning provided in Section 5.6(a).

1.67 “Generic Product” shall mean, with respect to a particular Licensed Product and a particular country, any pharmaceutical product (other than the Licensed Product sold under authority from TAIHO) that: (a) contains the same active ingredient(s) and route of administration as such Licensed Product and has received Marketing Approval in such country; or (b) contains a substantially similar active ingredient as such Licensed Product and (i) for which biosimilarity or interchangeability (as applicable) with such Licensed Product has been demonstrated and (ii) which has received Marketing Approval in such country relying in whole or in part on any data generated in support of a Marketing Approval for such Licensed Product.

1.68 “Generic Product Presence” shall have the meaning provided in Section 5.6(a).

1.69 “Global Study” shall mean a multi-country Phase II Clinical Trial or Phase III Clinical Trial of a Licensed Product that is conducted by Arcus, its Affiliates or a Third Party under authority from Arcus, is joined by TAIHO or any of its Affiliates or Sublicensees with respect to any part of the Clinical Trial conducted in Japan and is designed (a) to satisfy the requirements of the Regulatory Authorities in Japan (including sufficient numbers of Japanese (or other mutually agreed Asian) patients to satisfy such requirements) and (b) (i) if such Clinical Trial is a Phase II Clinical Trial, to be sufficient without a further Clinical Trial, to form the basis for proceeding to a Phase III Clinical Trial (or filing a BLA or NDA in Japan and one or more Major Markets) or (ii) if such Clinical Trial is a Phase III Clinical Trial, to provide an adequate basis to obtain Marketing Approval in Japan and one or more Major Markets. For such purposes, to “join” a Clinical Trial means that TAIHO or any of its Affiliates or Sublicensees (or a combination of them) (A) is the sponsor of such Clinical Trial in Japan, or is primarily responsible for carrying out or overseeing the conduct of such Clinical Trial in Japan, (B) is responsible for no more than its proportionate share of the costs of such Clinical Trial based on the number of patients in Japan (or other mutually agreed Asians) relative to all patients in the Clinical Trial and (C) has mutually agreed with Arcus in a writing specifically referencing this Agreement that it is joining such Clinical Trial. If TAIHO (or its Affiliate or Sublicensee or any combination of them) is “joining” a Global Study, then the parties shall enter into an agreement specifying the parties’ respective roles and responsibilities and describing how costs associated therewith shall be handled.

1.70 “Global Study Pathway” shall have the meaning provided in Section 5.2(a).

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1.71 “GLP” shall mean then-current good laboratory practices, as set forth in 21 C.F.R. Part 58 and as interpreted by relevant ICH guidelines; in each case, as amended from time to time.

1.72 “GMP” shall mean the then-current good manufacturing practices and standards for the production of drugs and finished pharmaceuticals, as set forth in (a) 21 C.F.R. Parts 210, 211, 601 and 610, (b) and the ICH Q7 guidelines; and (c) the equivalent Applicable Law in any relevant country, in each case, as amended from time to time, subject to any arrangements, additions or clarifications agreed in writing from time to time between the parties.

1.73 “ICH” means the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use.

1.74 “IND” shall mean an investigational new drug application, clinical study application, clinical trial exemption, or similar application or submission filed with or submitted to the FDA, TGA or EMA (including data collected under the IND Enabling Studies) that is necessary to commence human clinical trials in the applicable jurisdiction, including any such application filed with the FDA pursuant to 21 C.F.R. Part 312 or with the TGA or EMA pursuant to the equivalent thereto in the applicable jurisdiction.

1.75 “IND Acceptance” shall mean, with respect to a Clinical Trial, written approval from the FDA, TGA or EMA that approves the IND and the commencement of such Clinical Trial in the applicable jurisdiction, provided that such written approval will be deemed to have been granted if (a) thirty-five (35) days have elapsed following confirmation by the FDA of its receipt of such IND (as confirmed either via a letter or fax) without (i) imposition of a clinical hold by the FDA or (ii) any other notification by the FDA that the applicable Clinical Trial cannot so proceed as contemplated by such IND or (b) notification by FDA, TGA or EMA that the applicable Clinical Trial can so proceed as contemplated by such IND, in each case (a) and (b), as a consequence of such events, the Clinical Trial may lawfully proceed as described in the applicable IND.

1.76 “IND Enabling Studies” means, with respect to Antibodies, Compounds or Therapeutic Products, toxicity studies evaluating such Antibodies, Compounds or Therapeutic Products that are conducted in accordance with GLP.

1.77 “Indemnified Party” shall have the meaning provided in Section 11.3.

1.78 “Indemnifying Party” shall have the meaning provided in Section 11.3.

1.79 “Indication Category” shall have the meaning provided in Section 5.2(d)(iii).

1.80 “Information” shall mean any and all tangible and intangible information, techniques, technology, practices, trade secrets, inventions (whether patentable or not), methods, processes, knowledge, know-how, skill, experience, data and results (including pharmacological, toxicological and clinical test data and results), reports, analytical and quality control data, results or descriptions, software and algorithms, materials and cell lines, including Regulatory Filings and Regulatory Documents.

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1.81 “Infringement” shall have the meaning provided in Section 8.4.

1.82 “Initial Disclosure Schedule” means the schedule of exceptions referenced in Exhibit 1.82.

1.83 “Initiation” of a human Clinical Trial shall mean the first dosing, whether of the investigational product, placebo or comparator, of the first subject so dosed in such trial.

1.84 “Intra-Portfolio Combination” shall have the meaning provided in Section 5.4.

1.85 “Invention” shall mean any invention, whether or not patentable, made in the course and as a result of the conduct of activities conducted pursuant to this Agreement.

1.86 “Japanese Regulatory Authority(ies)” means, individually and together, the Ministry for Health, Labor and Welfare of Japan and any successor entity thereto and the Pharmaceutical and Medical Devices Agency (formerly known as IYAKUHIN IRYOKIKI SOGO KIKO), or any successor entity thereto.

1.87 “Joint Development Committee” shall have the meaning provided in Section 4.1.

1.88 “Joint Invention” shall mean any Invention made jointly by one or more employees, consultants or contractors of TAIHO and one or more employees, consultants or contractors of Arcus.

1.89 “Joint Patents” shall mean Patent Rights claiming Joint Inventions.

1.90 “Joint Steering Committee” shall have the meaning provided in Section 4.1.

1.91 “Joint Technology” shall mean Joint Inventions and Joint Patents.

1.92 “License” shall have the meaning provided in Section 3.1.

1.93 “License Date” shall have the meaning provided in Section 3.1.

1.94 “Licensed Products” shall have the meaning provided in Section 3.1.

1.95 “Losses” shall mean any and all damages (including, but not limited to, all loss of profits, diminution in value, and incidental, indirect, consequential, special, reliance, exemplary, punitive, statutory and treble damages), awards, deficiencies, settlement amounts, defaults, assessments, fines, dues, penalties, costs, fees, liabilities, obligations, taxes, liens, losses and expenses (including, but not limited to, court costs, interest and reasonable fees of attorneys, accountants and other experts) incurred by or awarded to Third Parties and required to be paid to Third Parties with respect to a Claim by reason of any judgment, order, decree, stipulation or injunction, or any settlement entered into in accordance with the provisions of this Agreement, together with all documented out-of-pocket costs and expenses incurred in contesting any Third Party Claim or complying with any judgments, orders, decrees, stipulations and injunctions that arise from or relate to a Third Party Claim.

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1.96 "Major Cancer Indication" shall mean an indication which meets the following conditions: (a) first line or second line treatment in [***] and (b) the number of target patients in Japan is greater than [***]. For clarity, the target patients for (i) a given Clinical Trial will be the population of patients in Japan who would meet the inclusion criteria for such Clinical Trial, (ii) a given NDA/BLA will be the patient population in Japan for which approval for treatment with the Licensed Product is sought, as defined in the requested labelling included in such NDA/BLA, and (iii) a given Marketing Approval will be the patient population in Japan approved for treatment with the Licensed Product, as defined in the approved label.

1.97 "Major Market" shall mean any of the United States, France, Germany, Italy, Spain, the United Kingdom, and the People’s Republic of China.

1.98 "Marketing Approval" shall mean approval from the relevant Regulatory Authority in a given country necessary to market and sell a pharmaceutical product in such country, which for the sake of clarity, shall not include pricing and reimbursement approval, prior to any commercial disposition of such product in such country.

1.99 "Milestone Stage" shall have the meaning provided in Section 5.2(d)(iii).

1.100 "Minor Cancer Indication" shall mean any indication that is not a Major Cancer Indication.

1.101 "Narrowed Indication" shall have the meaning provided in Section 5.2(d)(iii)(2).

1.102 "NDA" shall mean: (a) in the United States, a New Drug Application (as more fully defined in 21 CFR 314.5, et seq.) filed with the FDA, or any successor application thereto; or (b) in any other country or group of countries, the equivalent application or submission for approval to market a pharmaceutical product filed with the governing Regulatory Authority in such country or group of countries.

1.103 "Net Sales" shall mean the gross amounts invoiced for sales or other dispositions of Licensed Products by a Selling Party to Third Parties (other than another Selling Party), less the following deductions actually allowed or taken on the sale of Licensed Products by the Selling Party, all in compliance with applicable Accounting Standards, consistently applied by the Selling Party:

[***]

In no event shall any particular amount identified above be deducted more than once in calculating Net Sales (i.e., no “double counting” of deductions).

[***]
On a country-by-country basis, if a Licensed Product under this Agreement is sold in the form of a Combination Product in a country, Net Sales for the purpose of determining royalties due hereunder shall be calculated as follows:

[***]

1.104 “Option” shall have the meaning provided in Section 2.1(a).

1.105 “Option Exercise Payments” shall have the meaning provided in Section 5.1.

1.106 “Option Period” shall mean, the five (5) year period from and after the Effective Date, unless extended as provided in Section 2.1(f), in which case, it shall mean the period determined under such Section 2.1(f) from and after the Effective Date.

1.107 “Option Product” shall mean each of the Antibodies, Compounds, and/or Therapeutic Products included in a particular Arcus Program. Without limiting the scope of Option Products, Exhibit 1.107 includes a pipeline list (together with non-binding, estimated development timelines of such Option Products) as of the Effective Date. For the sake of clarity, an Option Product ceases to be an Option Product upon the earlier of (a) such Option Product becoming a Licensed Product and (b) the end of the Exercise Period for the Arcus Program of which such Option Product is part.

1.108 “Other Active” shall mean, with respect to a Combination Product, any active pharmaceutical ingredient other than a particular Antibody or Compound within such Combination Product. It is understood that an Other Active may be another Antibody or Compound.

1.109 “Patent Certification” shall have the meaning provided in Section 8.4.

1.110 “Patent Clearance” shall have the meaning provided in Section 8.4.

1.111 “Patent Rights” shall mean (a) all applicable national, regional and international patents and patent applications, including without limitation provisional patent applications, (b) all patent applications filed either from such patents and patent applications or from a patent application claiming priority from any of these, including any continuation, continuation-in-part, division, provisional, converted provisional and continued prosecution applications, or any substitute applications, (c) any patent issued with respect to or in the future issued from any such patent applications including utility models, petty patents and design patents and certificates of invention, and (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, reexaminations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications.

1.112 “Patent Term Extensions” shall have the meaning provided in Section 8.3.

1.113 “Person” shall mean any individual, partnership, joint venture, limited liability company, corporation, firm, trust, association, unincorporated organization, governmental authority or agency, or any other entity not specifically listed herein.

1.114 “Phase I Clinical Trial” shall mean a Clinical Trial of a Therapeutic Product conducted in the United States, European Union or Australia that would satisfy the requirements for a Phase I study as defined in 21 CFR § 312.21(a) or a Phase I study as defined in ICH E8 Guideline, in each case, as amended (or its successor regulation).
1.115 "Phase Ib Clinical Trial" shall mean the cohort expansion phase of a Phase I Clinical Trial of a Therapeutic Product after the Dose Escalation Study portion of such Phase I Clinical Trial that includes the dosing of one or more cohorts of patients at the recommended dose determined in such Dose Escalation Study, the principal purpose of which cohort expansion phase is to evaluate safety, tolerability and indication of efficacy of such Therapeutic Product in patients, and which cohort expansion phase would generally be considered a phase Ib Clinical Trial in the oncology field in the United States.

1.116 "Phase Ib Data Package" shall mean, with respect to an Arcus Program: (a) all Top-Line Data from the first completed Phase Ib Clinical Trial for a first Therapeutic Product in such Arcus Program, including for each patient follow-up results directed to evaluating safety, tolerability and indication of efficacy of the Therapeutic Product through the period ending on [***] days after the last dosing of the last patient in such Phase Ib Clinical Trial, or if shorter, the follow-up period set forth in the trial protocol, as well as all follow-up results from patients in the related Dose Escalation Study of such Therapeutic Product through the end of such [***]-day period, or if shorter, the follow-up period set forth in the trial protocol, (b) all Regulatory Filings and substantive Regulatory Documents then available with respect to such Arcus Program, and (c) if then available, the final clinical trial report from such Phase Ib Clinical Trial and the related Dose Escalation Study. The Phase Ib Data Package for a Therapeutic Product shall also include the Dose Escalation Data Package for such Therapeutic Product.

1.117 "Phase II Clinical Trial" shall mean a Clinical Trial, the principal purpose of which is to make a preliminary determination as to whether a product is safe for its intended use and to obtain sufficient information about such product’s efficacy, in a manner that is generally consistent with and as defined in 21 CFR § 312.21(b), as amended (or its successor regulation), to permit the design of further Clinical Trials.

1.118 "Phase III Clinical Trial" shall mean a pivotal Clinical Trial with a defined dose or a set of defined doses of a therapeutic product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with and as defined in 21 CFR § 312.21(c) as amended (or its successor regulation), for the purpose and design of establishing with statistical significance that the Therapeutic Product is safe and effective with respect to a given indication sufficient to obtain Marketing Approval for such Therapeutic Product. A Clinical Trial shall not be deemed a Phase III trial unless it is described as such in the protocol for such trial filed with the applicable Regulatory Authority.

1.119 "PHS Act" means the Public Health Services Act (Title 42, U.S.C., Chapter 6A). As used herein the PHS Act shall refer, more specifically, to 42 USC § 262, which governs the regulation of biological products.

1.120 "Post-Breach Continuation" shall have the meaning provided in Section 10.2(e).

1.121 "Product Materials" shall have the meaning provided in Section 4.8(a).
1.122 “PV Agreement” shall have the meaning provided in Section 4.11.

1.123 “Receiving Party” shall have the meaning provided in Section 7.1.

1.124 “Regional Study Pathway” shall have the meaning provided in Section 5.2(c).

1.125 “Registrational Clinical Trial” shall mean, with respect to a Licensed Product, either (a) a Phase III Clinical Trial for such Licensed Product or (b) a pivotal Phase II Clinical Trial, in each case that, at the time of commencement, is expected to provide an adequate basis for the preparation and submission of a BLA or NDA to obtain Marketing Approval of such Licensed Product in a Major Market.

1.126 “Regulatory Authority” shall mean any country, federal, supranational, state or local regulatory agency, department, bureau or other governmental or regulatory authority having the administrative authority to regulate the development or marketing of pharmaceutical products in any country or other jurisdiction.

1.127 “Regulatory Documents” shall mean all correspondence and materials submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority), and all reports and documentation submitted to or received from Regulatory Authorities in connection with any Regulatory Filing, in each case, related to Option Products, Licensed Products or Companion Diagnostic, as applicable, in the Field, including, by way of example only, advertising and promotion documents, adverse event files and complaint files.

1.128 “Regulatory Filing” means any approvals, licenses, registrations, submissions and authorizations, and applications therefor, including IND, NDA, BLA, drug dossier or drug master file filed, or Marketing Approval obtained, with respect to an Option Product, Licensed Product or Companion Diagnostic, as applicable, in the Field, including all amendments, supplements, annual reports and the like thereof or therefor filed with or otherwise provided to the applicable Regulatory Authority.

1.129 “Regulatory Pathway” shall have the meaning provided in Section 5.2(d)(iii).

1.130 “Representatives” shall have the meaning provided in Section 7.1.

1.131 “Reverted Product” shall have the meaning provided in Section 10.3(b).

1.132 “Royalty Term” shall have the meaning provided in Section 5.7.

1.133 “Sales Achievement Milestones” shall have the meaning provided in Section 5.3.

1.134 “Sale Transaction” shall have the meaning provided in Section 13.4(a).

1.135 “SEC” shall have the meaning provided in Section 7.3.

1.136 “Securities Disclosure Obligations” shall have the meaning provided in Section 7.3.

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1.137 “Selling Party” shall mean (a) TAIHO and its Affiliates, [***].

1.138 “Single-Agent Product” shall have the meaning provided in Section 1.103.

1.139 “Stage 1 Period” shall mean, [***].

1.140 “Stage 2 Period” shall have the meaning provided in Section 5.1.

1.141 “Stage 3 Period” shall have the meaning provided in Section 5.1.

1.142 “Stanford License” shall have the meaning provided in Section 3.1.

1.143 “Subcontractor” shall have the meaning provided in Section 3.3(a).

1.144 “Sublicensee” shall mean Third Parties and/or Affiliates to the extent they receive rights under any sublicense of proprietary Arcus Technology granted by TAIHO hereunder, provided, however, as used herein “Sublicensee” shall not include a wholesaler, reseller or distributor who does not market or promote the Licensed Product in the applicable country.

1.145 “TAIHO Indemnitees” shall have the meaning provided in Section 11.2.

1.146 “TAIHO Invention” shall mean any Invention made solely by one or more employees, consultants or contractors of TAIHO.

1.147 “TAIHO Know-How” shall mean, with respect to a Licensed Product and/or any Companion Diagnostic therefor, all Information that is (a) Controlled by TAIHO prior to the expiration of the Royalty Term for such Licensed Product and/or Companion Diagnostic, (b) was made by or under the authority of TAIHO or its Affiliate or its or their Sublicensees in connection with the Development and/or Commercialization of such Licensed Product or Companion Diagnostic and (c) reasonably necessary for or actually used by TAIHO or its Affiliate, or by a Third Party under authority of TAIHO or its Affiliate, in the Development and/or Commercialization of such Licensed Product or Companion Diagnostic in the Field, but excluding TAIHO’s interest in Joint Inventions. For avoidance of doubt, any particular Information shall be included within TAIHO Know-How only if such Information meets the requirements of each of the foregoing subsections (a), (b) and (c).

1.148 “TAIHO Patents” shall mean, with respect to a Licensed Product and/or any Companion Diagnostic therefor, all Patent Rights that are (a) Controlled by TAIHO prior to the expiration of the Royalty Term for such Licensed Product and/or Companion Diagnostic, (b) claim inventions made by TAIHO or its Affiliate, or by a Third Party under authority of TAIHO or its Affiliate or its or their Sublicensees, in connection with the Development and/or Commercialization of such Licensed Product or Companion Diagnostic, and (c) reasonably necessary for or actually used by TAIHO or its Affiliate, or by a Third Party under authority of TAIHO or its Affiliate, in the Development and/or Commercialization of such Licensed Product and/or Companion Diagnostic in the Field, but excluding TAIHO’s interest in Joint Inventions. For avoidance of doubt, any particular Patent Rights shall be included within TAIHO Patents only to the extent such Patent Rights meets the requirements of each of the foregoing subsections (a), (b) and (c).
1.149 “TAIHO Regulatory Documentation” shall have the meaning provided in Section 10.3(b)(iv).

1.150 “TAIHO Technology” shall mean the TAIHO Patents, TAIHO Know-How and the TAIHO Inventions.

1.151 “TAIHO Trademarks” shall have the meaning provided in Section 10.3(b)(vii).

1.152 “Target” means a human protein, biomolecule or biological target to which an Antibody, Compound or Therapeutic Product is directed, which target in each case shall be deemed to include functional fragments, isoforms, and variants thereof.

1.153 “Term” shall have the meaning provided in Section 10.1.

1.154 “Terminated Products” shall have the meaning provided in Section 10.3(a).

1.155 “Territory” shall mean Japan and Asia (excluding mainland China, Hong Kong, and Macao).

1.156 “TGA” shall mean the Therapeutic Goods Administration or any successor Regulatory Authority thereto in Australia having substantially the same function.

1.157 “Therapeutic Product” shall mean any pharmaceutical formulations containing as active pharmaceutical ingredient an Antibody or a Compound, including a Combination Product.

1.158 “Third Party” shall mean an entity other than TAIHO and its Affiliates, and Arcus and its Affiliates.

1.159 “Third Party Acquirer” shall have the meaning provided in Section 13.4(a).

1.160 “Third Party Agreement” shall mean any agreement between Arcus and any Third Party pursuant to which Arcus Controls any Patent Rights, Information or other intellectual property rights that pertain to the Development or Commercialization of an Antibody or Compound or, unless such agreement is terminated in accordance with Section 9.2(f)(ii), Arcus otherwise first acquired rights to any such Patent Rights, Information or other intellectual property rights.

1.161 “Third Party License” shall have the meaning provided in Section 5.6(b).

1.162 “Third Party Royalties” shall have the meaning provided in Section 5.6(b).

1.163 “Third Party Technology” shall have the meaning provided in Section 5.6(c)(iii).
1.164 “Top-Line Data” from a Clinical Trial shall mean the audited, quality-controlled tables, listings and figures in reasonable and customary form reflecting all results of the Clinical Trial.

1.165 “Valid Claim” shall mean with respect to a Patent Right in a country, any claim of a (a) issued Patent Right that has not (i) expired, irretrievably lapsed or been abandoned, revoked, dedicated to the public or disclaimed or (ii) been found to be unpatentable, invalid or unenforceable by an unreversed and unappealable decision of a court or other governmental agency of competent jurisdiction in such country or (b) application for a Patent Right that (i) is within [***] years from the earliest claimed priority date and is being prosecuted in good faith and has not been abandoned or finally disallowed without the possibility of appeal or re-filing and (ii) has not been admitted to be invalid or unenforceable through reissue, reexamination, or disclaimer.

1.166 “Wind-Down Period” shall have the meaning provided in Section 10.3(b)(ii).

2. Option.

2.1 Option.

(a) Grant. Subject to the terms and conditions of this Agreement, with respect to each Arcus Program, Arcus hereby grants to TAIHO an exclusive option during the Exercise Period for such Arcus Program to obtain an exclusive, royalty-bearing license, with the right to sublicense as expressly provided in Section 3.3, under the applicable Arcus Technology and Arcus’s interest in the Joint Technology, but only for the Field in the Territory: to Develop, make, use, sell, have sold, offer for sale, import, and Commercialize the Option Products in such Arcus Program, solely in the Field, for the Territory, all as described in Section 3.1 below (the “Option”). For the avoidance of doubt, the Option is exercisable only on an Arcus Program-by-Arcus Program basis. TAIHO may not exercise the Option on an Option Product-by-Option Product basis. In other words, TAIHO must exercise the Option in relation to all Option Products in an Arcus Program and not with respect to select Option Products in an Arcus Program.

(b) Diligence. Arcus (directly or through its Affiliates or Arcus Partners) shall use Commercially Reasonable Efforts to (i) initiate IND Enabling Studies for at least five (5) Arcus Programs, each directed to a different Target(s), during the Option Period, and (ii) thereafter to further Develop such Arcus Programs during the applicable Exercise Period. Subject to the foregoing, TAIHO acknowledges and agrees that [***] and so long as Arcus uses Commercially Reasonable Efforts to do so, [***].

(c) Information Sharing. If reasonably requested by TAIHO, Arcus shall provide an update to TAIHO regarding the Development by or under the authority of Arcus of Option Products during the applicable Exercise Period, including with respect to estimated timelines for initiation of IND Enabling Studies, filing of an IND and IND Acceptance with respect to each then-lead Option Product within the applicable Arcus Program, and without limiting the foregoing, to notify TAIHO within [***] of each initiation of IND Enabling Studies.
of an Option Product. In addition, following execution by Arcus of a Third Party Agreement or Arcus Partner Agreement during the applicable Exercise Period pursuant to which Arcus obtains or grants rights pertaining to any Option Products, Arcus will, promptly after execution thereof and in conjunction with each item due from Arcus to TAIHO under subsections (i) through (iii) below, provide TAIHO with a copy of such Third Party Agreement or Arcus Partner Agreement, as applicable. Arcus will provide to TAIHO each Third Party Agreement and Arcus Partner Agreement and related material documents, including all exhibits, attachments and amendments thereto, provided that Arcus may redact any part of any such Third Party Agreement, and of any related material documents, that are not material to TAIHO’s consideration of whether to exercise the Option with respect to a particular Arcus Program and Arcus may redact any part of any such Arcus Partner Agreement, and of any related material documents, that are neither relevant to the determination that such agreement would be compliant with Section 3.4 below nor material to TAIHO’s consideration of whether to exercise the Option with respect to a particular Arcus Program. Without limiting Arcus’s obligations under Section 9.2(f)(ii), if Arcus desires to amend, modify or terminate in any manner that would materially impair TAIHO’s rights hereunder any Third Party Agreement, Arcus will promptly notify TAIHO thereof and provide TAIHO an explanation of Arcus’s reasons for desiring such amendment, modification or termination. [***] In addition:

(i) Within [***] after filing the first IND with the FDA, TGA or EMA for an Option Product, Arcus shall provide TAIHO with all Regulatory Filings (including the IND) and substantive Regulatory Documents relating to such Option Product and thereafter until [***] days after IND Acceptance of such IND, provide to TAIHO all further Regulatory Filings and substantive Regulatory Documents relating to such Arcus Program within [***] after the submission or receipt of such items to or from the applicable Regulatory Authority;

(ii) Within [***] after the first Dose Escalation Data Package for an Option Product in the applicable Arcus Program is complete, Arcus shall provide TAIHO with such Dose Escalation Data Package.

(iii) Within [***] after the first Phase Ib Data Package for an Option Product in the applicable Arcus Program is complete, Arcus shall provide TAIHO with such Phase Ib Data Package.

(iv) To facilitate TAIHO’s decision of whether to exercise the Option with respect to a particular Arcus Program or to extend the Option Period, from time to time until the end of the applicable Exercise Period, Arcus shall, upon TAIHO’s reasonable request, cooperate to permit TAIHO to conduct a reasonable and customary due diligence review of each Arcus Program, and Arcus shall promptly provide such existing Arcus Know-How and, within [***] of TAIHO’s request, provide a Bring-Down Disclosure Schedule, in each case, pertaining to such Arcus Program as is reasonably requested by TAIHO during such Exercise Period.

(v) The items to be provided or made available by Arcus under this Section 2.1(c) may at Arcus’s election either (A) be delivered to TAIHO in tangible or reasonable electronic form or (B) alternatively, if such items are in electronic form, may be made available to TAIHO by granting personnel designated by TAIHO access (including print access)

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to a virtual data room containing such items or (C) a combination of the means described in clauses (A) and (B). If any of the items to be provided or made available by Arcus under this Section 2.1(c) were provided to TAIHO or made available to TAIHO by Arcus as specified in the foregoing clauses (A) through (C), such items shall be deemed to have been timely delivered pursuant to this Section 2.1(c) and Arcus shall not be required to provide them or make them available again after such initial delivery.

(vi) If Arcus determines that after provision of a Bring-Down Disclosure Schedule with respect to an Arcus Program as provided in this Section 2.1(c), but prior to TAIHO’s exercise of the applicable Option, that an update to the Bring-Down Disclosure Schedule is required, but only as a result of facts or circumstances occurring after the delivery the Bring-Down Disclosure Schedule is required pursuant to this Section 2.1(c), then Arcus may deliver such updated Bring-Down Disclosure Schedule to TAIHO. If any such updated Bring-Down Disclosure Schedule is provided less than [***] days before the end of the then-current Option stage (i.e., less than [***] days before the end of each of Stage 1 Period, Stage 2 Period, or Stage 3 Period), the relevant Option stage shall be extended to the date that is [***] following the delivery by Arcus of any such updated Bring-Down Disclosure Schedule.

(vii) If and as reasonably requested by TAIHO, Arcus shall provide to TAIHO, to the extent that it has not yet already been provided, all material data and other Information under Arcus Control regarding the efficacy and side effects of the Option Products and the non-clinical use, clinical use, studies, investigations, or tests of Option Products.

(d) Exercise. Subject to the terms and conditions of this Agreement, TAIHO may, in its sole discretion, exercise the Option with respect to an Arcus Program at any time during the Exercise Period for such Arcus Program by delivering written notice of exercise to Arcus prior to expiration of the Exercise Period for such Arcus Program, whereupon the License shall immediately and automatically become effective with respect to the Option Products in such Arcus Program.

(e) Effect of Failure to Exercise Option. If the Exercise Period for the particular Arcus Program expires without TAIHO having exercised the Option for such Arcus Program in accordance with Section 2.1(d), then, effective upon either such expiration, the Option for such Arcus Program shall automatically terminate and be of no further force or effect, and neither TAIHO nor Arcus shall have any further obligation to the other party with respect to such Arcus Program, and the same shall thereafter cease to be an Arcus Program for all purposes of this Agreement.

(f) Extension of Option Period. In the event that Arcus has not initiated IND Enabling Studies for at least five (5) Arcus Programs prior to the expiration of the Option Period (as such Option Period may be extended according to this Section 2.1(f)), TAIHO may, at its option upon written notice to Arcus, extend the Option Period for [***] from and after the end of the then-current Option Period (i.e., so that on the first such extension (if any), the Option Period, as extended, runs for [***] years from and after the Effective Date, and on [***] extension (if any), the Option Period, as extended, runs for [***] years from and after the Effective Date), but in no event shall the Option Period exceed seven (7) years in total as a result of

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any such extension(s). For the sake of clarity, in the event that Arcus has not initiated IND Enabling Studies for at least five (5) Arcus Programs prior to the expiration of the original Option Period, and as a result, TAIHO extends the Option Period for [***] pursuant to this Section, then if Arcus has initiated IND Enabling Studies for at least five (5) Arcus Programs prior to the expiration of the first extension of the Option Period (i.e., [***] years from the Effective Date), TAIHO may not extend the Option Period [***]. TAIHO’s written notice of its desire to extend the Option Period pursuant to this Section must be given, if at all, prior to the expiration of the then-current Option Period and must be accompanied by a non-refundable, non-creditable payment to Arcus of [***] dollars (US$[***]), payable one-time only with respect to each such extension.

3. **Exclusive Development and Commercialization Licenses.**

3.1 **License Grant Upon Option Exercise.** Subject to the terms and conditions of this Agreement, and effective automatically as of the date upon which TAIHO exercises the Option in accordance with Section 2.1(d) with respect to a particular Arcus Program (the “License Date”), Arcus shall grant and hereby grants to TAIHO the following royalty-bearing license, with the right to sublicense as expressly provided in Section 3.3, under the Arcus Technology and Arcus’s interest in the Joint Technology: (a) an exclusive (even as to Arcus and its Affiliates), royalty-bearing license to Develop and Commercialize the Option Products (and Licensed Products) in such Arcus Program, but only in the Field for the Territory, (b) a non-exclusive license to Develop and Commercialize only in the Field for the Territory Companion Diagnostics applicable to such Arcus Program, and (c) subject to Section 4.12 below, a non-exclusive license to Develop and manufacture the Option Products (and Licensed Products) in such Arcus Program anywhere in the world only for applications in the Field for the purpose of Development, obtaining Marketing Approval and Commercializing the Option Products (and Licensed Products) solely in and for the Territory (collectively, the “License”). Any and all Option Products in Arcus Programs for which TAIHO has exercised the Option during the applicable Exercise Period and in connection with which it has obtained the License shall be referred to herein as “Licensed Products”. In the event a License to be granted by Arcus to TAIHO under the Arcus Technology pursuant to this Section involves Arcus Technology under which Arcus was granted a license by a Third Party then (x) if such Third Party Agreement requires [***]; provided that such Third Party Agreement, [***] was disclosed to TAIHO in a Bring-Down Disclosure Schedule and (y) Arcus agrees to [***]. Notwithstanding anything to the contrary in this Agreement, neither Arcus nor TAIHO have any obligations to Develop or Commercialize any Companion Diagnostic, other than as expressly set forth in Section 3.5.

3.2 **Arcus License.** Subject to the terms and conditions of this Agreement, effective automatically as of the License Date with respect to Licensed Products and their related Companion Diagnostics, TAIHO hereby grants and agrees to grant to Arcus an exclusive (to the extent of TAIHO’s rights and interests), royalty-free, fully-paid license, with the right to sublicense through multiple tiers of sublicenses, under the TAIHO Technology and TAIHO’s interest in the Joint Technology, solely to develop, use, sell, have sold, make, have made, offer for sale, import and otherwise exploit such Licensed Products and Companion Diagnostics in the Field outside the Territory, and subject to Section 4.12 below, a non-exclusive license to manufacture and Develop such Licensed Products and Companion Diagnostics within the

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3.3 Subcontracting and Sublicensing by TAIHO.

(a) **Subcontracting.** Subject to Section 3.3(c), TAIHO may subcontract its Development and/or Commercialization activities under this Agreement to its Affiliates or to its or its Affiliates’ Third Party contractors, sublicensees, manufacturers, contract sales organizations, distributors, wholesalers and resellers. Such Third Parties and Affiliates, to the extent performing any such activities on behalf of TAIHO, are hereinafter referred to as “**Subcontractors**”. For the purposes of this Agreement, TAIHO shall remain responsible and liable for any performance of any such activities by any such Subcontractors.

(b) **Sublicensing.** Subject to Sections 3.3(c) and (d) below, TAIHO may sublicense its rights to Develop and/or Commercialize Licensed Products and Companion Diagnostics under Section 3.1, in whole or in part, to any Affiliates or Third Parties engaged in the development, manufacture and/or sale of pharmaceutical products; provided that any such sublicensing shall be subject to TAIHO providing prompt written notice of any such sublicense to Arcus and, to the extent consent for such sublicensing is required by any Third Party Arcus licensor under the agreements pursuant to which Arcus first acquired rights to the particular subject matter, subject to such consent. To the extent reasonably requested by TAIHO, Arcus shall fully and reasonably cooperate to obtain such consent.

(c) **Patents and Know-How.** In the event TAIHO or its Affiliates grant to a Sublicensee directly or indirectly rights to market or commercialize any Licensed Product in the Territory, TAIHO shall obtain the right to Control and include within the TAIHO Know-How and TAIHO Technology, all Information and Patent Rights that: [***]. For avoidance of doubt, (x) TAIHO shall have an obligation to Control and include within the TAIHO Know-How and TAIHO Technology [***].

(d) **Conditions.** In subcontracting any of its obligations pursuant to Section 3.3(a) to Subcontractors or sublicensing any of its rights under Section 3.3(b) to Sublicensees, (i) TAIHO shall not [***], as applicable and (ii) TAIHO shall ensure that [***]. TAIHO shall secure [***]. A copy of any agreement executed by TAIHO with any Third Party Sublicensees shall be provided to Arcus within [***] days after the execution thereof; provided that [***]. TAIHO shall be responsible to Arcus for [***]. Any such agreement entered into by TAIHO shall also provide that the applicable Subcontractor and/or Sublicensee shall have [***].
### 3.4 Arcus Partners.

(a) It is understood that Arcus may enter into collaboration and/or partnerships arrangements with one or more Third Parties for the purpose of Developing and/or Commercializing Option Products, Licensed Product or Companion Diagnostic, and in such case, the intent of the parties is that as a material aspect of this Agreement, TAIHO will have access to and the right to utilize Information and Patent Rights Developed by such Third Parties as the basis, in whole or in substantial part, for obtaining Marketing Approval of the Licensed Products in the Territory (and for Developing and Commercializing Licensed Products and Companion Diagnostics for such purpose). Accordingly, in the event Arcus or its Affiliate grants to a Third Party directly or indirectly rights to Develop or Commercialize any Option Product, Licensed Product or a related Companion Diagnostic in a Major Market (such Third Party, an “Arcus Partner”), Arcus shall obtain, in all material respects, the right to Control and include within the Arcus Know-How and Arcus Patents, all Information and Patent Rights that [***]. For avoidance of doubt, Arcus shall have an obligation to Control and include within the Arcus Know-How and Arcus Patents [***].

(b) In addition, except with the written consent of TAIHO, which consent shall not be unreasonably withheld, conditioned or delayed, Arcus shall obtain the written agreement of such Arcus Partner to be bound by the provisions substantially equivalent to those of Sections [***], and to provide Information to Arcus sufficient for Arcus to comply with Arcus’s obligations under Section 2.1, and [***]. Arcus shall provide to TAIHO a copy of any agreement executed by Arcus with an Arcus Partner (“Arcus Partner Agreement”) on or after the applicable License Date for an Arcus Program within [***] days after the execution thereof; provided that the terms of any such agreement may be redacted to the extent not relevant to the determination that such agreement complies with this Section 3.4. Except to the extent TAIHO has consented to the release of obligations under the Flow Down Provisions pursuant to the first sentence of this Section 3.4(b), Arcus shall be responsible to TAIHO for any failure of any Arcus Partners to comply with the Flow Down Provisions and any breach thereof by an Arcus Partner shall be deemed a breach by Arcus of this Agreement. For clarity, TAIHO shall not be required to pursue any right or remedy it may have against any Arcus Partner as a condition to enforcing its rights under this Agreement.

### 3.5 Companion Diagnostics.

(a) If either party (including, in the case of Arcus, an Arcus Partner) intends to, itself or with a Third Party, develop, supply or commercialize a Companion Diagnostic, such party shall promptly notify the other party and, upon the request of the other party, the parties (including the Arcus Partner as required by Arcus if applicable) shall discuss a mutual agreement and cooperate in good faith to make such Companion Diagnostic available on a global basis. Any such agreement would include provisions on how costs should be shared in connection with the development, supply and commercialization of a Companion Diagnostic (to be determined taking into account factors such as market share and benefit). In no event shall a party (or an Arcus Partner as required by Arcus) restrict by contract any such Third Party from developing, manufacturing, or commercializing such Companion Diagnostic for the other party (or an Arcus Partner) or for outside its respective territory, provided that the foregoing shall not limit either party’s rights to enforce the terms of its agreement with any such Third Party or terminate its agreement with any such Third Party.

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(b) The provisions of Sections 4.1, 4.4, 4.6, 4.10, 4.11, and 4.12 and Articles 7 - 9 and 11 hereof shall apply with respect to Companion Diagnostics, to the same extent as they apply to Licensed Products, mutatis mutandis.

3.6 Reservation of Rights; License Exclusion.

(a) By Arcus. Arcus hereby reserves the exclusive right to practice, and to grant licenses under, the Arcus Technology and Arcus’s interest in the Joint Technology for any and all purposes other than the purposes for which TAIHO has been granted the License. In addition, except as expressly provided in Sections 4.8 and 4.12 below, this Agreement shall not be construed as limiting Arcus’s (i) research, development, testing or manufacturing of any Licensed Products within the Field or within the Territory for Development or Commercialization of Licensed Products outside the Field or outside the Territory; (ii) research, Development, testing, manufacturing, promotion, marketing, distribution, sales or other Commercialization activities with respect to any Licensed Products, or its appointment of other Licensed Product dealers, distributors, licensees, representatives or agents, in each case outside the Field or outside the Territory; (iii) research, development, testing, manufacturing, promotion, marketing, distribution, sales or other commercialization activities with respect to any product other than Licensed Products or Option Products (but with respect to a particular Option Product, only for so long as TAIHO has the right to exercise the Option with respect to such particular Option Product), or its appointment of other dealers, distributors, licensees, representatives or agents for any product other than Licensed Products or Option Products (but with respect to a particular Option Product, only for so long as TAIHO has the right to exercise the Option with respect to such particular Option Product), inside the Field inside the Territory; subject in each case to Section 4.12 below; or (iv) rights to make and have made Licensed Products for the Field for the Territory as reasonably required for Arcus to meet its obligations under Section 4.8.

(b) By TAIHO. TAIHO hereby reserves the exclusive right to practice, and to grant licenses under, the TAIHO Technology and TAIHO’s interest in the Joint Technology for any and all purposes other than the purposes for which Arcus has been granted the Arcus License.

3.7 No Implied Licenses. No right or license under any Information, Patent Rights or other intellectual property rights is granted or shall be granted by implication. All rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement. For clarity, no right or license is granted by a party hereunder with respect to Patent Rights covering the composition of matter of any active pharmaceutical ingredient other than an Antibody or a Compound that is a Licensed Product or Option Product (but with respect to a particular Option Product, only for so long as TAIHO has the right to exercise the Option with respect to such particular Option Product).

3.8 License Registration. Upon TAIHO’s request, Arcus shall (and shall require its Arcus Partners to), at its own expense, promptly register or record the exclusive

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licenses granted to TAIHO under this Agreement with appropriate governmental authorities in Japan and South Korea and TAIHO shall cooperate and assist Arcus (or such Arcus Partners as applicable), at TAIHO’s own expense, in the preparation of any documents reasonable necessary for such purposes, including, without limitation, drafting and agreeing upon a short form version of this Agreement as necessary for such registrations and recordings. Without limiting the foregoing, upon TAIHO’s request, Arcus shall (and shall require its Arcus Partners to) promptly register the exclusive licenses granted to TAIHO under this Agreement (a) with respect to the Arcus Patents, as a “Senyo-Jisshiken” in accordance with Article 77 of the Japanese Patent Law, Article 18 of the Japanese Utility Model Act, Article 27 of the Japanese Design Act, and as a “Kari-Senyo-Jisshiken” in accordance with Article 34-2 of the Japanese Patent Law and (b) with respect to the Arcus Trademarks, as “Senyo-Shiyoken” under Article 30 of the Japanese Trademark Act, in each case with the applicable registry maintained in the Japanese Patent Office.

4. **Development, Manufacture and Commercialization of Products.**

4.1 **Governance.** The parties shall form a joint steering committee (“Joint Steering Committee” or “JSC”) and joint development committee (“Joint Development Committee” or “JDC”) within thirty (30) days after the Effective Date.

(a) **Joint Steering Committee.** The Joint Steering Committee shall consist of two (2) members, with each party designating one (1) member, who shall be any officer or employee of the party making such designation, provided that following the first exercise of an Option with respect to any Arcus Program, the Joint Steering Committee shall, unless otherwise mutually agreed by the parties, consist of four (4) members, with each party designating two (2) members. The Joint Steering Committee shall monitor and discuss the overall plan and progress of the Development and Commercialization of Antibodies and Compounds with respect to which Arcus intends or already has initiated IND Enabling Studies, for so long as such Antibodies and Compounds may become or are Option Products. Following the first exercise of an Option with respect to any Arcus Program, the Joint Steering Committee shall additionally perform the following functions: (i) monitor and discuss the overall progress of the Development and Commercialization of the Licensed Products and any threats or challenges thereto; and (iii) resolve any disputes arising at the Joint Development Committee. The number of members on the Joint Steering Committee may be adjusted as mutually agreed by the parties. The Joint Steering Committee shall meet in person or by remote means (e.g., by phone or videoconference) at least once per calendar quarter, and more frequently as mutually agreed by the parties or as required to resolve any disputes at the Joint Development Committee.

(b) **Joint Development Committee.** Following the first exercise of an Option with respect to any Arcus Program, the Joint Development Committee shall be formed and consist of, unless otherwise agreed by the parties, four (4) members, with each party designating two (2) members, each of whom shall be any officer or employee of the party making such designation who is not a member of the Joint Steering Committee. The Joint Development Committee shall perform the following functions: (i) facilitate knowledge transfer for purposes of conducting activities and enabling rights granted hereunder; (ii) communicate and coordinate anticipated Development activities between the parties, and (iii) discuss the status...
and overall progress of the Development of Option Products and Licensed Products. The Joint Development Committee shall meet in person or by remote means (e.g., by phone or videoconference) at least once per calendar month, and more frequently as mutually agreed by the parties.

(c) **Representation.** Each party may (i) replace its representative(s) on the Joint Steering Committee and/or Joint Development Committee at any time upon written notice to the other party, (ii) designate a substitute officer or employee to temporarily attend and perform the functions of such party’s designee at any meeting of the Joint Steering Committee and/or Joint Development Committee, as applicable and (iii) on advance written notice to the other party, invite non-member employees of such party to attend meetings of the Joint Steering Committee and/or Joint Development Committee, as applicable.

(d) **Information Sharing.** At each meeting of the JDC, each party will report in reasonable detail on Development activities since the last JDC meeting relating to Licensed Products by or under authority of such party. In addition, each party shall keep the JSC or JDC, as applicable, reasonably informed with respect to the Licensed Products, including the Development and Commercialization thereof (and, if applicable, Companion Diagnostics), by or under authority of such party, and provide to the JSC or JDC such information as may be reasonably requested with respect to the foregoing.

(e) **Decisions.** All decisions, if any, before the Joint Steering Committee and Joint Development Committee shall be decided by consensus of the members of the relevant committee or if such consensus cannot be reached at the Joint Development Committee within a reasonable period of time after the matter is first raised at that committee, then the matter will be submitted to the Joint Steering Committee for resolution. If consensus at the Joint Steering Committee cannot be reached within a reasonable period of time after the matter is first raised at that committee, then the matter will be escalated for resolution by a senior, top management level executive of each party (who is not a representative on either the Joint Steering Committee or Joint Development Committee).

4.2 **TAIHO Development and Commercialization Responsibilities.** From and after TAIHO’s exercise of the Option with respect to an Arcus Program, and subject to Section 4.8, TAIHO shall be solely responsible for the Development and Commercialization of the applicable Licensed Product in the Field in the Territory. Without limiting the generality of the foregoing, TAIHO (itself or with or through its Sublicensees) shall be solely responsible for preparing and submitting all required Regulatory Filings in connection with obtaining and maintaining Marketing Approvals with respect to such Licensed Product in the Field in the Territory, at TAIHO’s sole expense. Without limiting Arcus’s rights and title in, and ownership of, its Regulatory Filings and Arcus Know-How, all of such Regulatory Filings submitted for such Licensed Product in the Field in the Territory shall be submitted in the name of, and owned by, TAIHO (or its Sublicensee). Before it begins Developing or Commercializing any Licensed Products within the Field but outside of cancer in the Territory, TAIHO shall notify Arcus in writing. Without limiting any of TAIHO’s other obligations under this Agreement, TAIHO shall also keep Arcus reasonably informed of its efforts outside of cancer with respect to Licensed Products.

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4.3 **Option Period Studies.** Prior to any exercise by TAIHO of an Option with respect to a particular Arcus Program, if reasonably requested by TAIHO in writing, the parties shall enter into a Materials Transfer Agreement in the form attached hereto under Exhibit 4.3 (with such changes as the parties may agree) under which Arcus would provide to TAIHO quantities of the Option Products and the non-exclusive right to conduct pre-clinical studies in relation to one or more such Option Products, including syngeneic models, solely as reasonably necessary for the purpose of data validation.

4.4 **Knowledge Transfer.**

(a) **Initial Technology Transfer.** Commencing promptly after each License Date for a particular Licensed Product, and to the extent not already provided to TAIHO, Arcus shall provide to TAIHO all existing and available to Arcus (in recorded form) Arcus Know-How that enabled the filing of the IND by or under authority of Arcus outside of the Territory for the applicable Licensed Product, all Regulatory Filings and substantive Regulatory Documentation for the applicable Licensed Product and all other Arcus Know-How which is reasonably necessary or useful for the Development or manufacture of the Licensed Product in or for the Territory.

(b) **Ongoing Knowledge Transfer.** Following the completion of initial technology transfer as described in the Section above, on an ongoing basis (as appropriate) during the period in which the License with respect to such Licensed Product remains in effect, each party shall disclose to the other party any and all additional Arcus Know-How, TAIHO Know-How, Regulatory Filings (for the Major Markets, including with the EMA, in the case of Arcus as the disclosing party) and substantive Regulatory Documentation in relation thereto as applicable, that is available to such party and generated after the applicable License Date or not previously provided to the other party that is reasonably necessary for the Development and/or Commercialization of such Licensed Product in the other party’s territory. Without limiting the generality of the foregoing, each party shall provide to the other party, to the extent it has not already done so, existing and available (in recorded form) final reports of any clinical trial of, and all CMC, pharmacology, toxicology and pharmacokinetic data with respect to, such Licensed Product in the Field, and shall promptly disclose to the other party in writing each Arcus Invention, TAIHO Invention and Joint Invention, as applicable, for such Licensed Product. In addition, if and as reasonably requested by a party, the other party shall provide to the requesting party, to the extent that it has not yet already been provided, all material data and other Information under the other party’s Control regarding the efficacy and side effects of the Licensed Products and the non-clinical use, clinical use, studies, investigations, or tests of the Licensed Products. TAIHO agrees that Arcus may share information disclosed hereunder with its Affiliates and its Arcus Partners, subject to Arcus’ compliance with Article 7. Arcus agrees that TAIHO may share information disclosed hereunder with its Affiliates and Sublicensees, subject to TAIHO’s compliance with Article 7.

(c) **Electronic Transfer.** To the extent available in electronic format, each party may satisfy the requirements to provide items under this Section 4.4 by making such items available in such electronic format, provided the other party is able to reasonably access and use such electronic format using the receiving party’s existing IT systems.

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Compliance with Privacy Laws. Upon request by a party, the other party shall reasonably cooperate with the requesting party, at its own cost, in enabling the requesting party to transfer information required to be transferred under this Agreement, or to use information transferred to it under this Agreement in accordance with rights granted to it under this Agreement, in each case, in compliance with applicable privacy laws.

4.5 Diligence. TAIHO (directly or through its Sublicensees) shall use Commercially Reasonable Efforts to Develop, obtain Marketing Approval for, and Commercialize at least one Licensed Product per Arcus Program for the Territory.

4.6 Disclosure Regarding Development and Commercialization Efforts. TAIHO shall notify Arcus within [***] days after achieving each milestone event described in Sections 5.2 or 5.3, and each party shall answer any questions, and provide any information, reasonably requested by the other party promptly after any request by the other party. In addition, (without limiting TAIHO’s obligations under Section 4.7 below), each party will, to the extent it is aware and has not already included such update through a JSC or JDC meeting, notify the other party at least [***] days in advance of the Initiation of each Clinical Trial of a Licensed Product by, on behalf of, or under authority of such party.

4.7 Development in the Territory. The parties agree that, at least [***] days prior to the proposed initiation by TAIHO or any of its Sublicensees of (a) any GLP-compliant in vivo pre-clinical study, the results of which would be required to be reported to any Regulatory Authority in the Territory to which TAIHO has submitted or proposes to submit an IND or NDA for a Licensed Product, or (b) any Clinical Trial of Licensed Product in the Territory, TAIHO shall deliver to Arcus the draft protocol for such study or trial for review. Arcus shall review such draft protocol and notify TAIHO within [***] days of Arcus’s receipt thereof if Arcus in good faith believes that the conduct or design of the proposed study or trial poses an unreasonable risk to the successful Development, registration or Commercialization of Licensed Products in the Field outside the Territory. If Arcus so notifies TAIHO, the parties’ Executives shall meet and attempt to resolve any dispute regarding whether such risk exists and how to address such risk. If the Executives are unable to reach a mutually agreeable resolution within [***], TAIHO shall have the final decision making rights with respect to the conduct or design of the proposed study or trial, provided, however that TAIHO shall consider Arcus’s concerns in good faith.

4.8 Manufacture and Supply Arrangements.

(a) Manufacture by CMO. For each Licensed Product, until the first Marketing Approval is obtained for such Licensed Product in the US or EU (via the EMA centralized procedure), all manufacturing of the Licensed Products for use in IND Enabling Studies or Clinical Trials (including for all purposes of this Section 4.8, any components, intermediates, or active pharmaceutical ingredients thereof, collectively “Product Materials”) by or on behalf of Arcus or an Arcus Partner shall be performed by one or more established, generally reliable Third Party contract manufacturers of pharmaceutical products (each, a “CMO”).

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(b) **Supply by Arcus.** In the event that Arcus obtains supply of any Product Materials, Arcus shall obtain such supply pursuant to a CMO Supply Agreement, and shall supply such Product Materials to TAIHO [***], as reasonably requested by TAIHO, under terms and conditions no less favorable as apply to the supply of such Product Materials to Arcus under such CMO Supply Agreement (subject to Section 4.8(b)(ii) below). Arcus shall obtain such supply for TAIHO from the CMO and shall cooperate reasonably to extend to TAIHO the benefits of such CMO Supply Agreement with respect to such supply, including with respect to ordering, inspection rights, specifications and (subject to Section 4.8(b)(ii) below) changes thereto, technology transfer and other provisions of such CMO Supply Agreement. In addition, Arcus shall use reasonable efforts to pursue any rights and remedies Arcus may have under the CMO Supply Agreement for TAIHO’s benefit with respect to such supply, as reasonably requested by TAIHO, provided that TAIHO shall [***]. In connection with such supply:

(i) So long as Arcus exercises its rights under its CMO Supply Agreements at the request and for the benefit of TAIHO in accordance with this Section 4.8, if Arcus is in breach of its supply obligations under this Section 4.8 due to the default of a CMO’s obligations under the applicable CMO Supply Agreement, Arcus’ liability for such breach shall [***].

(ii) Notwithstanding the foregoing in this Section:

(1) The prices charged by Arcus for the manufacture and supply of Product Materials shall not exceed (a) for any such Product Material, to be used in Clinical Trials or otherwise not for commercial sale, the amounts paid by Arcus to the CMO for such Product Materials, and (b) for supply of such Product Materials to be sold commercially by TAIHO, [***] percent ([***]%) of the transfer price paid to the CMO for such Product Materials.

(2) If TAIHO requests that modifications be made to any Product Materials supplied by the CMO that do not apply to the Product Materials supplied for use by Arcus or an Arcus Partner (or the manufacture, storage or other aspects of such Product Materials or supply), then [***] Arcus shall cooperate [***] to supply the modified Product Materials to TAIHO under a separate supply agreement and apply such modifications to and for the benefit of the Product Materials to be supplied to TAIHO in accordance with this Section 4.8(b), provided TAIHO shall [***]. For the avoidance of doubt and by way of example, in the event of a modification to the formulation for a Licensed Product and not any other aspect of the Licensed Product (e.g., the active pharmaceutical ingredient remains the same), Arcus’ obligation to supply the active pharmaceutical ingredient to TAIHO shall not be affected by this Section 4.8(b)(ii)(2).

(3) Except as provided in Sections 4.8(b)(ii)(1) and (2) above, [***], and as provided in Section 11.1(a), TAIHO shall not be obligated to bear or share other costs or payments provided for in the CMO Supply Agreement, and shall not be obligated to pay for any Product Materials that TAIHO has not ordered.

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CONFIDENTIAL TREATMENT REQUESTED

(4) Arcus shall provide to TAIHO a complete and correct copy of each of its CMO Supply Agreements within [***] days after the execution thereof, or exercise of the Option with respect to the applicable Licensed Product, whichever occurs later. Prior to entering into a CMO Supply Agreement Arcus shall provide a draft copy to TAIHO to enable and facilitate the negotiation and execution by TAIHO of a supply agreement directly between TAIHO and the CMO on reasonable and customary terms. In no event shall Arcus nor an Arcus Partner restrict any CMO from manufacturing Licensed Product for TAIHO, provided that the foregoing shall not limit Arcus’ or an Arcus Partner’s right to enforce the terms of its CMO Supply Agreement with any such CMO or terminate its agreement with any such CMO (which termination shall not relieve Arcus of its obligations under this Section 4.8).

(iii) The intent of this Section 4.8(b) is that TAIHO be able to obtain supply of Product Materials produced by the CMO in sufficient quantities, on such timelines and otherwise as is reasonably necessary and customary for TAIHO to Develop and Commercialize the Licensed Products in accordance with and as contemplated by this Agreement. If for any reason TAIHO or Arcus believes that the provisions of this Section 4.8 are insufficient for purposes of such supply (e.g., in substance or clarity), the parties shall negotiate and enter into a supplemental agreement containing such provisions as are appropriate and reasonable to fulfill such objective, and if the parties are unable to reach agreement on such provisions within [***] days of a request by either Party to enter into such supplemental agreement (which [***] day period may be extended upon the mutual agreement of the Parties), upon request by either party, the same shall be determined pursuant to Section 12.2 below.

(iv) In the event Arcus obtains supply of Product Materials for a period of time, and then an Arcus Partner takes over responsibility for any such Product Materials, Arcus shall retain and maintain its CMO Supply Agreement in place between Arcus and the CMO for a reasonable period of time as reasonably requested by TAIHO, to facilitate the continued supply to TAIHO of such Product Materials from such CMO, until such time as TAIHO, acting in good faith, is able to obtain an acceptable alternative supply arrangement for such Product Materials. If Arcus is retaining and maintaining any CMO Supply Agreement solely for the benefit of TAIHO, then TAIHO shall [***].

(c) Manufacture for an Arcus Partner. Similarly, if an Arcus Partner obtains supply of Product Materials other than from Arcus, Arcus: (i) shall require the Arcus Partner to obtain such supply from a CMO pursuant to a CMO Supply Agreement, and to supply such Product Materials to TAIHO [***], as reasonably requested by TAIHO, under terms and conditions no less favorable as apply to the supply of such Product Materials to such Arcus Partner under such CMO Supply Agreement, and require the provisions of this Section 4.8 to apply to the Arcus Partner and such supply in the same manner as they apply to Arcus, mutatis mutandis (including Section 4.8(b)(iii) above), or (ii)(A) if the Arcus Partner has at least equivalent capabilities of an established CMO that has the capabilities and capacity to manufacture pharmaceutical products on a commercial scale, (B) Arcus has retained the right to

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Commercialize the applicable Licensed Products in a Major Market and (C) such Arcus Partner is supplying Product Materials itself to Arcus for all of Arcus’s requirements of applicable Product Materials for such Major Market, shall require the Arcus Partner to supply such Product Materials to TAIHO, as reasonably requested by TAIHO, under terms and conditions no less favorable as apply to the supply of such Product Materials to Arcus or any other Arcus Partner, or (iii)(A) if Arcus has not retained the right to Commercialize the applicable Licensed Products in a Major Market, (B) prior to the execution of the relevant Arcus Partner Agreement, Arcus used a CMO to supply the applicable Licensed Product to Arcus for use in clinical trials under one or more CMO Supply Agreements (“Transitioned CMO Supply Agreements”), and (C) such Arcus Partner is not supplying Product Materials to Arcus for a Major Market, shall require the Arcus Partner to supply such Product Materials to TAIHO in accordance with the terms of the foregoing subclause (i) utilizing such a CMO or, if the Arcus Partner has at least equivalent capabilities of an established CMO that has the capabilities and capacity to manufacture pharmaceutical products on a commercial scale, shall require the Arcus Partner to supply directly to TAIHO such Product Materials, as reasonably requested by TAIHO, under reasonable terms and conditions acceptable to TAIHO, provided that Arcus shall, or Arcus shall require such Arcus Partner to, retain and maintain, as applicable, such Transitioned CMO Supply Agreements or any other CMO Supply Agreements entered into by such Arcus Partner with the same CMO as the CMO that was party to the Transitioned CMO Supply Agreements for the applicable Product Materials, in place for [***], or a shorter period as mutually agreed by the Parties, following the date on which Arcus provides TAIHO with written notice of the Arcus Partner’s intent to supply itself with any Product Materials rather than obtain supply of such Product Materials from a CMO pursuant to such CMO Supply Agreement; provided further that if Arcus or the Arcus Partner is retaining and maintaining such Transitioned CMO Supply Agreements or other CMO Supply Agreements, as applicable, solely for the benefit of TAIHO, then TAIHO [***]. If TAIHO’s ability to rely on or otherwise utilize any Regulatory Filings or Regulatory Documentation, or otherwise on any Arcus Know-How, in each case relating to the relevant Licensed Product, would be impaired by not having supply of Product Material manufactured by such CMO or such Arcus Partner, then Arcus shall require such Arcus Partner to supply TAIHO with such Product Material manufactured by such CMO or such Arcus Partner in accordance with the foregoing subclauses (i), (ii) or (iii), as the case may be.

(d) **TAIHO Independent Supply.** For clarity, and without limiting any of the foregoing, it is understood that TAIHO may manufacture, or obtain from another source supply of, some or all of its requirements of a Licensed Product (including, for clarity and subject to Section 1.49, any modified formulation of or packaging for a Licensed Product), or any Product Materials at any time and from time to time. In addition, it is understood the Product Materials supplied to TAIHO under this Section 4.8 may be used for any Development or Commercialization activities permitted to be conducted by TAIHO in accordance with this Agreement (i.e., not just in IND Enabling Studies and Clinical Trials, but Commercialization and other permitted Development activities as well). If TAIHO wishes to manufacture itself, or have manufactured, a Licensed Product and/or Product materials, without limiting Section 4.4(b) above, Arcus shall, and shall require any applicable Arcus Partner or CMO to, provide technical assistance as reasonably requested by TAIHO to promptly transfer to TAIHO or its designee the production process for the manufacture of such Licensed Product or Product Material, as applicable, including without limitation the manufacturing methods, test methods, specifications,

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4.9 Performance Standards. TAIHO shall conduct, or have conducted, all Licensed Product Development and Commercialization in accordance with the terms and conditions of this Agreement. In addition, each party (directly or through its Sublicensees) shall use Commercially Reasonable Efforts to perform all such activities in good scientific manner and in compliance with all Applicable Laws and, as applicable, GLP, GCP and/or GMP. TAIHO shall use Commercially Reasonable Efforts to ensure that any and all Licensed Products manufactured by or on behalf of it meets any and all specifications for such Licensed Products applicable in the Territory.

4.10 Rights of Access and Reference to Regulatory Documents.

(a) Effective as of the applicable License Date, TAIHO hereby grants to Arcus the right to access and reference all Regulatory Filings submitted to, and Marketing Approvals obtained from, any Regulatory Authority in the Territory by TAIHO or any of its Sublicensees for the applicable Licensed Products; in each case, solely for the purposes of (i) obtaining and maintaining Regulatory Approvals for such Licensed Products in the Field outside the Territory, and (ii) complying with applicable pharmacovigilance and other regulatory requirements with respect to such Licensed Products outside the Territory. Arcus shall have the right to grant access and reference to such Regulatory Filings and Marketing Approvals to its Affiliates and to its sublicensees and their Affiliates solely for the purposes described in the foregoing clauses (i) and (ii). TAIHO shall, promptly upon Arcus’ request, file with the applicable Regulatory Authority(ies) such letters of access or reference as may be necessary to accomplish the intent of this Section 4.10(a).

(b) Effective as of the applicable License Date, Arcus hereby grants to TAIHO the right to access and reference all Regulatory Filings submitted to, and Marketing Approvals obtained from, any Regulatory Authority for a Major Market, including the EMA, by or under authority of Arcus for the applicable Licensed Product; in each case, solely for the purposes of (i) obtaining and maintaining Regulatory Approvals for such Licensed Product in the Field in the Territory, and (ii) complying with applicable pharmacovigilance and other regulatory requirements with respect to such Licensed Product in the Territory. TAIHO shall have the right to grant access and reference to such Regulatory Filings and Marketing Approvals to its Affiliates and to its Sublicensees and their Affiliates solely for the purposes described in the foregoing clauses (i) and (ii). Arcus shall, promptly upon TAIHO’s request, file with the applicable Regulatory Authority(ies) such letters of access or reference as may be necessary to accomplish the intent of this Section 4.10(b).

4.11 Safety Data Exchange. Each party shall be solely responsible, at its own expense, for complying with all applicable regulatory requirements with respect to Licensed Products in such party’s territory (i.e., the Territory in the case of TAIHO and outside the Territory for Arcus).

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Territory in the case of Arcus), including all safety reporting to Regulatory Authorities in such party’s territory. The parties shall, promptly upon reasonable request by either party, negotiate in good faith and enter into a pharmacovigilance/safety data exchange agreement for Licensed Product (each, a “PV Agreement”), which shall set forth standard operating procedures governing the collection, investigation, reporting, and exchange of information concerning adverse drug reactions/experiences. The terms of each PV Agreement shall be no less stringent than those required by FDA, Japanese Regulatory Authorities and ICH guidelines (unless such FDA, Japanese Regulatory Authorities and ICH guidelines conflict with guidelines promulgated by any Regulatory Authority having jurisdiction in the Territory, which guidelines shall control for the Territory) and shall be sufficient to permit each party to comply with its regulatory and legal requirements for the management and reporting of safety data regarding the applicable Licensed Product by providing for the exchange of relevant information in appropriate format within applicable timeframes. Each PV Agreement shall provide for Arcus to establish and manage the core database in relation to all such safety reporting activities. In the event the terms of a PV Agreement cannot be fully agreed, the same shall be determined in accordance with Section 12.2 below.

### 4.12 Clinical Studies in Other Party’s Territory

Each party shall be entitled to conduct Clinical Trials and other Development activities with respect to the Licensed Products in countries of the other party’s territory solely for purposes of obtaining Marketing Approvals in its own territory, provided that:

- (a) TAIHO shall not conduct or authorize any Third Party to conduct any human clinical studies of a Licensed Product in a Major Market without Arcus’s consent, and
- (b) Arcus shall not conduct or authorize a Third Party to conduct any human clinical studies of a Licensed Product or Option Product in Japan, without TAIHO’s consent; in each case, which consent shall not be unreasonably withheld. It is understood that after Marketing Approval has been obtained in a Major Market or Japan with respect to a Licensed Product, this Section 4.12 shall not prevent, and each party shall have the right, to conduct Clinical Trials of another product of such party in which such Licensed Product is used as a comparator or combination agent in the indication being studied, provided that if a party wants to conduct any such Clinical Trials outside of its respective territory in which such Licensed Product is used in combination with such other product of such party, then such party must first obtain the other party’s prior written consent to do so, which consent shall not be unreasonably withheld.

### 5. Financial Terms

#### 5.1 Option Fee.

As partial consideration of Arcus's grant of the Option to TAIHO hereunder, TAIHO shall pay to Arcus non-refundable, non-creditable Option fees as follows:

- (a) a one-time payment of twenty million dollars (US$20,000,000) within [***] days after TAIHO’s receipt of an invoice from Arcus following the Effective Date;
- (b) three (3) annual payments of five million dollars (US$5,000,000) each, the first payment due within [***] after TAIHO’s receipt of an invoice from Arcus following the Effective Date and the second and third payments due [***] days after TAIHO’s receipt of an invoice following the first and second anniversaries of the Effective Date respectively; and
- (c) Option exercise payments (in the applicable amount set forth in the table below) (“Option Exercise Payments”) within [***] days after TAIHO’s receipt of an invoice from Arcus following any exercise by TAIHO of the Option for a particular Arcus Program, based on when the Option is so exercised:

<table>
<thead>
<tr>
<th>Option Exercise Timeframe</th>
<th>Option Exercise Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to the end of the Stage 1 Period for the applicable Arcus Program</td>
<td>US $3,000,000</td>
</tr>
<tr>
<td>[***] (the “Stage 2 Period”)</td>
<td>[***]</td>
</tr>
<tr>
<td>[***] (the “Stage 3 Period”)</td>
<td>US $15,000,000</td>
</tr>
</tbody>
</table>

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5.2 Development and Regulatory Milestone Payments. With respect to each Arcus Program for which TAIHO exercised the Option and has been granted by TAIHO, TAIHO shall, subject to the terms of this Section 5.2, pay to Arcus the corresponding (depending on regulatory pathway and indication) one-time, non-refundable, non-creditable milestone payment within [***] days after TAIHO’s receipt of an invoice from Arcus following the first achievement, by TAIHO or any of TAIHO’s Sublicensees, of each of the milestone events set forth in the applicable table below by a Licensed Product in such Arcus Program (“Development and Regulatory Milestones;” and such payments “Development and Regulatory Milestone Payments”). For the sake of clarity and as an example only, if TAIHO exercises the Option with respect to six (6) Arcus Programs, then TAIHO may owe to Arcus a particular milestone payment up to six (6) times. TAIHO shall notify Arcus in writing within [***] days after the Achievement of any Development and Regulatory Milestones.

(a) Global Studies. The milestones in the table immediately below in this Section 5.2(a) shall be due upon Achievement (i.e., by TAIHO or its Sublicensee) of such milestones so long as TAIHO or its Sublicensee would be able (in TAIHO’s opinion, acting in good faith) and intends to obtain Marketing Approval based solely on Arcus Know-How and clinical data from Global Studies conducted by or under authority of Arcus or its Affiliates (“Global Study Pathway”). For avoidance of doubt, the milestones in the table immediately below shall not be due if TAIHO determines (in its opinion, acting in good faith) not to pursue the Global Study Pathway for the particular Licensed Product, and TAIHO or its Sublicensee conducts a Clinical Trial for such Licensed Product that is not a part of the Global Studies.

(b) Bridging Study in Territory. The milestones in the table immediately below in this Section 5.2(b) shall be due upon Achievement of such milestones so long as TAIHO or its Sublicensee is able (in TAIHO’s opinion, acting in good faith) and intends to obtain Marketing Approval based solely on Arcus Know-How generated from Clinical Trials conducted by, or by a Third Party under authority of, Arcus or its Affiliates and a Bridging Study conducted by TAIHO or its Sublicensee in the Territory (“Bridging Study Pathway”). For avoidance of doubt, the milestones in the table immediately below shall not be due if TAIHO determines (in its opinion) not to pursue the Bridging Study Pathway for the applicable Licensed Product and TAIHO or its Sublicensee conducts a human clinical study of such Licensed Product that is not a Bridging Study (in which case Section 5.2(a) above or 5.2(c) below shall apply).

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(c) Regional Study. The milestones in the table immediately below in this Section 5.2(c) shall be due upon Achievement of such milestones where Section 5.2(a) and 5.2(b) do not apply to such achievement (“Regional Study Pathway”).

(d) Certain Matters:

(i) Maximum Total Milestone Payments. Each of the foregoing milestone payments shall be paid no more than once for an Arcus Program for the first Achievement of the corresponding event by TAIHO or its Sublicensee with respect to a Licensed Product in such Arcus Program (regardless of the number of times such event is achieved by other Licensed Products in such Arcus Program), and in no event shall the cumulative milestone payments for an Arcus Program exceed the amounts that would be paid if only the Global Study Pathway was followed. For clarity:

1. In no event will the total milestone payments for a given Arcus Program exceed $130M for all Regulatory Pathways and Indication Categories combined, and if all Marketing Approvals within the Development and Regulatory Milestones for an Arcus Program are obtained based on the Regional Study Pathway (i.e., based on neither the Global Study Pathway nor the Bridging Study Pathway) the total milestone payments for such Arcus Program will not exceed *** for all Indication Categories combined;

2. In no event will the total Development and Regulatory Milestone Payments for a given Arcus Program exceed *** for the *** Indication, *** for the *** Indication or *** for all *** Indications combined, and if all Marketing Approvals within the Development and Regulatory Milestones for an Arcus Program are obtained based on the Regional Study Pathway (i.e., based on neither the Global Study Pathway nor the Bridging Study Pathway), the total Development and Regulatory Milestone Payments for such Arcus Program shall not exceed *** for the *** Indication, *** for the *** Indication or *** for *** Indications combined.

(ii) Discontinued Licensed Product. If Development of a Licensed Product within an Arcus Program is terminated after TAIHO has made one or more milestone payments on Achievement of one or more Development and Regulatory Milestones by such Licensed Product but prior to First Commercial Sale of such Licensed Product, then TAIHO shall have the right to credit and offset all such milestone payments actually made against other payments due to Arcus under this Article 5 with respect to any other Licensed Product within such Arcus Program, and all such Development and Regulatory Milestones shall be deemed to not have been Achieved.

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(iii) **Skipped Milestones**. Except as otherwise provided below, if a subsequent milestone within a given regulatory pathway ("Regulatory Pathway") for an indication category ("Indication Category") within an Arcus Program is achieved prior to one or more particular milestone(s) of an earlier stage (determined by reference to the milestone numbers 1, 2, 3, 4, each a "Milestone Stage") within such given Regulatory Pathway for such Indication Category within such Arcus Program, then the prior, previously unpaid milestone(s) shall be deemed to have been met for such given Regulatory Pathway and Indication Category within such Arcus Program, and the corresponding milestone payment(s) shall become due and payable to Arcus within [***] days after the later of TAIHO’s receipt of an invoice from Arcus for such amounts and [***]. For example, if the Global Study Pathway milestones apply and the parties conduct a Phase II Global Study for a [***] Indication, and then TAIHO or its Sublicensee files a first NDA or BLA in Japan for a [***] Indication based on the results of such Clinical Trial without conducting a Phase III Global Study, milestone 2 of the Global Study Pathway for such [***] Indication will be due upon the filing of such NDA or BLA. Notwithstanding the foregoing:

1. **Achievement of Milestone in One Regulatory Pathway Deemed Achievement of the Corresponding Milestone for All Regulatory Pathways**. For a given Arcus Program, if the milestone for a particular Milestone Stage (i.e., milestone 1, 2, 3 or 4 under Sections 5.2(a)-5.2(c) above) has been achieved with respect to a given Indication Category in one Regulatory Pathway, the milestone of such Milestone Stage and Indication Category shall be deemed to have been achieved for the same Milestone Stage and Indication Category for all other Regulatory Pathways with respect to such Arcus Program, provided that no milestone payment will be owed by TAIHO by reason of any such deemed achievement. For example, if a Licensed Product of an Arcus Program achieves milestone 2 under the Global Study Pathway (Initiation of a Phase III Clinical Trial that is a Global Study) for a [***] Indication and then later achieves milestone 2 under the Bridging Study Pathway (Initiation of a Bridging Study) for another [***] Indication, the milestone payment for such later achievement of such milestone 2 shall be paid as a milestone for the [***] Indication under the Bridging Study Pathway (i.e., because milestone 2 for the [***] Indication under the Bridging Study Pathway shall be deemed to have already been achieved).

2. **No Deemed Achievement by Reason of Switched Indication Category**. Notwithstanding Sections 5.2(d)(iii) and 5.2(d)(iii)(1) above, for a given Licensed Product, if such Licensed Product [***].

(iv) **Milestone Reconciliation Upon Marketing Approval**. Upon first receipt of Marketing Approval in Japan for a Licensed Product ("Approved Licensed Product") for a given indication, as determined by the approved label ("Approved Indication") and under a given Regulatory Pathway, as determined at the time of such Marketing Approval ("Approval Pathway"), the prior Achievement of milestones with respect to the Approved Licensed Product and other Licensed Products within the same Arcus Program shall be red-
determined and reconciled as if such Approved Licensed Product had only Achieved milestones within such Approval Pathway and for the Approved Indication (taking into account all other milestones that have been Achieved with respect to the applicable Arcus Program as of the date of such Marketing Approval). In such event:

a. If any additional milestone payments are owed as a result of such re-determination and reconciliation under this Section 5.2(d)(iv), then such additional milestone payments shall be due [***] days after the later of TAIHO’s receipt of an invoice from Arcus for such amounts and [***]. Additionally, if an additional milestone payment is made under this paragraph, then the milestone for which such milestone payment is made shall be deemed to have been Achieved. For clarity, in no case shall payments made by TAIHO, including after re-determination and reconciliation under this Section 5.2(d)(iv), exceed the milestone caps as set forth in Section 5.2(d)(i).

b. Conversely, if the payments previously made with respect to such Arcus Program (or with respect to a Licensed Product, Regulatory Pathway or Indication Category within such Arcus Program) exceed the total milestones that would have been due pursuant to such re-determination and reconciliation under this Section 5.2(d)(iv) or the applicable milestone caps set forth in Section 5.2(d)(i), then [***]. Additionally, if the amount previously paid with respect to a milestone is so [***], such milestone shall be deemed not to have been Achieved.

5.3 Commercialization Milestone Payments. With respect to each Arcus Program for which TAIHO has exercised the Option and been granted the applicable License, TAIHO shall pay to Arcus the corresponding one-time, non-refundable, non-creditable milestone payment within [***] days after TAIHO’s receipt of an invoice from Arcus following the first Achievement, whether by TAIHO or any of TAIHO’s Sublicensees, alone or in combination, of each of the milestone events set forth in the table below by the first Licensed Product in such Arcus Program for which Net Sales in the Territory Achieve such Sales Achievement Milestone. For the sake of clarity and as an example only, if TAIHO exercises the Option with respect to six (6) Arcus Programs, then TAIHO may owe to Arcus each of the milestone payments listed in the table below once per Arcus Program, for a total of up to six (6) times across all six (6) Arcus Programs.

<table>
<thead>
<tr>
<th>Milestone (collectively, the “Sales Achievement Milestones”)</th>
<th>Milestone Payment (collectively, the “Commercialization Milestone Payments”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[***]</td>
<td>[***]</td>
</tr>
</tbody>
</table>

Each of the foregoing milestone payments will be paid only once for an Arcus Program, for the first Achievement of the corresponding event by a Licensed Product in such Arcus Program. In determining cumulative Net Sales, Net Sales of Licensed Product for one indication will be added to Net Sales of the same Licensed Product for other indications. If a subsequent milestone is achieved prior to one or more particular milestone(s) being met for a particular indication, then the prior, previously unpaid milestone(s) shall be deemed to have been met for such indication, and the corresponding milestone payments shall become due and payable to

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Arcus. Notwithstanding the foregoing, if more than one of the foregoing milestone payments for the Sales Achievement Milestones becomes due in the same TAIHO fiscal year, then the second and subsequent of such payments will be due [***]. Net Sales of a Licensed Product that is a Combination Product that includes an Antibody or a Compound from more than one Arcus Program shall be allocated to the applicable Arcus Program in accordance with the provisions in the definition of Net Sales with respect to Combination Products (i.e., mutatis mutandis, treating the Antibody or Compound from such other Arcus Program as an Other Active).

5.4 Certain Deductions from Option Exercise Fees and Milestone Payments. Notwithstanding Sections 5.1-5.3 above, in the event that TAIHO concurrently exercises an Option with respect to Licensed Products from two (2) or more Arcus Programs that are being Developed as a combination therapy (an “Intra-Portfolio Combination”) then each Option Exercise Payment and Development and Regulatory Milestone Payment for such Licensed Products included in such Intra-Portfolio Combination will be reduced by [***] percent ([***]%). If TAIHO or a Sublicensee obtains Marketing Approval of one (1) or more of the Licensed Products in an Intra-Portfolio Combination for use as a single agent prior to obtaining Marketing Approval for the Intra-Portfolio Combination, then TAIHO will pay Arcus the portion of the Option Exercise Payments and Development and Regulatory Milestone Payments with respect to each such Licensed Product as a single agent that was discounted pursuant to the preceding sentence (i.e., TAIHO shall pay the remaining [***] percent ([***]%) of such Option Exercise Payments and Development and Regulatory Milestone Payments). Such amounts shall be paid by TAIHO to Arcus within [***] days after TAIHO or a Sublicensee obtains Marketing Approval of such one (1) or more of the Licensed Products as a single agent. There will be no discounts to any Commercialization Milestone Payments or any royalty payments based on such Intra-Portfolio Combination.

5.5 Royalties. Subject to Sections 5.6 and 5.7, TAIHO shall pay royalties to Arcus on annual Net Sales of a Licensed Product in the Territory by TAIHO and its Sublicensees in each calendar year at the applicable rate(s) set forth below:

<table>
<thead>
<tr>
<th>Annual Net Sales Increments</th>
<th>Royalty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>[***]</td>
<td>[***]</td>
</tr>
</tbody>
</table>

For example, if annual Net Sales of a Licensed Product in the Territory is $3,800,000,000, then the royalty payable by TAIHO to Arcus would be calculated as [***]. In determining annual Net Sales, Net Sales of Licensed Product for one indication will be added to Net Sales of the same Licensed Product for other indications.

[***].

5.6 Royalty Adjustments.

(a) Generic Products. If one or more Generic Products (other than a Generic Product sold by TAIHO or any of its Affiliates or Sublicensees) with respect to a Licensed Product is sold commercially in a particular country in the Territory during a particular calendar

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quarter ("Generic Product Presence"), and during such calendar quarter the Net Sales of such Licensed Product has decreased by [***] percent ([***]%) or more when compared to peak Net Sales of such Licensed Product in such country in [***] prior to such Generic Product Presence, and such decrease is attributable to such Generic Product Presence ("Generic Competition"), then, only for so long as such Generic Competition continues to exist, the royalty rate (used with Net Sales to determine royalty payments) for such Licensed Product in such country during such calendar quarter will be reduced by [***] percent ([***]%) for purposes of determining TAIHO's obligation to make royalty payments under this Agreement.

(b) Payments on Third Party Intellectual Property. If, following the Effective Date, it is necessary for TAIHO (or its Sublicensee) to obtain from one or more Third Parties rights to intellectual property in order to Develop or Commercialize any Licensed Product in the Field in the Territory, TAIHO will have the sole right to, and may, in its sole discretion, negotiate and obtain a license under such intellectual property (each such Third Party license is referred to herein as a "Third Party License"). Intellectual property from a Third Party will be deemed “necessary” under this Section if such rights are reasonably necessary for avoiding or preventing infringement or misappropriation of Third Party intellectual property rights in connection with, or otherwise actually required for, the Development or Commercialization of the applicable Licensed Product in the Field in the Territory. Except as set forth in this Section or to the extent of any Third Party claim for which Arcus provides indemnification under Section 11.2, or as the parties may otherwise agree in writing, TAIHO shall bear any payments associated with any payments owed to any Third Party for such a Third Party License (collectively, the "Third Party Royalties"). TAIHO may credit up to [***] percent ([***]%) of the amount of any Third Party Royalties paid by TAIHO under a Third Party License pursuant to this Section against amounts payable to Arcus under Article 5 in accordance with Section 5.9.

(c) Arcus In-License Technology.

(i) In the event that Arcus intends to obtain a right or license to intellectual property or other subject matter, Arcus will use good faith efforts to include all of the countries within the Territory in such right or license, provided that nothing herein shall require Arcus to obtain rights and licenses to any of the countries in the Territory except on such terms and conditions that Arcus deems acceptable in its sole and reasonable discretion, provided further that if Arcus does not obtain any such rights and licenses in and for Japan with respect to any Arcus Program, such Arcus Program shall not be considered an Arcus Program under Sections 2.1(b) or 2.1(f) for the purpose of determining whether Arcus has initiated IND Enabling Studies for at least [***] Arcus Programs. If Arcus obtains a right or license to intellectual property or other subject matter, Arcus shall, for so long as TAIHO has an Option or License to such intellectual property or other subject matter, Control such intellectual property and other subject matter, with the right to license or sublicense the same to TAIHO hereunder on terms no less favorable than apply to Arcus and any other Arcus Partners, and, to the extent TAIHO is responsible for any payments thereunder pursuant to Section 5.6(c)(iii), on a proportionate basis with respect to TAIHO's payment obligations, taking into account the relative size of the market in the Territory.

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(ii) It is understood and agreed that Arcus shall be responsible for any and all payments due to a Third Party, including an Arcus Partner, under a Third Party Agreement pursuant to which Arcus obtains a right or license to intellectual property or other subject matter included in the Arcus Technology, or relates to any applicable Antibodies or Compounds directed to the Target(s) of an Arcus Program or the applicable Target(s) of an Arcus Program, and which is entered into by Arcus prior to TAIHO exercising its Option with respect to the applicable Arcus Program pursuant to Section 2.1(d).

(iii) If, following the License Date with respect to an Arcus Program, Arcus enters into a Third Party Agreement with a Third Party (other than an Arcus Partner) under which Arcus obtains a right or license to intellectual property or other subject matter included in the Arcus Technology to the extent directed to such Arcus Program or that relates to any applicable Antibodies or Compounds directed to the Target(s) of such Arcus Program (such other intellectual property or other subject matter, “Third Party Technology”) included in the Arcus Technology, and for which payments would become due to such Third Party as a result of TAIHO’s Development or Commercialization of a Licensed Product hereunder in exercise of rights under such Arcus Technology, then the following shall apply: Promptly upon entering into any such Third Party Agreement, Arcus shall provide TAIHO with a true, complete and correct written description of such Third Party Technology and such payment obligations, and TAIHO’s obligation to reimburse such amounts shall be limited to those payment obligations as so disclosed to it. The License granted to TAIHO under such Third Party Technology shall be subject to TAIHO’s agreement to reimburse Arcus for the payments owed to such Third Party to the extent such payments become due by reason of TAIHO’s exercise of TAIHO’s License hereunder with respect to such Third Party Technology in the Territory. If TAIHO elects not to or does not agree to reimburse such payments, then to such extent, such Third Party Technology shall thereafter be deemed excluded from TAIHO’s License with respect to such Third Party Technology with respect to such Licensed Product. [***] percent ([***]%) of any payments that TAIHO reimburses pursuant to this paragraph may be offset against amounts due to Arcus in accordance with Section 5.9.

(iv) If Arcus fails to make any payment when due under any Third Party Agreement or is otherwise in breach of such Third Party Agreement, TAIHO shall have the right to make such payment and/or cure such breach on behalf of Arcus. In such event, Arcus shall promptly reimburse TAIHO for TAIHO’s reasonable costs incurred in making such payment and/or curing such breach or, at TAIHO’s election, TAIHO may offset such amounts paid by TAIHO against any future amounts payable to Arcus hereunder.

5.7 Royalty Term. Royalties under Section 5.5 shall be payable on a Licensed Product-by-Licensed Product and country-by-country basis during the period of time commencing on the First Commercial Sale of a Licensed Product in a country and ending upon the later of: (a) ten (10) years from the date of First Commercial Sale of such Licensed Product in such country; and (b) expiration of the last-to-expire Valid Claim of the Arcus Patents covering the manufacture, use or sale or exploitation of such Licensed Product in such country (the “Royalty Term”). Notwithstanding the foregoing, for the second or any subsequent Licensed Products...
Product of the applicable Arcus Program to be sold in a country in the Territory, clause (a) of the Royalty Term shall only apply for such second or subsequent Licensed Product if [***].

5.8 Controlled Antibodies and Compounds. Notwithstanding anything to the contrary in this Agreement, TAIHO’s royalty or milestone payment obligations under this Agreement shall be owed on an Antibody or Compound only if and to the extent the chemical structure of such Antibody or Compound was first discovered by Arcus or in-licensed to Arcus by a Third Party, and in any event shall not be owed on any compound or antibody first discovered by TAIHO or in-licensed to TAIHO, directly or indirectly, by a Third Party that first discovered such compound or antibody. The foregoing shall not be deemed to grant to TAIHO any implied right or license under any intellectual property right of Arcus other than as expressly set forth herein.

5.9 Credits. Under [***], TAIHO has rights to credit certain amounts (the “Credits”) against certain amounts owed by TAIHO to Arcus pursuant to this Article 5 (“Amounts Owed”). In each case, TAIHO may only credit each Credit actually paid by TAIHO in a calendar quarter against Amounts Owed in the same calendar quarter for the Arcus Program to which the applicable Credit relates. If the Credit relates to more than one Arcus Program, then such Credit will be divided and distributed equally across each Arcus Program to which such Credit relates. In no event shall the application of any Credit reduce each Amount Owed by more than [***] percent (***%) in a given calendar quarter and TAIHO may not apply the particular amounts paid by TAIHO as Credits under more than one of the applicable [***]. For example, a particular amount paid by TAIHO to a licensor shall not qualify as a Credit under both [***]. If a Credit may not be fully offset as a result of the foregoing limitation, then it may be carried forward and offset against Amounts Owed in future calendar quarters; provided that in the event of any [***]. Arcus shall not be liable to TAIHO for any Credits which cannot be carried forward, credited, offset, or deducted by TAIHO.

6. PAYMENTS; RECORDS; AUDITS.

6.1 Payment; Reports. Royalties shall be calculated and reported for each calendar quarter within [***] days after the end of each calendar quarter. Upon delivery of such report, Arcus shall invoice TAIHO for the corresponding amount of the royalty due to Arcus, if any, and TAIHO shall pay such amount due, if any, within [***] days after receipt of an invoice from Arcus therefor. Each report of royalties shall include the Net Sales of Licensed Products by TAIHO and its Sublicensees in the Territory on a country-by-country basis during the applicable calendar quarter, which report shall include the gross amounts invoiced and Net Sales of such Licensed Products, the royalties payable, how such royalties payable amounts were calculated (including an accounting of any reductions in applicable royalty rates and/or deductions in determining Net Sales), and the exchange rates used, in each case presented on a country-by-country basis and only for the applicable calendar quarter. Each such report shall also include an accounting of any other amounts paid under Article 5 in the applicable calendar quarter, including an accounting of any reductions made to such amounts (e.g., under Section 5.9), and a list of the unused Credit carry forwards to date with their respective remaining amounts.
6.2 Exchange Rate; Manner and Place of Payment. All payments hereunder shall be payable in U.S. dollars. When conversion of payments from any foreign currency is required, such conversion shall be calculated using an exchange rate equal to the weighted average of the rates of exchange for the currency of the country from which the royalties are payable as reported on Oanda.com, during the calendar quarter for which a payment is due. All payments owed under this Agreement shall be made by wire transfer in immediately available funds to the bank and account designated in writing by Arcus.

6.3 Income Tax Withholding. All payments by TAIHO hereunder shall be made to Arcus by TAIHO or an Affiliate of TAIHO that is either a resident of Japan or the United States for income tax purposes and unless specifically required by a governmental agency shall not be subject to any deduction for withholding imposed upon the sale of Licensed Product outside the United States or otherwise and Arcus will then pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are paid or required to be withheld by TAIHO or an Affiliate for the benefit of Arcus on account of any royalties or other payments payable to Arcus under this Agreement, TAIHO will (a) be entitled to deduct and withhold such taxes from the amount of royalties or other payments otherwise due to Arcus, (b) timely pay the taxes to the proper taxing authority, and (c) send proof of payment to Arcus and any receipt by the taxing authority received by TAIHO within thirty (30) days of payment or receipt following such payment. TAIHO and Arcus shall reasonably cooperate to minimize any such withholding, including by Arcus providing a Certification of U.S. Tax Residency on Form 6166, an Application Form for Income Tax Convention (Form 3) and an Attachment Form for Limitation on Benefits Article (US) (Form 17).

6.4 Audits. TAIHO shall keep (and shall require its Affiliates and Sublicensees to keep) complete and accurate records pertaining to the manufacture, Development, sale or other disposition of Licensed Products in sufficient detail to permit Arcus to confirm the accuracy of all payments due hereunder for a period of [***] years from the end of the calendar year to which such records relate. Arcus shall have the right, once annually, to cause an independent, certified public accountant (the "Auditor") to audit such records solely to confirm the amounts payable by TAIHO to Arcus under this Agreement for a period covering not more than the preceding [***] years, including, without limitation, calculation of Net Sales and payment of royalties, provided that with respect to such records of Sublicensees, TAIHO shall only be obligated to use Commercially Reasonable Efforts to obtain such rights for Arcus from its Sublicensees and, if TAIHO is unable to obtain from any Sublicensee such right for Arcus to audit such records of such Sublicensee, TAIHO shall obtain the right to inspect and audit such Sublicensee’s books and records for itself and shall exercise such audit rights on behalf and at the reasonable expense of Arcus upon Arcus’s written request and disclose the results of any such audit to Arcus in accordance with this Section. Such audits may be exercised during normal business hours upon reasonable prior written notice to TAIHO. The Auditor will, prior to the conduct of any such audit, execute a reasonable written confidentiality agreement with TAIHO. The Auditor will send a copy of the report to TAIHO at the same time it is sent to Arcus that states whether the royalties and other payments hereunder are correct or incorrect and, if they are incorrect, the amount of any underpayment or overpayment along with reasonable details for how such underpayment or overpayment was determined. The report sent to both parties will include the methodology and calculations used to determine the results. Prompt

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adjustments shall be made by the parties to reflect the results of such audit. Arcus shall bear the full cost of such audit unless such audit establishes an underpayment by TAIHO of more than \([***]\) percent \((\[***\]%\)) of the amount due for the period covered by the audit, in which case, TAIHO shall bear the full cost of such audit and shall promptly remit to Arcus the amount of any underpayment, together with a late fee which shall be calculated on such late payment in accordance with Section 6.5 below.

6.5 Late Payments. In the event that any amount due under this Agreement is not paid when such amount is due, the amount shall accrue (and TAIHO shall pay) interest from the date due at a rate per annum equal to (a) \([***]\) percent \((\[***\]%\)) per month for payments owed prior to \([***]\) years after the Effective Date; and (b) the prime rate as reported by the Bank of Tokyo-Mitsubishi UFJ, Ltd., plus \([***]\) percent \((\[***\]%\)) per year for payments owed more than \([***]\) years after the Effective Date; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit Arcus from exercising any other rights it may have as a consequence of the lateness of any payment.

7. CONFIDENTIALITY.

7.1 Confidential Information. Except to the extent expressly authorized by this Agreement, each party agrees that, during the Term, and for \([***]\) years thereafter, such party (the “Receiving Party”) shall keep confidential, and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement, any information furnished to it by or on behalf of the other party (the “Disclosing Party”) pursuant to this Agreement or any Confidentiality Agreement that is marked or otherwise identified as confidential or proprietary at the time of disclosure or is disclosed in such a manner or is of such a nature that a reasonable person would understand such information to be confidential or proprietary (collectively, “Confidential Information”). The Receiving Party may use and disclose Confidential Information only to the extent required to accomplish the purposes of this Agreement. The Receiving Party shall use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but in no event less than reasonable care) to prevent unauthorized access, use and disclosure of Confidential Information and to ensure that its, and its Affiliates’, employees, agents, consultants, other representatives and sublicensees (“Representatives”) do not disclose, except as otherwise expressly permitted under this Agreement, or make any unauthorized use of, the Confidential Information. The Receiving Party shall promptly notify the Disclosing Party upon discovery of any unauthorized use or unauthorized disclosure of the Disclosing Party’s Confidential Information.

7.2 Exceptions. Confidential Information of a Disclosing Party shall not include any information to the extent that such information (which the Receiving Party can prove by competent evidence): (a) is now, or hereafter becomes, through no act or failure to act on the part of the Receiving Party in violation of this Article 7, generally known or available; (b) is lawfully known by the Receiving Party or any of its Affiliates (to the extent such Receiving Party or Affiliate has the right to use and disclose such information) at the time of receiving such information from the Disclosing Party; (c) is hereafter furnished to the Receiving Party or any of its Affiliates by a Third Party, as a matter of right (to the extent such Receiving Party or Affiliate has the right to use and disclose such information); or (d) is independently discovered or developed by the Receiving Party or any of its Affiliates, without the use of or reference to Confidential Information of the Disclosing Party.

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7.3 **Authorized Disclosure.** Notwithstanding the provisions of Section 7.1, the Receiving Party may disclose Confidential Information of the Disclosing Party as expressly permitted by this Agreement, or if and to the extent such disclosure is reasonably necessary in the following instances:

(a) filing or prosecuting Patent Rights as permitted by this Agreement;

(b) exercising or enforcing such party’s rights under this Agreement and in performing its obligations under this Agreement;

(c) seeking, obtaining and maintaining Marketing Approvals (including complying with the requirements of Regulatory Authorities with respect to filing for, obtaining and maintaining Marketing Approvals);

(d) prosecuting or defending litigation as permitted by this Agreement;

(e) complying with applicable court orders, Applicable Laws, or the listing rules of any exchange on which the Receiving Party’s securities are traded (specifically including the recommendations and requests from the Tokyo Stock Exchange (TSE) or the SEC or otherwise submitting information to tax or other governmental authorities);

(f) disclosure in Regulatory Filings or Regulatory Documents that the Receiving Party has the right to make under this Agreement;

(g) in the case of Arcus, disclosure to any licensors to the extent required to comply with the terms and conditions of any agreement between Arcus and such licensors, provided that any such licensors agree to be bound by terms of confidentiality and non-use at least as restrictive as those set forth in this Article 7;

(h) disclosure to the Receiving Party’s Affiliates, to actual or potential Sublicensees (or licensees or sublicensees) or Subcontractors (or subcontractors, including those of Sublicensees) and to the Receiving Party’s and its Affiliates’ Representatives who, in each case, have a need to know such information in order for the Receiving Party to exercise its rights or fulfill its obligations under this Agreement or any agreement between the Receiving Party and any such persons, provided, in each case, that any such Affiliate, actual or potential Sublicensee (or licensee or sublicensee) or Subcontractor (or subcontractor, including those of Sublicensees), or Representative agrees to be bound by terms of confidentiality and non-use at least as restrictive as those set forth in this Article 7; and

(i) disclosure to Third Parties in connection with due diligence or similar investigations by such Third Parties, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by obligations of confidentiality and non-use similar to those contained in this Agreement.

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Each party shall be responsible for any breaches of confidentiality by any of its Affiliates, Sublicensees (or licensees or sublicensees), Subcontractors (or subcontractors, including those of Sublicensees), Representatives, advisors and Third Parties (to whom it discloses Confidential Information pursuant to Sections 7.3(h), 7.3(i) and 7.6).

Notwithstanding the foregoing, in the event the Receiving Party is required to make a disclosure of the Disclosing Party’s Confidential Information pursuant to Section 7.3(d) or 7.3(e), it will, except where impracticable, (a) give reasonable advance notice to the Disclosing Party of such disclosure, (b) use efforts to secure confidential treatment of such information at least as diligent as the Receiving Party would use to protect its own confidential information, but in no event less than reasonable efforts, and (c) cooperate with any efforts by the Disclosing Party, at the Disclosing Party’s request and expense, to secure confidential treatment of such Confidential Information. [***].

In addition, notwithstanding the foregoing, to the extent that either party reasonably determines that it is required to make a filing or any other public disclosure with respect to this Agreement or the terms or existence hereof to comply with the requirements, rules, laws or regulations of any applicable stock exchange, Nasdaq, Tokyo Stock Exchange, or any governmental or regulatory authority or body, including without limitation the U.S. Securities and Exchange Commission (the “SEC”) (collectively, the “Securities Disclosure Obligations”), such party shall promptly inform the other party thereof and shall use reasonable efforts to maintain the confidentiality of the terms of this Agreement in any such filing or disclosure. Prior to making any such initial filing of the terms of this Agreement, the parties shall mutually agree on the provisions of this Agreement for which the parties shall seek confidential treatment, it being understood that if one party determines to seek confidential treatment for a provision for which the other party does not, then the parties will use reasonable efforts in connection with such filing to seek the confidential treatment of any such provision. The parties shall cooperate, each at its own expense, in such filing, including without limitation such confidential treatment request. The parties will reasonably cooperate in responding promptly to any comments received from the SEC with respect to such filing in an effort to achieve confidential treatment of such redacted form; provided, however, that a party shall be relieved of such obligation to seek confidential treatment for a provision requested by the other party if such treatment is not achieved after the first round of responses to comments from the SEC. Notwithstanding anything to the contrary in this Agreement, either party may make reference to the existence of this Agreement and describe in general terms the relationship between the parties in connection with any required securities filings without seeking the other party’s prior consent. This paragraph shall apply with respect to the filing of the terms of this Agreement or any public disclosure relating to this Agreement, in each case to comply with Securities Disclosure Obligations, notwithstanding the provisions of this Article 7 or the Confidentiality Agreement.

7.4 Publications.

(a) Clinical Trial Results. TAIHO and its Affiliates may publish, and authorize Sublicensees to publish, the results of any Clinical Trial of a Licensed Product conducted by or on behalf of TAIHO, its Affiliate or a Sublicensee without the prior written approval of Arcus; provided that they are in compliance with the terms and conditions of this

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Section. TAIHO shall provide a copy of the proposed publication to Arcus for review at least [**] days in advance of any such publication. Arcus may request, and TAIHO shall remove, from the proposed publication any information that is Arcus Confidential Information. Furthermore, TAIHO shall consider in good faith and acting reasonably any other changes requested by Arcus with respect to such proposed publication. Notwithstanding the foregoing, once the results of a Clinical Trial have been published, no further notice shall be required with respect to a subsequent publication of such results. The parties shall reasonably cooperate with each other to coordinate their strategies for publishing the results of any Clinical Trial of a Licensed Product.

7.5 Public Announcements.

(a) Joint Press Release. If requested by a party, the parties shall issue a joint press release announcing the execution of this Agreement in substantially the form(s) mutually agreed upon by the parties.

(b) Additional Press Releases. It is understood that each party may desire or be required to issue subsequent press releases relating to this Agreement or activities hereunder. Should a party wish to issue any subsequent press release with respect to this Agreement and/or the activities hereunder, such party agrees to consult with the other party reasonably and in good faith with respect to the text and timing of such press release prior to the issuance thereof. After release of a press release in accordance with this Section 7.5, each party may disclose to Third Parties the information contained in such press release without the need for further notice to the other party.

7.6 Confidential Terms. Each party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other party hereto, except each party may disclose the terms of this Agreement: (a) to advisors (including financial advisors, attorneys and accountants), actual or potential acquisition partners or private investors, and others on a need to know basis, in each case under appropriate confidentiality provisions substantially equivalent to those in this Agreement; or (b) to the extent necessary to comply with Applicable Laws and court orders, including securities laws, regulations or guidances; provided that in the case of paragraph (b) the Disclosing Party (A) complies with the provisions set forth above with respect to Securities Disclosure Obligations, and (B) in the case of disclosures under paragraph (b) other than to comply with Securities Disclosure Obligations, promptly notifies the other party and allows the other party a reasonable opportunity to oppose with the body initiating the process and, to the extent allowable by Applicable Law, to seek limitations on the portion of the Agreement that is required to be disclosed.

8. INTELLECTUAL PROPERTY.

8.1 Ownership of Inventions. Inventorship of Inventions shall be determined in accordance with the rules of inventorship under U.S. patent laws. Arcus shall solely own all Arcus Inventions. TAIHO shall solely own all TAIHO Inventions. The parties shall jointly own all Joint Inventions.

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8.2 Prosecution and Maintenance. For purposes of this Section 8.2, (a) the terms “prosecution” and “maintenance” (including variations such as “prosecute” and “maintain”) shall mean, with respect to a Patent Right, the preparation, filing, prosecution, and maintenance of such Patent Right, in the applicable jurisdiction, as well as re-examinations and reissues with respect to such Patent Right, together with the conduct of interferences, the defense of oppositions and other similar proceedings with respect to a Patent Right, (b) the term “Arcus Patents” shall also include those Patent Rights Controlled by Arcus to the extent such Patent Rights cover the Development or Commercialization of an Antibody, Compound, Therapeutic Product unless TAIHO has either not exercised its Option with respect thereto or terminated its License with respect thereto, and (c) the term “Companion Diagnostic” shall apply to Antibodies, Compound, and Therapeutic Products, to the same extent as it applies to Licensed Products, mutatis mutandis.

(a) Arcus Patents.

   (i) Territory.

(1) Arcus shall have primary responsibility for the prosecution and maintenance of any Arcus Patents in the Territory at its sole cost and expense. Arcus shall prosecute and maintain Arcus Patents in [***], and use commercially reasonable efforts to obtain issued Patent Rights therein that cover each of the Licensed Products. Arcus shall use commercially reasonable efforts to prosecute and maintain Arcus Patents in [***], and use commercially reasonable efforts to obtain issued Patent Rights therein that cover each of the Licensed Products.

(2) Prior to TAIHO’s exercise of the applicable Option, Arcus (a) shall notify TAIHO in the event Arcus elects not to file (directly or through the national phase of the PCT procedure) an Arcus Patent in any of [***] (the “Patent Prosecution Countries”), (b) is not required to consult with or provide TAIHO with the opportunity to review any draft patent applications prior to filing, and (c) shall use commercially reasonable efforts to consult with TAIHO as to the prosecution and maintenance of Arcus Patents related to the applicable Option Products in the Patent Prosecution Countries once examination has begun in such country.

(3) After TAIHO’s exercise of the applicable Option, Arcus shall consult with TAIHO as to the prosecution and maintenance of Arcus Patents related to the Licensed Product in the Territory, including providing to TAIHO for review all relevant drafts and documents reasonably prior to any deadline or submission to or action with any patent office. Arcus shall consider in good faith any reasonable comments thereto provided by TAIHO in connection with the prosecution and maintenance of such Arcus Patents, so long as such comments are provided to Arcus in a timely manner. If reasonably requested by TAIHO, Arcus shall provide TAIHO with an update on progress with regard to the prosecution and maintenance of Arcus Patents relevant to the Territory, and Arcus shall provide to TAIHO copies of all patent office submissions and material correspondence directly related to the Arcus Patents in the Territory within a reasonable amount of time following submission or receipt thereof by Arcus.

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(4) Beginning on the grant of the applicable Option until the earlier of exercise thereof or expiration of the Option Period (solely with respect to Arcus Patents in [***]) and after TAIHO’s exercise of the applicable Option (with respect to all Arcus Patents in any country in the Territory), if Arcus plans not to file (directly or through the national phase of the PCT procedure) such Arcus Patent or, if Arcus desires to abandon or cease prosecution or maintenance of any such Arcus Patent without filing a continuation, divisional or similar patent application, Arcus shall provide written notice to TAIHO of such intention at least [***] days in advance of the date any such filing is required to avoid a loss of such rights or abandonment of such Arcus Patent, and TAIHO shall have the right, but not the obligation, subject to the rights of Third Parties under any Third Party Agreements, to assume responsibility for prosecution and maintenance of such Arcus Patent in Arcus’ name at its sole cost and expense; provided that if TAIHO elects to assume such responsibility, Arcus shall promptly (in any case reasonably in advance of any applicable deadline) furnish all communications received from any patent office with respect to such Arcus Patents to TAIHO and Arcus shall cooperate reasonably to allow TAIHO to prosecute and maintain such Arcus Patents at TAIHO’s request; provided further that TAIHO shall keep Arcus reasonably informed as to the prosecution of such Arcus Patents in the Territory and shall consider in good faith any reasonable comments provided by Arcus in connection with the prosecution of such Arcus Patents, so long as such comments are provided by Arcus in a timely manner. To the extent Arcus obtained Control of any such Arcus Patent under a Third Party Agreement, TAIHO’s rights to assume responsibility for prosecution and maintenance of such Arcus Patents shall be subject to the rights of Third Parties under such Third Party Agreement, provided that Arcus shall, at TAIHO’s request, cooperate reasonably to allow TAIHO to exercise its right to assume such prosecution and maintenance. In the event that TAIHO elects to assume the prosecution and maintenance of an Arcus Patent as provided for in this Section 8.2(a)(i)(4), Arcus shall permit TAIHO to offset [***] percent ([***]%)(10) of the expense incurred in prosecuting and maintaining such Patent Rights against the amounts otherwise payable to Arcus hereunder with respect to Licensed Products covered by such Patent Rights in accordance with Section 5.9. Such Patent Rights shall thereafter cease to be considered an Arcus Patent solely for purposes of determining the Royalty Term.

(ii) **Arcus Territory**. Arcus shall have the sole right, but not the obligation, to prosecute and maintain the Arcus Patents outside the Territory, at its sole cost and expense.

(b) **TAIHO Patents.** TAIHO shall have the sole right, but not the obligation, to prosecute and maintain the TAIHO Patents throughout the world, at its sole cost and expense. TAIHO shall consult with Arcus as to the prosecution and maintenance of TAIHO Patents outside the Territory (including PCT applications) reasonably prior to any deadline, submission to or action with any patent office, and shall furnish to Arcus copies of all relevant drafts and documents reasonably in advance of such consultation. TAIHO shall consider in good faith any reasonable comments thereto provided by Arcus in connection with the prosecution and maintenance of such TAIHO Patents, so long as such comments are provided by Arcus in a timely manner. TAIHO shall keep Arcus reasonably informed of progress with regard to the prosecution and maintenance of TAIHO Patents relevant to outside the Territory and shall provide to Arcus copies of all patent office submissions and material correspondence relevant to outside the Territory within a reasonable amount of time following submission or receipt thereof.

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by TAIHO. TAIHO shall consider the comments of Arcus in good faith, so long as such comments are provided by Arcus in a timely manner. If TAIHO plans not to file (directly or through the national phase of the PCT procedure) a TAIHO Patent in any country outside of the Territory or, if TAIHO desires to abandon or cease prosecution or maintenance of any TAIHO Patent without filing a continuation, divisional or similar patent application in any country outside of the Territory, TAIHO shall provide written notice to Arcus of such intention at least [***] days in advance of the date any such filing is required to avoid a loss of such rights or abandonment of such TAIHO Patent, and, Arcus shall have the right, but not the obligation, subject to the rights of any applicable Third Party licensor, to assume responsibility for prosecution and maintenance of such TAIHO Patent in TAIHO’s name at its sole cost and expense; provided that if Arcus elects to assume such responsibility, TAIHO shall promptly (in any case reasonably in advance of any applicable deadline) furnish all communications received from any patent office with respect to such TAIHO Patents to Arcus and TAIHO shall cooperate reasonably to allow Arcus to prosecute and maintain the TAIHO Patents at Arcus’ request; provided further that Arcus shall keep TAIHO reasonably informed as to the prosecution of such TAIHO Patent outside the Territory and shall consider in good faith any reasonable comments provided by TAIHO in connection with the prosecution of such TAIHO Patents, so long as such comments are provided by TAIHO in a timely manner.

(c) **Joint Patents.** Arcus shall have the first right, but not the obligation, to prosecute and maintain Joint Patents in the Territory and outside the Territory, at its sole cost and expense. Arcus shall consult with TAIHO as to the prosecution and maintenance of Joint Patents reasonably prior to any deadline, submission to or action with any patent office, and shall furnish to TAIHO copies of all relevant drafts and documents reasonably in advance of such consultation. Arcus shall consider in good faith any reasonable comments thereto provided by TAIHO in connection with the prosecution and maintenance of such Joint Patents, so long as such comments are provided to Arcus in a timely manner. If reasonably requested by TAIHO, Arcus shall provide TAIHO with an update on progress with regard to the prosecution and maintenance of Joint Patents, and Arcus shall consult with, and consider in good faith the requests and suggestions of, TAIHO with respect to the prosecution and maintenance of Joint Patents, so long as such comments are provided by TAIHO in a timely manner. In the event that Arcus desires not to file (including any national phase filing), or desires to abandon or cease prosecution or maintenance of, any Joint Patent in any country, without filing a continuation, divisional or similar patent application, Arcus shall provide written notice to TAIHO of such intention at least [***] days in advance of the date any such filing is required to avoid a loss of such rights or abandonment of such Joint Patent. In such case, at TAIHO’s sole discretion, upon written notice to Arcus, TAIHO may elect to continue prosecution or maintenance of any such Joint Patent, in the name of both Arcus and TAIHO, at its sole cost and expense.

(d) **Cooperation of the Parties.** Each party agrees to reasonably cooperate with the party responsible for prosecution and maintenance of Patent Rights in the prosecution and maintenance of Patent Rights under Section 8.2 and in the obtaining and maintaining of any Patent Term Extensions (in accordance with Section 8.3), supplementary protection certificates and the like with respect thereto respectively at its own costs, as requested by the responsible party. Such cooperation may include, but is not limited to executing all reasonable papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so

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as to enable the other party to apply for and to prosecute patent applications in any country as permitted by Section 8.2.

8.3 Patent Term Extensions in the Territory. The parties shall coordinate and discuss which of the Patent Rights within the Arcus Patents, TAIHO Patents and Joint Patents should be selected for term extensions, supplementary protection certificates, and equivalents thereof offering patent protection beyond the initial term with respect to any issued Patent Rights (“Patent Term Extensions”) with respect to the Licensed Products in the Territory. TAIHO shall have the right to make the final decision regarding which Patent Rights are selected for Patent Term Extension in the Territory, and shall have the right to seek and obtain such Patent Term Extensions with respect to the Arcus Patents.

8.4 Enforcement and Defense of Patent Rights. Each party shall notify the other party in writing within [***] (except as expressly set forth below) of becoming aware of any alleged or threatened infringement by a Third Party of any of the Arcus Patents, TAIHO Patent or Joint Patents (“Infringement”), including (a) any such alleged or threatened Infringement on account of a Third Party’s manufacture, use or sale of a Licensed Product in the Field, (b) any certification filed in the United States under 21 U.S.C. §355(b)(2) or 21 U.S.C. §355(j)(2) or similar provisions in other jurisdictions in connection with an ANDA (an Abbreviated New Drug Application) or a comparable application for Marketing Approval under Applicable Law in any country other than the United States or other NDA for a Licensed Product in the Field (a “Patent Certification”), (c) patent clearance under the BPCI Act patent exchange and litigation process or similar provisions in other jurisdictions in connection with a Biosimilar Application or other BLA for a Licensed Product in the Field (“Patent Clearance”) and (d) any declaratory judgment action filed by a Third Party that is developing, manufacturing or commercializing any product directed to the Target of Licensed Product in the Field alleging the invalidity, unenforceability or non-infringement of any of the Arcus Patents or Joint Patents ((a)-(d), collectively, “Competitive Infringement”); provided, however, that each party shall notify the other party of any Patent Certification or Patent Clearance regarding any Arcus Patent or Joint Patent that it receives, and such party shall provide the other party with a copy of such Patent Certification or Patent Clearance, within [***] after receipt.

(a) Arcus Patents.

(i) Territory. Arcus shall have the first right, but not the obligation, to bring (or defend) and control any action or proceeding with respect to Competitive Infringement of any Arcus Patent in the Territory, at Arcus’s own expense and by counsel of its own choice. If Arcus fails to bring any such action or proceeding with respect to Competitive Infringement of any Arcus Patent in the Territory within [***] days following the notice of alleged Competitive Infringement, TAIHO shall have the right to bring (or defend) and control any such action or proceeding at its own expense and by counsel of its own choice, provided, however, that (A) if the applicable Competitive Infringement is the result of a party’s receipt of a Patent Certification or Patent Clearance with respect to a Arcus Patent, Arcus shall notify TAIHO of Arcus’s decision to bring (or defend) and control any action or proceeding [***] days after receipt of such Patent Certification or Patent Clearance with respect to such Arcus Patent and (B) the [***] or [***] day period shall be shortened to the extent necessary for
TAIHO to initiate and maintain such action or proceeding, after which time TAIHO shall have the right to bring (or defend) and prosecute such action. If TAIHO brings any action or proceeding against any Third Party with respect to Competitive Infringement of any Arcus Patent pursuant to this Section, (x) it will have sole control of any such action and Arcus shall, at TAIHO’s expense, execute all necessary and proper documents that are reasonable, take such actions and otherwise cooperate as reasonably requested to allow TAIHO to undertake any such action; and (y) TAIHO may offset [***] percent ([***]%) of its out-of-pocket costs incurred in connection with such action or proceeding against amounts payable to Arcus under Article 5 in accordance with Section 5.9.

(ii) **Outside the Territory.** Arcus shall have the sole right, but not the obligation, to bring (or defend) and control any action or proceeding with respect to Competitive Infringement of an Arcus Patent anywhere outside the Territory, at Arcus’s own expense and by counsel of its own choice, and TAIHO shall have no rights in connection therewith.

(b) **TAIHO Patents.**

(i) **Outside the Territory.** TAIHO shall have the first right, but not the obligation, to bring (or defend) and control any action or proceeding with respect to Competitive Infringement of a TAIHO Patent outside the Territory, at TAIHO’s own expense and by counsel of its own choice. If TAIHO fails to bring any such action or proceeding with respect to Competitive Infringement of any TAIHO Patent outside the Territory within [***] days following the notice of alleged Competitive Infringement, Arcus shall have the right to bring (or defend) and control any such action or proceeding at its own expense and by counsel of its own choice, provided, however, that if the applicable TAIHO Patents cover [***]; provided further, that if the applicable TAIHO Patents cover [***]. If Arcus brings any action or proceeding against any Third Party with respect to Competitive Infringement of any TAIHO Patent pursuant to this Section, it will have sole control of any such action and TAIHO shall, at Arcus’s expense, execute all necessary and proper documents that are reasonable, take such actions and otherwise cooperate as reasonably requested to allow Arcus to undertake any such action.

(ii) **Territory.** TAIHO shall have the sole right, in its discretion, to bring (or defend) and control any action or proceeding with respect to Competitive Infringement of a TAIHO Patent anywhere in the Territory, at TAIHO’s own expense and by counsel of its own choice, and Arcus shall have no rights in connection therewith.

(c) **Joint Patents.**

(i) **Competitive Infringement.**

1) **Worldwide.** Arcus shall have the first right, but not the obligation, to bring (or defend) and control any action or proceeding with respect to Competitive Infringement of any Joint Patent, at its own expense and by counsel of its own choice, and TAIHO shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Arcus fails to bring any such action or proceeding with respect to Competitive Infringement of any Joint Patent within [***] days following the notice of alleged

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infringement, TAIHO shall have the right to bring (or defend) and control any such action at its own expense and by counsel of its own choice, and Arcus shall have the right, at its own expense, to be represented in any such action by counsel of its own choice; provided, however, that (A) if the applicable Competitive Infringement is the result of a party’s receipt of a Patent Certification or Patent Clearance with respect to a Joint Patent, Arcus shall notify TAIHO of Arcus’s decision to bring (or defend) and control any action or proceeding within [***] days of Arcus’s receipt of such Patent Certification or Patent Clearance with respect to such Joint Patent and (B) the [***] or [***] day period shall be shortened to the extent necessary for TAIHO to initiate and maintain such action or proceeding, after which time TAIHO shall have the right to bring (or defend) and prosecute such action, and Arcus shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

(ii) Other Infringement. The parties shall mutually agree on a case-by-case basis (A) whether to bring (or defend) any action or proceeding with respect to Infringement of any Joint Patent anywhere in the world to the extent the Infringement is not Competitive Infringement, (B) which party would bring (or defend) and control such action, and (C) how the expenses of, and any recovery from, any such action would be allocated.

(d) Cooperation. In the event a party brings (or defends) an infringement action in accordance with this Section 8.4, or in the event a party is entitled to bring (or defend) an infringement action in accordance with this Section 8.4 but lacks standing to do so, the other party shall cooperate reasonably, including, if required to bring (or defend) such action, the furnishing of a power of attorney or being named as a party (by joining). Neither party shall enter into any settlement or compromise of any action under this Section 8.4 which [***].

(e) Recovery. Except as otherwise agreed by the parties in connection with a cost-sharing arrangement, any recovery realized by a party as a result of any action or proceeding in the Territory pursuant to this Section 8.4, whether by way of settlement or otherwise, shall be applied first to reimburse the documented out-of-pocket legal expenses of the party that brought (or defended) and controlled such action or proceeding incurred in connection with such action or proceeding, and second to reimburse the documented out-of-pocket legal expenses of the other party incurred in connection with such action or proceeding, and any remaining amounts shall be [***]; provided, however, that:

(i) any recovery realized by Arcus as a result of any action brought (or defended) and controlled by Arcus pursuant to Section 8.4(a)(i) or Section 8.4(c)(i)(1) (after reimbursement of the parties’ documented out-of-pocket legal expenses relating to the action or proceeding) shall be allocated as follows: [***];

(ii) any recovery realized by TAIHO as a result of any action brought and controlled by TAIHO pursuant to Section 8.4(c)(i)(1) (after reimbursement of the parties’ documented out-of-pocket legal expenses relating to the action or proceeding) shall be [***]; and

(iii) any recovery realized by Arcus or TAIHO as a result of any other action brought and controlled by such party pursuant to this Section 8.4 (after reimbursement of the parties’ documented out-of-pocket legal expenses relating to the action or proceeding) shall [***].

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8.5 Infringement of Third Party Rights.

(a) Each party shall promptly notify the other in writing of any allegation by a Third Party that the activity of either party pursuant to this Agreement infringes or may infringe the intellectual property rights of such Third Party. Neither party shall have the right to settle any infringement litigation under this Section 8.5 in a manner that [***].

(b) Except to the extent Arcus has provided indemnification under Section 11.2, TAIHO shall have the right to offset [***] percent ([***]%) of all damages and settlement costs paid to a Third Party (including any out-of-pocket costs incurred to defend such a claim), as a result of any suit or action with such Third Party that claims that the production, use or sale of the Licensed Product infringes any issued patent of a Third Party against any and all payments to be made to Arcus under this Agreement with respect to such Licensed Product in accordance with Section 5.9.

8.6 Marking. To the extent required by Applicable Law and to the extent TAIHO ordinarily marks its own products, TAIHO shall, and shall require its Affiliates and Sublicensees to, mark all Licensed Products made, used or sold in the Field in the Territory, or their containers, with the number of each issued Arcus Patent and Joint Patent that applies to such Licensed Products.

8.7 Trademarks. Subject to the terms and conditions of this Agreement, and effective automatically as of the applicable License Date, Arcus hereby grants to TAIHO a royalty-free, fully paid up exclusive license to use any Licensed Product-specific trademarks and trade dress Controlled by Arcus (“Arcus Trademarks”) in the Territory solely for the packaging, marketing, sale and/or promotion of Licensed Products. Such trademark license shall be sublicensable to an Affiliate, Sublicensee or Subcontractor for use in connection with the Development and/or Commercialization of the Licensed Products for the Territory in accordance with this Agreement. As between the parties, ownership of all right, title and interest in and to, and all good will from the use of, the Arcus Trademarks in the Territory shall vest in Arcus. TAIHO shall use the Arcus Trademarks in accordance with reasonable trademark guidelines that Arcus has provided to TAIHO from time to time. At least [***] days prior to TAIHO’s use of any Arcus Trademarks, TAIHO shall submit a sample of the proposed use for Arcus’ review and TAIHO shall make any reasonably requested changes to the use of the Arcus Trademark to the extent necessary for the use to comply with such trademark guidelines. Arcus shall have the right at any time and from time to time to inspect samples of TAIHO’s use of the Arcus Trademarks and TAIHO shall immediately remove and cease use of any instance of the Arcus Trademarks that Arcus determines in its reasonable discretion to violate such trademark guidelines. Without limiting the foregoing, TAIHO shall have the right with respect to Licensed Products to brand such Licensed Products in the Territory using its own or a Third Party’s trademarks and trade names as it determines appropriate for such Licensed Product.

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9. **Mutual Representations and Warranties.** Each party represents and warrants to the other that:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action;

(c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with, nor constitute a breach of, any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound (including its organizational documents), nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it; and

(d) neither this Agreement, nor any term hereof, nor the performance of this Agreement by it or exercise of its rights hereunder (including without limitation, any right to terminate), is prohibited by, contrary to or in conflict with, or is ineffective or unenforceable, under any material law or regulation of any organization, country, group of countries or political or governmental entity having jurisdiction over it.

9.2 **Arcus Representations and Warranties.** Except as set forth in the Initial Disclosure Schedule or pursuant to Section 2.1(c) setting forth exceptions to the following representations and warranties, Arcus represents and warrants to TAIHO that:

(a) Arcus (i) has the right to grant the Option during the applicable Exercise Period and the License during the applicable Exercise Period and for the remainder of the applicable Royalty Term (or such longer term during which TAIHO may have rights to Arcus Know-How for the applicable Licensed Product); and (ii) has not granted, and will not grant to any Third Party during the Exercise Period, and upon TAIHO’s exercise of an Option in accordance with this Agreement with respect to an Arcus Program, for the remainder of the applicable Royalty Term (or such longer term during which TAIHO may have rights to Arcus Know-How for the applicable Licensed Product) any license or other right in the Territory in the Field with respect to a composition or intellectual property that would be an Antibody, Compound, Therapeutic Product, or Arcus Technology, that conflicts with or is in derogation of the Option, licenses and rights granted to TAIHO herein;

(b) As of the Effective Date, **Exhibit 9.2(b)** lists all Third Party Agreements that pertain to any existing Option or License;

(c) As of the Effective Date, **Exhibit 9.2(c)** lists all Arcus Partner Agreements;
(d) As of the Effective Date, except for rights to Arcus Technology obtained under Third Party Agreements listed in Exhibit 9.2(b), Arcus Partner Agreements listed in Exhibit 9.2(c) and those agreements listed in Exhibit 9.2(d), Arcus owns the entire right, title and interest in and to the Arcus Technology;

(e) As of the Effective Date, other than the Third Party Agreements listed in Exhibit 9.2(b), Arcus Partner Agreements listed in Exhibit 9.2(c) and those agreements listed in Exhibit 9.2(e), there are no agreements between Arcus or its Affiliates on the one hand, and any Third Party on the other, that impose (or would be reasonably foreseeable to impose with the passage of time) obligations or limitations with respect to the Information or Patent Rights being optioned and/or licensed to TAIHO hereunder;

(f) (i) As of the Effective Date, the Third Party Agreements listed in Exhibit 9.2(b) are in full force and effect, no written notice of default or termination has been received or given by Arcus under any such Third Party Agreement, and to the knowledge of Arcus, there is no act or omission by Arcus that would provide a right to terminate any such Third Party Agreement and (ii) during the Exercise Period with respect to an Arcus Program, Arcus shall not amend, waive or otherwise modify or allow to terminate (or provide consent with respect to any amendment, waiver, modification or termination of) the rights under any Third Party Agreement, in each case, in any manner that materially diminishes the options, licenses or rights granted to TAIHO hereunder, materially impairs TAIHO’s ability to exercise its rights hereunder or otherwise materially adversely affects TAIHO’s rights with respect to Option Products, in all cases without the prior written consent of TAIHO, which shall not be unreasonably withheld or conditioned, (iii) during the Exercise Period with respect to an Arcus Program, Arcus shall not amend, waive or otherwise modify or allow to terminate (or provide consent with respect to any amendment, waiver, modification or termination of) the rights under any Third Party Agreement, in each case, in any manner that materially diminishes the options, licenses or rights granted to TAIHO hereunder, materially impairs TAIHO’s ability to exercise its rights hereunder or otherwise materially adversely affects TAIHO’s rights with respect to Option Products, in all cases without the prior written consent of TAIHO, which shall not be unreasonably withheld or conditioned (it being understood that it will not be considered unreasonable for TAIHO to withhold or condition such consent to any such amendment, waiver, modification or termination that diminishes the options, licenses or rights granted to TAIHO hereunder, impairs TAIHO’s ability to exercise its rights hereunder or otherwise adversely affects TAIHO’s rights with respect to a Licensed Product, in each case, in any material way), and (iv) except as set forth in 5.6(c)(iii), Arcus shall be responsible for and pay all amounts owed by Arcus under Third Party Agreements;

(g) As of the Effective Date, Exhibit 9.2(g) lists all Patent Rights with respect to which Arcus or its Affiliates currently have any rights, or with respect to which they have at any time in the past had rights (other than Patent Rights that have been abandoned or lapsed in the normal course of prosecution), in each case that cover an Option Product;

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(h) As of the Effective Date, Arcus has complied with all Applicable Laws in all material respects, including Applicable Laws relating to any disclosure requirements, in connection with the filing, prosecution and maintenance of the Arcus Patents and, to Arcus’s knowledge, none of the issued Arcus Patents are invalid or unenforceable;

(i) As of the Effective Date, the Arcus Technology is free and clear of all liens, security interests or other encumbrances of any kind and during the Exercise Period, and upon TAIHO’s exercise of an Option in accordance with this Agreement with respect to an Arcus Program, for the remainder of the applicable Royalty Term (or such longer term during which TAIHO may have rights to Arcus Know-How for the applicable Licensed Product), Arcus shall not permit the Arcus Technology to become encumbered by any liens, security interests or other encumbrances, except (i) in a manner that does not materially adversely affect TAIHO’s rights and licenses under this Agreement or (ii) with the prior written consent of TAIHO, which shall not be withheld unreasonably;

(j) As of the Effective Date, to Arcus’ actual knowledge without any duty of investigation or search, the practice of the Arcus Technology and the making, using, selling, offering for sale and importing of any Compound, Antibody or Therapeutic Product for which TAIHO has an Option or License does not infringe, violate, or misappropriate any intellectual property rights of any Third Party;

(k) As of the Effective Date, Arcus has not received written notice from any Third Party claiming that the manufacture, use, sale, offer for sale or import of any Antibody, Compound or Therapeutic Product for which TAIHO has an Option or License infringes, misappropriates, or violates or would infringe, misappropriate, or violate any intellectual property rights of any Third Party;

(l) As of the Effective Date, there are no asserted claims, judgments or settlements against or owed by Arcus (or any of its Affiliates) with respect to the Arcus Technology, and Arcus is not a party to any legal action, suit or proceeding relating to the Arcus Technology, nor has Arcus received any written communication from any Third Party, including, without limitation, any Regulatory Authority or other government agency, threatening such action, suit or proceeding;

(m) As of the Effective Date, to Arcus’s knowledge, there is no actual, pending, alleged or threatened infringement by a Third Party of any of the Arcus Technology;

(n) As of the Effective Date, neither Arcus nor any of its Affiliates is debarred or disqualified under the Act or comparable Applicable Laws outside of the United States;

(o) As of the Effective Date, neither Arcus nor any of its Affiliates has employed or otherwise used in any capacity, in connection with the development or manufacture of any Option Products, the services of any person it knew to be debarred or disqualified under United States law, including 21 U.S.C. §335a, or any foreign equivalent thereof;

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(p) It shall comply, in all material respects, with all applicable laws and regulations in each place where Licensed Product is advertised, marketed or sold by it or its Arcus Partners;

(q) To Arcus’s knowledge, none of the material data or other Information provided by Arcus to TAIHO contain any untrue statement of material fact or omit to state a fact where such omission makes the facts stated materially misleading. As of the Effective Date, there is no material matter within the knowledge of Arcus which Arcus has intentionally or knowingly failed to disclose, which would have an adverse effect on the ability to Develop or Commercialize any Option Products or Licensed Products in any material manner; and

(r) As of the Effective Date, (i) Arcus has no agreements with PACT other than the Master Services Agreement dated December 19, 2016, as may be amended from time to time (“PACT Agreement”) and agreements arising from the issuance of common stock of PACT and warrants exercisable for shares of PACT’s common stock to Arcus, (ii) Arcus has not provided any services to PACT other than pursuant to the PACT Agreement, (iii) Arcus has not granted to PACT any rights or license to any Information, Inventions or Patent Rights conceived or generated by Arcus other than in the field of cell therapy and PACT otherwise does not have any rights to any Antibodies or Compounds, and (iv) Arcus has not breached any confidentiality or other obligation owed by Arcus to PACT, in particular so as to avoid contamination of Arcus Technology with any confidential information of PACT.

9.3 Arcus Bring-Down. For each Arcus Program that TAIHO exercises its Option, Arcus represents and warrants that the representations and warranties of Arcus set forth in Section 9.2 with respect to such Arcus Program are true and correct, and that any such representations and warranties that are stated to be made as of the Effective Date are true and correct as of the applicable License Date (i.e., substituting “License Date” for Effective Date), except as set forth in the last Bring-Down Disclosure Schedule provided by Arcus to TAIHO pursuant to Section 2.1(c) for such Arcus Program.

9.4 TAIHO Representations and Warranties. TAIHO represents and warrants to Arcus that:

(a) as of the Effective Date of this Agreement, neither TAIHO nor any of its Affiliates is debarred or disqualified under the Act or comparable Applicable Laws outside the United States;

(b) it shall comply, in all material respects, with all applicable laws and regulations in each place where Licensed Product is advertised, marketed or sold by it or its Sublicensees; and

(c) TAIHO shall not [***].

9.5 Arcus Covenants. Arcus hereby covenants to TAIHO that Arcus will not:

(a) During the Term, assign any Arcus Patents for the Territory to a Third Party (including PACT) other than to a Third Party Acquirer pursuant to a Sale Transaction conducted in accordance with Section 13.4;

(b) During the Exercise Period and, upon TAIHO’s exercise of an Option in accordance with this Agreement with respect to an Arcus Program, for the remainder of the applicable Royalty Term (or such longer term during which TAIHO may have rights to Arcus Know-How for the applicable Licensed Product), grant any Third Party (including PACT) any license or other right with respect to, or assign to any Third Party (including PACT) rights to, Option Products, Licensed Products or Arcus Technology, in each case, in derogation of the Option, licenses and rights granted to TAIHO hereunder; or

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(c) During the Exercise Period and, upon TAIHO’s exercise of an Option in accordance with this Agreement with respect to an Arcus Program, for the remainder of the applicable Royalty Term (or such longer term during which TAIHO may have rights to Arcus Know-How for the applicable Licensed Product), grant any Third Party (including PACT) any license or other right with respect to, or assign to any Third Party (including PACT) rights to Develop or Commercialize for the Territory (i) any composition that would be an Option Product or Licensed Product (or Antibody or Compound thereof) or (ii) any intellectual property that would be Arcus Technology included under any potential or actual License, in each case of (i) and (ii) in derogation of the Option, licenses and rights granted to TAIHO hereunder.

(d) During the Term, [***].

9.6 TAIHO Covenants. TAIHO hereby covenants to Arcus that during the Term, TAIHO will not:

[***]

9.7 Mutual Covenants. In addition to any covenants made by it elsewhere in this Agreement, each party hereby covenants to the other party as follows:

(a) neither such party nor any of its Affiliates will knowingly employ or use the services of any Person who is debarred or disqualified under United States law, including 21 U.S.C. §335a, or any foreign equivalent thereof, in connection with activities relating to any Licensed Products; and in the event that such party becomes aware of the debarment or disqualification or threatened debarment or disqualification of any Person providing services to such party or any of its Affiliates with respect to any activities relating to any Licensed Products, such party will promptly notify the other party in writing and such party will cease, or cause its Affiliate to cease (as applicable), employing, contracting with, or retaining any such Person to perform any services relating to the applicable Licensed Product;

(b) neither such party nor any of its Affiliates will, in connection with the exercise of such party’s rights or performance of its obligations under this Agreement, directly or indirectly through Third Parties, pay, promise or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a public official or entity or other Person for purpose of obtaining or retaining business for or with, or directing business to, any Person, including such party and its Affiliates, nor will such party or any of its Affiliates directly or indirectly promise, offer or provide any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift or hospitality or other illegal or unethical benefit to a public official or entity or any other Person in connection with the exercise of such party’s rights or performance of such party’s obligations under this Agreement, in each case described above in this Section to the extent prohibited by Applicable Law;

(c) neither such party nor any of its Affiliates (or any of their respective employees and contractors), in connection with the exercise of such party’s rights or performance of such party’s obligations under this Agreement, shall cause the other party to be in violation of Anti-Corruption Laws or Export Control Laws; and

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(d) such party shall promptly notify the other party if such party has any information or suspicion that there may be a violation of Anti-Corruption Laws or Export Control Laws in connection with the exercise of such party’s rights or performance of such party’s obligations under this Agreement.

9.8 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS AND OTHER MATERIALS AND INFORMATION PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED “AS IS.” EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE AND EXCEPT FOR ANY EXPRESSLY AGREED WARRANTIES PERTAINING TO THE SUPPLY OF LICENSED PRODUCT (IF ANY), EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY OF PATENTS, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

9.9 Limitation of Liability. NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY, REGARDLESS OF THE FORM OF ANY CLAIM OR ACTION (WHETHER IN CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE), FOR ANY SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THIS SECTION 9.9 SHALL NOT BE CONSTRUED TO LIMIT AMOUNTS OWED TO THIRD PARTIES IN CONNECTION WITH EITHER PARTY’S INDEMNIFICATION OBLIGATIONS UNDER ARTICLE 11, EITHER PARTY’S BREACH OF CONFIDENTIALITY UNDER SECTION 7, ANY VIOLATION OF THE OTHER PARTY’S INTELLECTUAL PROPERTY RIGHTS, OR ANY LIABILITY FOR ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT (***). THESE LIMITATIONS ARE INDEPENDENT FROM ALL OTHER PROVISIONS OF THIS AGREEMENT AND SHALL APPLY NOTWITHSTANDING THE FAILURE OF ANY REMEDY PROVIDED HEREIN. NOTWITHSTANDING THE FOREGOING, NEITHER PARTY EXCLUDES OR LIMITS ITS LIABILITY IN THE CASE OF FRAUD OR TO THE EXTENT THAT ANY EXCLUSION OR LIMITATION OF ITS LIABILITY IS VOID, PROHIBITED OR UNENFORCEABLE BY APPLICABLE LAW.

10. Term and Termination.

10.1 Term. This Agreement shall commence on the Effective Date and shall remain in effect until (a) expiration of the last Exercise Period if TAIHO has not exercised any of its Options prior to such expiration or (b) if TAIHO has exercised any of its Options prior to the expiration of the applicable Exercise Period, expiry of all Royalty Terms for the Licensed Products, in each case unless earlier terminated in its entirety pursuant to Section 10.2(a), (b), (c) or (d) (the “Term”). Upon the expiration of the Agreement under this Section 10.1, the licenses granted to TAIHO under this Agreement as of such expiration will become non-exclusive, fully-paid, royalty-free and perpetual, but shall otherwise remain subject to the terms and conditions of this Agreement to the extent provided in Section 10.3, as applicable.

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10.2 Termination.

(a) Breach.

(i) Each party shall have the right to terminate this Agreement in its entirety upon written notice to the other party if such other party is in material breach of this Agreement and has not cured such breach within [***] days (or [***] with respect to any undisputed payment breach) after notice from the terminating party requesting cure of the breach. Each party shall have the right to terminate this Agreement with respect to an Arcus Program upon written notice to the other party if such other party is in material breach of this Agreement with respect to such Arcus Program and has not cured such breach within [***] days (or [***] with respect to any undisputed payment breach) after notice from the terminating party requesting cure of the breach. Any such termination shall become effective at the end of such [***]-day (or [***] with respect to any undisputed payment breach) period unless the breaching party has cured such breach prior to the end of the applicable period, subject to Section 12.2 below. If a party would like to dispute a payment obligation, then such party shall notify the other party of such dispute, with reasonable details for the dispute, prior to the due date of the payment obligation. The disputing party shall cooperate and work diligently with the other party to resolve any such dispute as soon as possible. All amounts owed and not disputed shall be paid by the applicable due date. Each party must act in good faith in disputing a payment obligation.

(ii) Notwithstanding Section 10.2(a)(i), if any material breach and failure to cure contemplated by Section 10.2(a)(i) by TAIHO applies only as to TAIHO’s obligations under this Agreement with respect to a particular Arcus Program, Arcus shall not have the right to terminate this Agreement in its entirety, but shall instead have the right to terminate this Agreement solely with respect to such Arcus Programs and any Licensed Products (including Companion Diagnostics therefor) within such Arcus Program, provided that if TAIHO materially breaches this Agreement and fails to cure such breach as contemplated by Section 10.2(a)(i) with respect to [***] or more Arcus Programs, then Arcus shall have the right to terminate this Agreement in its entirety under Section 10.2(a)(i) if TAIHO again materially breaches this Agreement and fails to cure such breach as contemplated by Section 10.2(a)(i).

(b) Insolvency. Either party may terminate this Agreement immediately upon written notice to the other party in the event the other party shall have become insolvent or bankrupt, or shall have made an assignment of substantially all of its assets for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the other party for all or a substantial part of its property, or any case or proceeding shall have been commenced or other action taken by or against the other party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any relief under any bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereinafter in effect that has not been dismissed within [***] days.

(c) [***].
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(d) [***].

(c) **Post-Breach Continuation.** In the event TAIHO has the right to terminate this Agreement under Section 10.2(a)(i) above because of Arcus’ uncured material breach of this Agreement, then subject to Section 12.2 below, as an alternative to exercising its right to terminate this Agreement in its entirety or with respect to the Arcus Program to which such uncured material breach relates, TAIHO may in its discretion elect to continue this Agreement (“Post-Breach Continuation”) by providing written notice of such election to Arcus. Following delivery of such notice, with respect only to the Arcus Program to which such uncured material breach relates, unless Arcus has failed to cure material breaches with respect to [***] or more Arcus Programs, in which case with respect to this Agreement in its entirety, unless an alternative arrangement is agreed in writing by the Parties within [***] days following Arcus’ request to TAIHO to discuss alternative arrangements to subsections (i) through (iv) below, which discussions will be held by both Parties in good faith considering the type and scope of Arcus’ uncured material breach and which request by Arcus must be made within [***] following delivery of the Post-Breach Continuation notice from TAIHO:

[***]

Except as expressly set forth above, in the case of a Post-Breach Continuation, the terms and conditions of this Agreement shall otherwise remain in effect.

**10.3 Effect of Expiration or Termination.**

(a) **Any Termination.** Upon any termination of this Agreement, as a whole (i.e., with respect to all Licensed Products and Companion Diagnostics therefor) or with respect to a particular Licensed Product and Companion Diagnostics therefor, prior to its expiration, all licenses and rights granted by either party to the other party pursuant to this Agreement with respect to the terminated Licensed Products and Companion Diagnostics therefor (the one or more particular Licensed Products and Companion Diagnostics therefor so terminated, or all Licensed Products and Companion Diagnostics therefor so terminated, as the case may be, “Terminated Products”) shall automatically terminate and revert to the granting party, and all other rights and obligations of the parties under this Agreement with respect to the Terminated Products shall terminate; in each case, except as expressly provided below in this Section 10.3 or elsewhere in this Article 10.

(b) **Exceptions.** Upon the termination, but not expiration, of this Agreement, as a whole or with respect to a particular Terminated Product, the following provisions of this Section 10.3(b) shall apply solely with respect to, and only to the extent applicable to, each Terminated Product for which Arcus (or an Arcus Partner) has Initiated Clinical Trials prior to the date of notice of such termination (each such Terminated Product, a “Reverted Product”). For avoidance of doubt, the following provisions of this Section 10.3(b) shall not apply to a Terminated Product if Arcus or an Arcus Partner has not Initiated Clinical Trials on such Terminated Product prior to such notice of termination.

[***]

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(c) **Partial Termination.** For avoidance of doubt, if this Agreement is terminated only as to one or more Arcus Programs and not in its entirety, then from and after such termination, the terminated Arcus Program shall no longer be deemed an Arcus Program, and the Licensed Products and Companion Diagnostics therefor within such Arcus Program shall be Terminated Products and shall no longer be deemed Licensed Products or Companion Diagnostics, for all purposes of this Agreement. In such event the provisions of this Section 10.3 shall apply only with respect to the Reverted Products comprising such Terminated Products, *mutatis mutandis*.

10.4 **Accrued Obligations; Survival.** Neither expiration nor any termination of this Agreement shall relieve either party of any obligation or liability accruing prior to such expiration or termination, nor shall expiration or any termination of this Agreement preclude either party from pursuing all rights and remedies it may have under this Agreement, at law or in equity, with respect to breach of this Agreement. In addition, the parties’ rights and obligations under Sections 3.2 (with respect to the Arcus License only and not if this Agreement is terminated by TAIHO pursuant to Section 10.2(a) or 10.2(b); and in any event, such survival of the Arcus License shall apply only to the Taiho Technology generated prior to the effective date of termination or expiration, as the case may be and the foregoing survival of the Arcus License shall not limit the terms of Section 10.3(b)(v) above), 3.3(d) (to the extent necessary for Arcus to exercise its rights under the first sentence of this Section 10.4), 3.4(b) (with respect to [***] corresponding to the surviving rights and/or obligations under this Agreement), 3.6, 4.8 (with respect to any surviving rights and/or obligations under any CMO Supply Agreement or supplemental agreement entered into pursuant to Section 4.8(b)(iii)), 4.11 (with respect to any legally required continuing exchange of safety-related data under a PV Agreement), 6.1-6.3 (with respect to payment obligations accruing prior to, but not yet paid as of, the effective date of termination), 6.4 (for a period of [***] years from the end of the calendar year in which termination or expiration occurs), 6.5, 7.1, 7.2, 7.3, 7.6, 8.2 (but only with respect to the introductory language preceding Section 8.2(a) and the entirety of Section 8.2(c) and Section 8.2(d) to the extent necessary for the prosecution and maintenance of Joint Patents under Section 8.2(c)), 8.4 (with respect to Joint Patents or Arcus Patents or TAIHO Patents, as the case may be, to which the other party retains a license following the effective date of such expiration or termination, as applicable), 8.5 (with respect to infringement action initiated prior to the effective date of termination), 9.8, 9.9, 11.1, 11.2, 11.3, and Articles 1 (to the extent required to interpret or enforce other surviving rights and/or obligations), 5 (with respect to payment obligations accruing prior to, but not yet paid as of, the effective date of termination), 10, 12, and 13 of this Agreement shall survive expiration or any termination of this Agreement.

10.5 **Return of Confidential Information.** Within [***] days following the termination of this Agreement, except to the extent that a party retains a license from the other party as provided in this Article 10, each party shall promptly return to the other party, or delete or destroy, all relevant records and materials in such party’s possession or control containing Confidential Information of the other party; provided that such party may keep one copy of such materials for archival purposes only subject to Article 7.

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10.6 **Damages; Relief.** Termination of this Agreement shall not preclude either party from claiming any other damages, compensation or relief that it may be entitled to hereunder as a result of the other party’s breach of this Agreement.

10.7 **Termination Absolute.** Each party understands that the rights of termination hereunder are absolute and that it has no right to a continued relationship with the other after termination, except as expressly stated herein. 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 any termination of this Agreement for any reason which complies with the terms of the Agreement whether or not such party is aware of any such damage, loss or expense. [***].

11. **INDEMNIFICATION.**

11.1 **Indemnification by TAIHO.** TAIHO hereby agrees to save, defend, indemnify and hold harmless Arcus, its Affiliates and Arcus Partners (only for so long as the applicable Arcus Partner is [***]), and its and their respective officers, directors, agents, employees, successors and assigns (the “Arcus Indemnitees”), from and against any and all Losses, to which any Arcus Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party (each, a “Claim”) to the extent such Losses arise out of or relate to: (a) the Development, manufacture, use, handling, storage, sale, offer for sale, import, Commercialization or other disposition by or on behalf of TAIHO or any of its Sublicensees of Licensed Products, or any other exercise of the License by or on behalf of TAIHO or any of its Sublicensees, including without limitation, manufacture of products for TAIHO pursuant to Section 4.8 and any Claim that arises or relates to [***]; (b) TAIHO’s use of materials provided by Arcus to TAIHO under Section 4.3, (c) the gross negligence or willful misconduct of any TAIHO Indemnitee (defined below); or (d) the breach by TAIHO of any warranty or representation made by TAIHO in this Agreement or any covenant under Sections 9.6 or 9.7; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Arcus Indemnitee or for which Arcus is obligated to indemnify under Section 11.2 below.

11.2 **Indemnification by Arcus.** Arcus hereby agrees to save, defend, indemnify and hold harmless TAIHO, its Affiliates and Sublicensees and its and their respective officers, directors, employees, successors and assigns (the “TAIHO Indemnitees”) from and against any and all Losses to which any TAIHO Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of or relate to: (a) the Development, manufacture, use, handling, storage, sale, offer for sale, import, Commercialization or other disposition of Licensed Products by or on behalf of Arcus, its Affiliates or any of its Arcus Partners, (b) the exercise of (i) the Arcus License by or on behalf of Arcus or any of its Affiliates, Arcus Partners licensees or sublicensees, or (ii) if applicable, any license granted to Arcus pursuant to Section [***]; (c) the gross negligence or willful misconduct of any Arcus Indemnitee; or (d) the breach by Arcus of any warranty or representation made by Arcus in this Agreement or any covenant under Sections 9.5 or 9.7; in each case except to the extent such Losses result from the gross negligence or willful misconduct of any TAIHO Indemnitee or for which TAIHO is obligated to indemnify under Section 11.1 above.

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11.3 Control of Defense. In the event a party (the “Indemnified Party”) seeks indemnification under Section 11.1 or 11.2, it shall inform the other party (the “Indemnifying Party”) of a claim as soon as reasonably practicable after it receives notice of the claim (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a claim as provided in this Section 11.3 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except to the extent that such Indemnifying Party is actually damaged or prejudiced as a result of such failure to timely give notice), shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim), and shall cooperate as reasonably requested (at the expense of the Indemnifying Party) in the defense and/or settlement of the claim. If the Indemnifying Party does not assume control of such defense within thirty (30) days after receiving notice of the claim from the Indemnified Party or if the Indemnifying Party fails to actively and diligently conduct such defense and does not cure such failure within thirty (30) days after receiving written notice thereof from the Indemnified Party with reasonable details of such failure, the Indemnified Party shall control such defense and, without limiting the Indemnifying Party’s indemnification obligations, the Indemnifying Party shall reimburse the Indemnified Party for all reasonable costs, including reasonable attorney fees, incurred by the Indemnified Party in defending itself. The party not controlling such defense may participate therein at its own expense. The party controlling such defense shall keep the other party reasonably advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider recommendations made by the other party with respect thereto. The controlling party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto or that acknowledges fault by the Indemnified Party without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld. If the parties cannot agree as to the application of Section 11.1 or 11.2 to any claim, pending resolution of the dispute pursuant to Article 12, the parties may conduct separate defenses of such claims, with each party retaining the right to claim indemnification from the other party in accordance with Section 11.1 or 11.2, as applicable, upon resolution of the underlying claim.

11.4 Insurance. Each party shall procure and maintain insurance, including comprehensive or commercial general liability insurance (including contractual liability and product liability), adequate to enable it to cover its obligations hereunder and which is consistent with normal business practices of prudent companies similarly situated, provided however that either party may satisfy all or part of its obligation through an insurance captive or reasonable plan of self-insurance. It is understood that such insurance shall not be construed to create a limit of either party’s liability with respect to its indemnification obligations under this Article 11 or otherwise. Each party shall provide the other party with written evidence of such insurance promptly upon request. Each party shall provide the other party with written notice at least ten (10) days prior to cancellation or non-renewal without substitute insurance that meets the obligations above or material change in such insurance which materially adversely affects the rights of the other party hereunder.

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12. Dispute Resolution.

12.1 Disputes. If the parties are unable to resolve any dispute between them arising out of or in connection with this Agreement, either party may, by written notice to the other, have such dispute referred to the Executives of the parties for attempted resolution by good faith negotiations.

12.2 Arbitration.

(a) Except that either party may seek equitable or similar relief from any court of competent jurisdiction, any dispute, controversy or claim arising out of or in relation to this Agreement that cannot be settled amicably by agreement of the parties hereto shall be finally and exclusively settled in accordance with the arbitration rules of JAMS (f/k/a Judicial and Mediation Services), then in force by one or more arbitrators appointed in accordance with said rules. The appointing authority shall be JAMS. The place of any arbitration shall be San Francisco, CA, USA. The proceedings shall be in English and the governing law shall be as set forth in Section 13.1. The monetary award and/or any other decision rendered shall be written in the English language only. The arbitrator may only award damages as permitted by Sections 9.8 and 9.9, and the arbitrator has no right to materially modify Section 9.9 of this Agreement. The monetary award and/or any other decision rendered shall be final and binding on the parties, and judgment on the award may be entered in any court of competent jurisdiction. The costs of any arbitration, including administrative fees and fees of the arbitrator(s), shall be shared equally by the parties, unless otherwise specified by the arbitrator(s). Each party shall bear the cost of its own attorneys’ and expert fees; provided that the arbitrator(s) may in their discretion award to the prevailing party the costs and expenses incurred by the prevailing party in connection with the arbitration proceeding.

(b) In the event a party disputes in good faith whether it is in breach of this Agreement and so notifies the other party in writing prior to the expiration of the applicable cure period set forth in Section 10.2(a) above, the cure period shall be tolled from the date of such notice. Promptly following the initiation of a proceeding under this Section 12.2 with respect to such dispute, the arbitrator shall make a determination as to whether there is a good faith dispute as to the existence of a material breach of this Agreement. If the arbitrator determines there is no good faith dispute, then the cure period shall end as of the end of the remainder of the cure period set forth in Section 10.2 (after giving effect to the tolling of such cure period up to the date of such determination), and the allegedly breaching party shall have no further right to cure the disputed breach after the end of such cure period. If the arbitrator determines that there is a good faith dispute as to the existence of a material breach of this Agreement, the Agreement shall not terminate by reason of the disputed breach unless and until it has been finally determined in accordance with this Section 12.2 that a material breach actually occurred, and the breaching party fails to cure such breach within [***] days after such final determination (or such longer period as the arbitrator may specify). In addition, in the event of a Post-Breach Continuation, if the parties are unable to agree on whether and to what extent an adjustment should be made under [***] above, payment of any amounts due from the event giving rise to such Post-Breach Continuation shall be put into an escrow account until the adjustment (if any) has been determined (either by agreement of the parties or pursuant to this Section 12.2).

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13. MISCELLANEOUS.

13.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, USA, excluding its conflicts of laws principles. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement. In the event of any conflict between the laws and regulations of the United States and any other nation or jurisdiction, the laws and regulations of the United States shall govern. Except as specifically provided otherwise, each right and remedy in this Agreement is in addition to any other right and remedy, at law or in equity, and the exercise of one right or remedy will not be deemed a waiver of any other right or remedy.

13.2 Entire Agreement; Amendments. This Agreement is both a final expression of the parties’ agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein, including any Confidentiality Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both parties hereto.

13.3 Non-Waiver. The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

13.4 Assignment.

(a) Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either party without the prior written consent of the other party (which consent shall not be unreasonably withheld, conditioned, or delayed); provided, however, that either party (the “Assigning Party”) may assign this Agreement and its rights and obligations hereunder without the other party’s consent: (i) to a successor to all or substantially all of the business of such party to which this Agreement relates (“Third Party Acquirer”), whether by merger, sale of stock, sale of assets, change of control or otherwise (each, a “Sale Transaction”) or (ii) to an Affiliate, provided that the Assigning Party shall remain liable and responsible to the non-assigning party hereto for the performance and observance of all such duties and obligations by such Affiliate.

(b) Neither party shall enter into or become the subject of a change of control or party to a Sale Transaction, unless (x) (the “Acquiring Party”) agrees to [***], and (y) the ultimate parent company of the Acquiring Party [***]. In the event of any such change of control or Sales Transaction (whether this Agreement is actually assigned or is assumed by the Third Party Acquirer or the surviving corporation resulting from such Sale Transaction by operation of law (e.g., in the context of a reverse triangular merger)):

(i) intellectual property rights, antibodies, compounds, compositions and products Controlled by the Acquiring Party prior to the Sale Transaction or change of control involving Arcus, or the TAIHO Technology in the case of a Sale Transaction or change of control involving TAIHO, and shall not be deemed to be Antibodies, Compounds or Therapeutic Products (or Licensed Products, Option Products, or Companion Diagnostics within an Arcus Program) for purposes of this Agreement, provided that this Section 13.4(b)(i) shall not limit the other party’s rights to intellectual property rights, antibodies, compounds, compositions and products existing prior to such Sales Transaction or change of control (e.g., where the Acquiring Party is an Arcus Partner);

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(ii) Patent Rights, Information, antibodies, compounds, compositions and products that, following such change of control or Sale Transaction, are developed, made or otherwise acquired or Controlled by the Acquiring Party or its Affiliate without material use of the Arcus Technology or the TAIHO Technology shall not for purposes of this Agreement be included within the Arcus Technology (in event of a change of control or Sales Transaction with respect to Arcus) or the TAIHO Technology (in event of a change of control or Sales Transaction with respect to TAIHO), and shall not be deemed to be Antibodies, Compounds or Therapeutic Products (or Licensed Products, Option Products, or Companion Diagnostics within an Arcus Program) or included in Arcus Technology or TAIHO Technology for purposes of this Agreement. However, notwithstanding the definition of “Arcus Partner” in Section 3.4(a) above, if the Acquiring Party or its Affiliate was an Arcus Partner prior to the Sale Transaction, it shall continue to be deemed an Arcus Partner, notwithstanding that, as a result, it became an Affiliate (and not a Third Party).

(c) Subject to the foregoing Sections 13.4(a) and 13.4(b), the rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties, and the name of a party appearing herein will be deemed to include the name of such party’s successors and permitted assigns to the extent necessary to carry out the intent of this section. Any assignment not in accordance with this Agreement shall be void.

(d) If TAIHO assigns this Agreement pursuant to Section 13.4(a) above and such assignment subjects any of the amounts contemplated in this Agreement to any deduction of tax or withholding tax in excess of the amount of such deduction tax or withholding tax that would have been imposed had the payor been a resident of Japan or the United States for income tax purposes (an “Excess Withholding Tax”), but not, for the avoidance of doubt, because of any assignment of this Agreement by Arcus, then any amounts subject to such Excess Withholding Tax shall be increased to the extent necessary to ensure that Arcus receives a sum equal to the sum which it would have received had no such Excess Withholding Tax been applicable, net of any tax credit Arcus is entitled to claim for such Excess Withholding Tax.

13.5 Force Majeure. Each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such party’s reasonable control, including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, acts of terrorism, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor disturbance, or any other event similar to those enumerated above. Such excuse from liability

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shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. The affected party shall notify the other party of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake reasonable efforts necessary to cure such force majeure circumstances.

13.6 Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the parties. The parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

13.7 Notices. Any notice to be given under this Agreement must be in writing, in English and delivered either in person, by any method of mail (postage prepaid), or by internationally-recognized express courier, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, seven (7) days after the date of postmark; (c) if delivered by express courier, the next Business Day the express courier regularly makes deliveries; or (d) if delivered by email, upon the date upon which the receipt of such email is confirmed by return email or other written or electronic confirmation.

If to Arcus, to: Arcus Biosciences, Inc.
3928 Point Eden Way
Hayward, CA 94545
USA
Attn: Juan Jaen, Ph.D., President
Email: jjaen@arcusbio.com
CC: Legal Affairs
Email: contracts@arcusbio.com

If to TAIHO, to: TAIHO PHARMACEUTICAL CO., LTD.
1-27, Kandanishiki-cho
Chiyoda-ku, Tokyo 101-8444
Japan
Attn: Atsushi Azuma, Director, Business Development Department
Email: azumaa@taiho.co.jp

With a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati PC
650 Page Mill Road

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13.8 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. The term “including” or “includes” as used in this Agreement means including, without limiting the generality of any description preceding such term, and the word “or” has the inclusive meaning represented by the phrase “and/or.” In context of the phrase “not to be unreasonably withheld,” “shall not be unreasonably withheld”, “not withhold unreasonably,” and the like, the words “withheld” and “withhold” shall mean “withheld, conditioned or delayed” and “withhold, condition or delay”, respectively. Unless otherwise specified, references in this Agreement to any section shall include all subsections and paragraphs in such Section and references in this Agreement to any subsection shall include all paragraphs in such subsection. All references to days in this Agreement shall mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language, and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement shall be in the English language.

13.9 Relationship between the Parties. The parties’ relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the parties. Neither party is a legal representative of the other party, and neither party may assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other party for any purpose whatsoever.

13.10 No Third Party Rights. The provisions of this Agreement are for the exclusive benefit of the parties, and no other person or entity shall have any right or claim against any party by reason of these provisions or be entitled to enforce any of these provisions against any party.

13.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument. This Agreement may be executed by facsimile or PDF signatures, which signatures shall have the same force and effect as original signatures.

[ Signature page follows. ]

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IN WITNESS WHEREOF, the parties have duly executed this Option and License Agreement as of the Effective Date.

<table>
<thead>
<tr>
<th>TAIHO PHARMACEUTICAL LTD.</th>
<th>ARCUS BIOSCIENCES, INC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>By: /s/ Masayuki Kobayashi</td>
<td>By: /s/ Terry Rosen</td>
</tr>
<tr>
<td>Name: Masayuki Kobayashi</td>
<td>Name: Terry Rosen</td>
</tr>
<tr>
<td>Title: President &amp; Representative Director</td>
<td>Title: CEO</td>
</tr>
</tbody>
</table>
CONFIDENTIAL TREATMENT REQUESTED

Exhibit 1.82

Initial Disclosure Schedule

[***]

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Exhibit 1.107

Option Product Pipeline and Development Timeline as of the Effective Date

[***]

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Exhibit 4.3

Form of MTA

[***]

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CONFIDENTIAL TREATMENT REQUESTED

Exhibit 9.2(b)

Third Party Agreements

[***]

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Exhibit 9.2(c)

Arcus Partner Agreements

[***]

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Exhibit 9.2(d)

Arcus Technology

[***]

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Exhibit 9.2(e)

Other Agreements

[***]

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Exhibit 9.2(g)

Arcus Patent Rights

[***]

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ARTICLE 1. BACKGROUND AND PURPOSE

1.1 Effective Date. This Plan became effective upon its adoption by the Committee and is not subject to approval by the Company’s stockholders.

1.2 Purpose of the Plan. The Plan is intended to provide Participants with the possibility of earning incentive bonuses.

ARTICLE 2. DEFINITIONS

The following words and phrases shall have the following meanings, unless a different meaning is plainly required by the context:

2.1 “Actual Award” means, as to any Performance Period, the actual award amount (if any) payable to a Participant for the Performance Period. Each Actual Award is determined by the Payout Formula for the Performance Period, subject to the Administrator’s authority under Section 3.6 to increase, eliminate or reduce the award otherwise indicated by the Payout Formula.

2.2 “Administrator” means the Board, Committee or such other entity, group, or individual delegated authority to administer the Plan in accordance with Section 5.1 of the Plan.

2.3 “Affiliate” means any corporation or other entity (including, without limitation, partnerships and joint ventures) controlled by the Company.

2.4 “Base Salary” means, as to any Performance Period, the Participant’s regular base salary as in effect at the end of the Performance Period. Base Salary shall be calculated before both (a) deductions for taxes or benefits and (b) any deferrals of compensation pursuant to Company-sponsored plans or Affiliate-sponsored plans.

2.5 “Board” means the Company’s Board of Directors.

2.6 “Change in Control” means (a) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (b) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (c) the direct or indirect acquisition (including by way of a tender or exchange offer) by any
person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company; provided, however, that a Change of Control shall not include any transaction or series of related transactions (1) principally for bona fide equity financing purposes or (2) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of determining whether a Change of Control has occurred.

2.7 “Committee” means the Compensation Committee of the Board.

2.8 “Company” means Arcus Biosciences, Inc., a Delaware corporation, or any successor thereto.

2.9 “Employee” means any employee of the Company or of an Affiliate, whether such employee is so employed when the Plan is adopted or becomes so employed after the adoption of the Plan.

2.10 “Executive” means any executive officers as defined under Rule 3b-7 and officer as defined under Rule 16a-f promulgated under Section 16 of the Securities and Exchange Act.

2.11 “Fiscal Year” means the fiscal year of the Company.

2.12 “Participant” means, as to any Performance Period, an Employee who has been selected for participation in the Plan for that Performance Period pursuant to Section 3.1.

2.13 “Payout Formula” means, as to any Performance Period, the formula or payout matrix established by the Administrator pursuant to Section 3.5 in order to determine the Actual Awards (if any) to be paid to Participants. The formula or matrix may differ from Performance Period to Performance Period and from Participant to Participant.

2.14 “Performance Period” means a Fiscal Year, or any longer or shorter period determined by the Administrator.

2.15 “Performance Goals” means the goal(s) or combined goal(s) determined by the Administrator to be applicable to a Participant for a Target Award for a Performance Period. As determined by the Administrator, the Performance Goal(s) may provide for a targeted level or levels or achievement using the performance criteria specified by the Administrator. Possible performance criteria are set forth in Appendix A attached to the Plan.

2.16 “Plan” means this Arcus Biosciences, Inc. Management Cash Incentive Plan, as amended from time to time.

2.17 “Shares” means shares of the Company’s common stock.

2.18 “Target Award” means the target award amount payable under the Plan to a Participant for the Performance Period expressed as a percentage of his or her Base Salary or a specific dollar amount or by reference to a number of Shares, as determined by the Administrator in accordance with Section 3.4.
ARTICLE 3. SELECTION OF PARTICIPANTS AND DETERMINATION OF AWARDS

3.1 Selection of Participants. The Administrator, in its sole discretion, shall select the Employees who shall be Participants for any Performance Period. Participation in the Plan is in the sole discretion of the Administrator and shall be determined Performance Period by Performance Period. Accordingly, an Employee who is a Participant for a given Performance Period is in no way assured of being selected for participation in any subsequent Performance Period.

3.2 Determination of Performance Period. The Administrator, in its sole discretion, shall establish whether a Performance Period shall be a Fiscal Year or such longer or shorter period of time. The Performance Period may differ from Participant to Participant and from award to award.

3.3 Determination of Performance Goals. The Administrator shall establish the Performance Goals for each Participant for the Performance Period, and the Administrator (or its designee) shall communicate the applicable Performance Goals to each Participant. The Performance Goals may differ from Participant to Participant and from award to award.

3.4 Determination of Target Awards. The Administrator shall establish a Target Award for each Participant for each Performance Period, and the Administrator (or its designee) shall communicate the applicable Target Award to each Participant.

3.5 Determination of Payout Formula or Formulae. The Administrator will establish a Payout Formula or Formulae for purposes of determining the Actual Award (if any) payable to each Participant. Each Payout Formula may (a) be based on a comparison of actual performance to the Performance Goals, (b) provide for the payment of a Participant’s Target Award if the Performance Goals for the Performance Period are achieved at the predetermined level and (c) provide for the payment of an Actual Award greater than or less than the Participant’s Target Award, depending upon the extent to which actual performance exceeds or falls below the Performance Goals, subject to the limitations in Section 3.7.

3.6 Determination of Actual Awards. After the end of each Performance Period, the Administrator will determine the extent to which the Performance Goals applicable to each Participant for the Performance Period were achieved or exceeded. The Actual Award for each Participant will be determined by applying the Payout Formula to the level of actual performance that has been determined by the Administrator; provided that notwithstanding anything to the contrary in this Plan, the Administrator may (a) reduce or eliminate the Actual
Award that otherwise would be payable under the Payout Formula; (b) increase the Actual Award; or (c) determine whether or not any Participant will receive an Actual Award in the event that the Participant incurs a Termination of Employment before such Actual Award is to be paid pursuant to Section 4.1. If a Participant’s Actual Award is reduced or eliminated, no other Participant’s Actual Award shall be increased as a result. The Administrator has the absolute discretion to reduce or eliminate payment of an Actual Award if in the Administrator’s judgment corporate performance, financial condition, individual performance, general economic conditions, or other similar factors make such reduction or elimination appropriate.

3.7 **Maximum Actual Awards.** The Administrator may establish the maximum amount or value of the Actual Award paid to any Participant for any Performance Period.

**ARTICLE 4. PAYMENT OF AWARDS**

4.1 **Right to Receive Payment.** A Participant shall have no right to receive an Actual Award unless the Participant is employed by the Company or an Affiliate on the date of payment, unless otherwise determined by the Administrator.

4.2 **Unfunded Plan.** Each Actual Award that may become payable under the Plan shall be paid solely from the general assets of the Company or the Affiliate that employs the Participant (as the case may be), as determined by the Company. No amounts awarded or accrued under the Plan shall be funded, set aside or otherwise segregated prior to payment. The obligation to pay Actual Awards under the Plan shall at all times be an unfunded and unsecured obligation of the Company. Participants shall have the status of general creditors of the Company or the Affiliate that employs the Participant.

4.3 **Timing of Payment.** Subject to Sections 3.7 and 4.6, payment of each Actual Award shall be made as soon as administratively practicable after the end of the applicable Performance Period, but in any event no later than required to ensure that no amount paid or to be paid hereunder shall be subject to the provisions of Section 409A(a)(1)(B) of the Code.

4.4 **Form of Payment.** Each Actual Award shall be paid in cash (or its equivalent) or in Share-based awards (or a combination thereof) in a single lump sum, except as otherwise determined by the Administrator. To the extent an Actual Award is paid in whole or in part in the form of Share-based awards, such awards shall be granted under an equity incentive plan maintained by the Company for the payment or awarding of Shares.

4.5 **Payment in the Event of Death.** If a Participant dies before receiving an Actual Award that was scheduled to be paid before his or her death for a prior Performance Period, then the Actual Award shall be paid to the Participant’s designated beneficiary or, if no beneficiary has been designated, to the administrator or representative of his or her estate, subject to applicable law. Any beneficiary designation or revocation of a prior designation shall be effective only if it is in writing, signed by the Participant and received by the Company prior to the Participant’s death, subject to applicable law.
4.6 **Recoupment Policy.** All awards granted under the Plan shall be subject to any Company recoupment or clawback policy, as in effect from time to time, including any required by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**ARTICLE 5. ADMINISTRATION**

5.1 **Administrator Authority.** The Plan shall be administered by the Administrator, subject to Section 5.3; provided, however, that with respect to any Executive, the Committee shall act as Administrator. The Administrator shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including (without limitation) the power to (a) determine which Employees shall be granted awards, (b) prescribe the terms and conditions of the awards, (c) interpret the Plan, (d) adopt such procedures and sub-plans as are necessary or appropriate, (e) adopt rules for the administration, interpretation and application of the Plan and (f) interpret, amend or revoke any such rules.

5.2 **Decisions Binding.** All determinations and decisions made by the Administrator, the Board or any delegate of the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons and shall be given the maximum deference permitted by law.

5.3 **Delegation by the Administrator.** The Administrator, on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or employees of the Company, except that the Committee may not delegate its authority and powers under the Plan with respect to Executives.

**ARTICLE 6. GENERAL PROVISIONS**

6.1 **Tax Withholding.** The Company or an Affiliate, as applicable, shall withhold all required taxes from an Actual Award, including any federal, state, local or other taxes.

6.2 **Application of Section 409A.** The provisions of this Plan are intended to be exempt from the requirements of Section 409A of the Code so that none of the payments to be provided under this Plan will be subject to the additional tax imposed under Section 409A of the Code, and any ambiguities herein will be interpreted to be so exempt. In no event will the Administrator reimburse Participants for any taxes that may be imposed as result of Section 409A of the Code.

6.3 **No Effect on Employment.** Neither the Plan nor any Target Award shall confer upon a Participant any right with respect to continuing the Participant’s employment with the Company or an Affiliate. Nothing in the Plan shall interfere with or limit in any way the right of the Company or an Affiliate, as applicable, to terminate any Participant’s employment or service at any time, with or without cause. The Company and its Affiliates expressly reserve the right, which may be exercised at any time and without regard to when during or after a Performance Period such exercise occurs, to terminate any individual’s employment with or without cause, and to treat them or her without regard to the effect that such treatment might have upon him or her as a Participant.
6.4 **Participation; No Effect on Other Benefits.** No Employee shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award. Except as expressly set forth in a Participant’s employment agreement with the Company or an Affiliate, any Actual Awards under the Plan shall not be considered for the purpose of calculating any other benefits to which such Participant may be entitled, including (a) any termination, severance, redundancy or end-of-service payments, (b) other bonuses or long-service awards, (c) overtime premiums, (d) pension or retirement benefits or (e) future Base Salary or any other payment to be made by the Company to such Participant. All Participants expressly acknowledge that there is no obligation on the part of the Company to continue the Plan. Any Actual Awards granted under the Plan are not intended to be compensation of a continuing or recurring nature, or part of a Participant’s normal or expected compensation.

6.5 **Successors.** All obligations of the Company and any Affiliate under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company and/or such Affiliate, whether the existence of such successor is the result of a merger, consolidation, direct or indirect purchase of all or substantially all of the business or assets of the Company or such Affiliate, or any similar transaction.

6.6 **Nontransferability of Awards.** No award granted under the Plan shall be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution or to the limited extent provided in Section 4.5. All rights with respect to an award granted to a Participant shall be available during his or her lifetime only to the Participant.

**ARTICLE 7. DURATION, AMENDMENT AND TERMINATION**

7.1 **Duration of the Plan.** The Plan shall remain in effect until terminated pursuant to Section 7.2.

7.2 **Amendment, Suspension or Termination.** The Board or the Administrator may amend, suspend or terminate the Plan, or any part thereof, at any time and for any reason; provided that this Plan may not be suspended or terminated, nor amended in a manner adverse to a Participant for a period of twelve (12) months following a Change in Control of the Company. No award may be granted during any period of suspension or after termination of the Plan.

**ARTICLE 8. LEGAL CONSTRUCTION**

8.1 **Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

8.2 **Requirements of Law.** The granting of awards under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities markets as may be required.

8.3 **Captions.** Captions are provided herein for convenience only and shall not serve as a basis for interpretation or construction of the Plan.
APPENDIX A

PERFORMANCE METRICS

The Administrator may establish Performance Goals derived from the following metrics, or from such other measures of performance selected by the Administrator from time to time:

- acquisitions of assets or intellectual property
- appreciation in and/or maintenance of any publicly-traded securities of the Company
- cash flow return on investment
- cash flow, cash balance or cash flow per share (before or after dividends)
- cash margin
- clinical achievements (including initiating clinical studies, initiating or completing enrollment or enrolling particular numbers of subjects in clinical studies)
- comparisons with various stock market indices
- completing phases of a clinical study (including the enrollment phase, dose-escalation or dose-expansion phase or announcing or presenting preliminary or final data from clinical studies, in each case, whether on particular timelines or generally)
- debt reduction
- development of manufacturing processes (including initiating or completing formulation development work, validating API or drug product processes or achieving certain specifications)
- development of new product candidates
- drug development milestones
- earnings or loss per share
- earnings or losses (including earnings or losses before taxes, before interest and taxes, or before interest, taxes, depreciation and amortization)
- economic value added (or an equivalent metric)
- employee satisfaction
- employee survey results
- establishing relationships with commercial entities with respect to the marketing, distribution and sale of the Company’s products (including with group purchasing organizations, distributors and other vendors)
- expense or cost reduction
- financial ratios, including those measuring liquidity, activity, profitability or leverage
- financing and other capital raising transactions (including sales of the Company’s equity or debt securities)
- gross margin
- gross profits
- implementation, completion or attainment of measurable objectives with respect to research (including nominating a development candidate, initiating a new discovery program, initiation or completion of preclinical characterization of a product candidate, or initiation or completion of IND-enabling studies)
• improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable
• launch of new products or approvals of existing products in new indications
• market share
• net income or loss (before or after taxes)
• net operating income or profits, before or after tax
• net sales
• operating cash flow or other operating efficiencies
• operating income (before or after taxes)
• operating margin
• passing pre-approval inspections (whether of the Company or the Company’s third-party manufacturer, if any) and achieving or maintaining other quality-related regulatory requirements
• pricing and/or reimbursement approval
• recruiting and maintaining personnel
• reductions in costs
• regulatory achievements (including submitting or filing applications or other documents with regulatory authorities, or clearing or receiving approval of any such applications or other documents)
• return on assets, net assets, investment or capital employed (including return on total capital or return on invested capital)
• return on equity or average stockholders’ equity
• return on operating revenue
• revenue, revenue growth or product revenue growth
• sales or licenses of the Company’s assets, including its intellectual property
• share price
• stockholders’ equity
• strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property, whether in a particular jurisdiction or territory or globally or through partnering transactions)
• supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and/or the Company’s products or product candidates)
• total stockholder return
• working capital
• year-end cash

In the areas of development, regulatory progress and commercialization, the achievements described above performed by a third party with which the Company has a licensing or collaborative agreement (a “Partner”) may apply to the Company, if so determined by the Administrator. For example, if a Partner accomplishes development milestones, regulatory achievements, commercialization or sales targets with an asset within a program that is a subject of the licensing or collaboration agreement between the Company and the Partner, then such Partner’s accomplishments may constitute achievements of the Company.
Performance Goals may be based solely by reference to the Company’s performance or the performance of a subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies.

The Administrator may adjust the results under any performance criterion to exclude any of the following events that occurs during a performance measurement period: (a) asset write-downs, (b) litigation, claims, judgments or settlements, (c) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (d) accruals for reorganization and restructuring programs, (e) any extraordinary, unusual or non-recurring items, (f) exchange rate effects for non-U.S. dollar denominated net sales and operating earnings or (g) statutory adjustments to corporate tax rates.

Any Performance Goal used may be measured (a) in absolute terms, (b) in relative terms, including (without limitation) the passage of time and/or against other companies or metrics, (c) on a per-share basis, (d) against the performance of the Company as a whole or against particular segments or products of the Company and/or (e) on a pre-tax or after-tax basis. Any Performance Goal may be measured on a basis other than generally accepted accounting principles.
Exhibit 10.14

ARCUS BIOSCIENCES, INC.

SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Severance and Change in Control Agreement (the “Agreement”) is made and entered into by and between Arcus Biosciences, Inc., a Delaware corporation (the “Company”), and Executive (“Executive”), effective as of the date specified in Section 1 below.

This Agreement provides severance and acceleration benefits in connection with certain qualifying terminations of Executive’s employment with the Company.

Certain capitalized terms are defined in Section 8.

The Company and Executive agree as follows:

1. Term. This Agreement shall become effective on the date on which it is signed by Executive (the “Effective Date”).

2. Certain Involuntary Termination Benefits.

(a) Involuntary Termination Following a Change in Control. If Executive is subject to an Involuntary Termination that occurs within twelve months following a Change in Control and Executive satisfies the conditions described in Section 2(b) below, then:

(i) the Company shall continue to pay such Executive’s Base Salary for a period of six months following such Executive’s Separation, generally in accordance with the Company’s standard payroll procedures;

(ii) the Company shall pay the Executive a lump-sum cash amount equal to Executive’s annual target bonus established by the Company for the fiscal year in which Executive’s Separation occurs, prorated based on the number of days that Executive was employed by the Company during such fiscal year;

(iii) If Executive timely elects continued coverage under COBRA, the Company shall pay the same portion of the monthly premium under COBRA as it pays for active employees and their eligible dependents until the earliest of (a) the last day of the period ending on the date that is 6 months following such Executive’s Separation, (b) the expiration of Executive’s continuation coverage under COBRA or (c) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment. Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead will pay Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of Executive’s Separation for Executive and Executive’s eligible dependents.
pursuant to the Company’s health insurance plans in which Executive or Executive’s eligible dependents participated as of the day of Executive’s Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage; and

(iv) Executive shall vest in all of Executive’s remaining unvested equity awards.

(b) Preconditions to Severance and Vesting Acceleration Benefits / Timing of Benefits. As a condition to Executive’s receipt of any benefits described in Section 2(a), Executive shall execute and allow to become effective a general release of claims in substantially the form attached hereto and, if requested by the Company’s Board of Directors, must immediately resign as a member of the Company’s Board of Directors and as a member of the board of directors of any subsidiaries of the Company. Executive must execute and return the release on or before the date specified by the Company, which will in no event be later than 50 days after Executive’s employment terminates. If Executive fails to return the release by the deadline or if Executive revokes the release, then Executive will not be entitled to the benefits described in this Section 2. All such benefits will be provided, paid or commence within 60 days after Executive’s Involuntary Termination (and, where applicable, will include at such time any amounts accrued from the date of Executive’s Separation). If such 60-day period spans two calendar years, then such benefit will in any event be provided, paid or commence in the second calendar year.

3. Section 409A. The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) so that none of the payments or benefits will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted in accordance with such intent. For purposes of Code Section 409A, each payment, installment or benefit payable under this Agreement is hereby designated as a separate payment. In addition, if the Company determines that Executive is a “specified employee” under Code Section 409A(a)(2)(B)(i) at the time of Executive’s Separation, then (i) any severance payments or benefits, to the extent that they are subject to Code Section 409A, will not be paid or otherwise provided until the first business day following the earlier of (A) expiration of the six-month period measured from Executive’s Separation or (B) the date of Executive’s death and (ii) any installments that otherwise would have been paid or provided prior to such date will be paid or provided in a lump sum when the severance payments or benefits commence.

4. Section 280G.

(a) Notwithstanding anything contained in this Agreement to the contrary, in the event that the payments and benefits provided pursuant to this Agreement, together with all other payments and benefits received or to be received by Executive (“Payments”), constitute “parachute payments” within the meaning of Code Section 280G, and, but for this Section 4, would be subject to the excise tax imposed by Code Section 4999 (the “Excise Tax”), then the Payments shall be made to Executive either (i) in full or (ii) as to such lesser amount as would result in no portion of the Payments being subject to the Excise Tax (a “Reduced Payment”).

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whichever of the foregoing amounts, taking into account applicable federal, state and local income taxes and the Excise Tax, results in Executive’s receipt on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. For the avoidance of doubt, the Payments shall include acceleration of vesting of equity awards granted by the Company that vest based on service to the Company and that accelerate in connection with a Change in Control of the Company, but only to the extent such acceleration of vesting is deemed a parachute payment with respect to a Change in Control of the Company.

(b) For purposes of determining whether to make a Reduced Payment, if applicable, the Company shall cause to be taken into account all federal, state and local income and employment taxes and excise taxes applicable to the Executive (including the Excise Tax). If a Reduced Payment is made, the Company shall reduce or eliminate the Payments in the following order, unless (to the extent permitted by Section 409A of the Code) Executive elects to have the reduction in payments applied in a different order: (1) cancellation of accelerated vesting of options with no intrinsic value, (2) reduction of cash payments, (3) cancellation of accelerated vesting of equity awards other than options, (4) cancellation of accelerated vesting of options with intrinsic value and (5) reduction of other benefits paid to the Executive. In the event that acceleration of vesting is reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the Executive’s equity awards. In the event that cash payments or other benefits are reduced, such reduction shall occur in reverse order beginning with payments or benefits which are to be paid farthest in time from the date of the determination. For avoidance of doubt, an option will be considered to have no intrinsic value if the exercise price of the shares subject to the option exceeds the fair market value of such shares.

(c) All determinations required to be made under this Section 4 (including whether any of the Payments are parachute payments and whether to make a Reduced Payment) will be made by a nationally recognized independent accounting firm selected by the Company. For purposes of making the calculations required by this section, the accounting firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonably, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company will bear the costs that the accounting firm may reasonably incur in connection with the calculations contemplated by this Section 4. The accounting firm’s determination will be binding on both Executive and the Company absent manifest error.

(d) As a result of uncertainty in the application of Sections 4999 and 280G of the Code at the time of the initial determination by the accounting firm hereunder, it is possible that payments will have been made by the Company which should not have been made (an “Overpayment”) or that additional payments which will not have been made by the Company could have been made (an “Underpayment”), consistent in each case with the calculation of whether and to what extent a Reduced Payment shall be made hereunder. In either event, the accounting firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the event that the accounting firm determines that an Overpayment has occurred, the Executive shall promptly repay, or transfer, to the Company the amount of any such Overpayment; provided, however, that no amount shall be payable, or transferable, by the Executive to the Company if and to the extent that such payment or transfer would not reduce the
amount that is subject to taxation under Section 4999 of the Code. In the event that the accounting firm determines that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Company to or for the benefit of the Executive, together with interest at the applicable federal rate provided in Section 7872(f)(2) of the Code.

(e) If this Section 4 is applicable with respect to an Executive’s receipt of a Reduced Payment, it shall supersede any contrary provision of any plan, arrangement or agreement governing the Executive’s rights to the Payments.

5. **Company’s Successors.** Any successor to the Company or to all or substantially all of the Company’s business and/or assets shall assume the Company’s obligations under this Agreement and agree expressly to perform the Company’s obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession.

6. **Miscellaneous Provisions.**

(a) **Modification or Waiver.** No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(b) **Integration.** This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements, whether written or oral, with respect to the subject matter of this Agreement.

(c) **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(d) **Tax Withholding.** Any payments provided for hereunder are subject to reduction to reflect applicable withholding and payroll taxes and other reductions required under federal, state or local law.

(e) **Notices.** Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with nationally recognized overnight courier, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office (attention General Counsel) and to Executive at the address that he or she most recently provided to the Company in accordance with this Subsection (e).
(f) **Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7. **At-Will Employment.** Nothing contained in this Agreement shall (a) confer upon Executive any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of Executive’s employment with the Company.

8. **Definitions.** The following terms referred to in this Agreement shall have the following meanings:

   (a) **“Base Salary”** means Executive’s annual base salary as in effect immediately prior to an Involuntary Termination; provided, however, that in the event of a Resignation for Good Reason due to a material reduction in Executive’s base salary, “Base Salary” means Executive’s annual base salary as in effect immediately prior to such reduction.

   (b) **“Cause”** means Executive’s (i) unauthorized use or disclosure of the Company’s confidential information or trade secrets, which use or disclosure causes material harm to the Company, (ii) material breach of any agreement with the Company, (iii) material failure to comply with the Company’s written policies or rules, (iv) conviction of, or plea of “guilty” or “no contest” to, a felony under the laws of the United States or any State, (v) gross negligence or willful misconduct, (vi) continuing failure to perform assigned duties after receiving written notification of the failure from the Company or its Board of Directors or (vii) failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested such cooperation.

   (c) **“Change in Control”** means (i) a sale, conveyance or other disposition of all or substantially all of the assets, property or business of the Company, except where such sale, conveyance or other disposition is to a wholly owned subsidiary of the Company, (ii) a merger or consolidation of the Company with or into another corporation, entity or person, other than any such transaction in which the holders of voting capital stock of the Company outstanding immediately prior to the transaction continue to hold a majority of the voting capital stock of the Company (or the surviving or acquiring entity) outstanding immediately after the transaction (taking into account only stock of the Company held by such stockholders immediately prior to the transaction and stock issued on account of such stock in the transaction), or (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company; provided, however, that a Change in Control shall not include any transaction or series of related transactions (1) principally for bona fide equity financing purposes or (2) effected exclusively for the purpose of changing the domicile of the Company. A series of related transactions shall be deemed to constitute a single transaction for purposes of
determining whether a Change in Control has occurred. In addition, if a Change in Control constitutes a payment event with respect to any amount that is subject to Code Section 409A, then the transaction must also constitute a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

(d) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(e) “Involuntary Termination” means either Executive’s (i) Termination without Cause or (ii) Resignation for Good Reason.

(f) “Resignation for Good Reason” means a Separation as a result of Executive’s resignation from employment within 12 months after one of the following conditions has come into existence without Executive’s consent: (i) a reduction in Executive’s annual Base Salary by more than 10%, other than a general reduction that is part of a cost-reduction program that affects all similarly situated employees in substantially the same proportions, (ii) a relocation of Executive’s principal workplace by more than 25 miles from its location prior to such Change in Control or (iii) a material reduction of responsibilities, authority or duties, provided that neither a mere change in title alone nor reassignment following a Change in Control to a position that is similar to the position held prior to the Change in Control shall constitute a material reduction in job responsibilities. A Resignation for Good Reason will not be deemed to have occurred unless the employee gives the Company written notice of the condition within 90 days after the condition comes into existence and the Company fails to remedy the condition within 30 days after receiving such written notice.

(g) “Separation” means a “separation from service” as defined in the regulations under Code Section 409A.

(h) “Termination Without Cause” means a Separation as a result of the termination of Executive’s employment by the Company without Cause, provided the individual is willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).
IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year indicated below.

COMPANY

By: ____________________________________________
Name: __________________________________________
Title: __________________________________________
Date: __________________________________________

EXECUTIVE

By: ____________________________________________
Name: __________________________________________
Date: __________________________________________

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GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefits to be paid to (“Executive”) by Arcus Biosciences, Inc. (the “Company”), as described in Paragraph 1 below, Executive, on Executive’s own behalf and on behalf of Executive’s heirs, executors, administrators and assigns, to the fullest extent permitted by applicable law, hereby fully and forever releases and discharges the Company and its directors, officers, employees, agents, successors, predecessors, subsidiaries, parent, shareholders, employee benefit plans and assigns (together called “the Releasees”), from all known and unknown claims and causes of action including, without limitation, any claims or causes of action arising out of or relating in any way to Executive’s employment with the Company, including the termination of that employment.

1. If Executive signs [(and does not revoke)] this General Release of All Claims (“Release”), the Company will provide Executive with the severance benefits described in Section         of the Severance and Change in Control Agreement, dated                  , 20    , between the Company and Executive (the “Severance Agreement”).

2. Executive’s Company equity awards, to the extent vested (for the avoidance of doubt, including pursuant to the Severance Agreement) and outstanding as of Executive’s employment termination date, will be treated as provided in the applicable equity plan and the related award agreements. Such agreements will remain in effect in accordance with their terms, and Executive acknowledges that Executive will remain bound by them. Any Company equity awards that are unvested as of Executive’s employment termination date will be automatically forfeited, and Executive will have no further rights to such awards. Executive acknowledges that the enclosed report accurately reflects a summary of Executive’s outstanding equity awards.

3. Executive understands and agrees that this Release is a full and complete waiver of all claims including, without limitation, claims of wrongful discharge, constructive discharge, breach of contract, breach of the covenant of good faith and fair dealing, harassment, retaliation, discrimination, violation of public policy, defamation, invasion of privacy, interference with a leave of absence, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967 (ADEA), the California Labor Code, the California Fair Employment and Housing Act, the California Family Rights Act, the Family Medical Leave Act or any other federal or state law or regulation relating to employment or employment discrimination. Executive further understands and agrees that this waiver includes all claims, known and unknown, to the greatest extent permitted by applicable law. However, this release covers only those claims that arose prior to the execution of this Release. Execution of this Release does not bar any claim that arises hereafter, including (without limitation) a claim for breach of this Release. In addition, this Release does not cover any claim for indemnification Executive may have pursuant to the Company’s bylaws, [Executive’s Indemnification Agreement dated             ] or applicable law or Executive’s right to coverage under any applicable D&O insurance policy with the Company.

4. Executive also hereby agrees that nothing contained in this Release shall constitute or be treated as an admission of liability or wrongdoing by the Releasees or Executive.

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5. In addition, Executive hereby expressly waives any and all rights and benefits conferred upon Executive by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

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.

6. If any provision of this Release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and the court shall enforce all remaining provisions to the full extent permitted by law.

7. This Release constitutes the entire agreement between Executive and Releasees with regard to the subject matter of this Release. It supersedes any other agreements, representations or understandings, whether oral or written and whether express or implied, which relate to the subject matter of this Release. Executive understands and agrees that this Release may be modified only in a written document signed by Executive and a duly authorized officer of the Company.

8. Executive understands and agrees that the Company shall have no obligation to provide to Executive any severance benefits described in the Severance and Change in Control Agreement unless and until Executive has complied with the requirements described in Section 2(b) of the Severance and Change in Control Agreement, including executing this Release within the time period specified in Paragraph 13 below.

9. Executive understands and agrees that at all times in the future Executive shall remain bound by Executive’s Proprietary Information and Inventions Agreement, a copy of which is enclosed herewith. [List any other agreements that should survive termination of employment.]

10. Executive agrees not to disclose to others the terms of the Severance Agreement or this Release, except that Executive may disclose such information to Executive’s spouse and to Executive’s attorney or accountant in order for such attorney or accountant to render services to Executive related to the Employment Agreement or this Release.

11. Executive agrees that Executive will never make any disparaging statements (orally or in writing) about the Company or its stockholders, directors, officers, employees, products, services or business practices. The Company agrees to instruct its officers and directors not to disparage Executive in any manner likely to be harmful to Executive’s personal or business reputation. Nothing in this Section 11 is intended to, and shall not, prohibit the Executive and the Company (and its officers and directors) from responding accurately and fully to any question, inquiry or request for information when required by legal process.

12. This Release shall be governed by and its provisions interpreted under the laws of the state of California.
Executive understands that Executive has the right to consult with an attorney before signing this Release. Executive also understands that Executive has 21 days after receipt of this Release to review and consider this Release, discuss it with an attorney of Executive’s own choosing, and decide whether to execute it or not. Executive also understands that Executive may revoke this Release during a period of 7 days after Executive signs it and that this Release will not become effective until after the 7-day revocation period has expired (and then only if Executive has not revoked this Release). In order to revoke this Release, within 7 days after Executive executes this Release Executive must deliver to the Company a letter stating that Executive is revoking it. Executive understands that if Executive chooses to revoke this Release within 7 days after Executive signs it, Executive will not receive any severance benefits and the Release will have no effect.] [Executive has days after receipt of this Release to review and consider this Release, discuss it with an attorney of Executive’s own choosing, and decide whether to execute it or not.]
14. Executive states that before signing this Release, Executive:

   • Has read it,
   • Understands it,
   • Knows that he or she is giving up important rights,
   • Is aware of his or her right to consult an attorney before signing it, and
   • Has signed it knowingly and voluntarily.

Date: ________________________________

____________________________________
Signature

____________________________________
Print Full Name

Enclosures:

Equity Report

Proprietary Information and Inventions Agreement

[Indemnification Agreement]

[List ANY OTHERS]
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 16, 2018 in the Registration Statement (Form S-1) and related Prospectus of Arcus Biosciences, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Redwood City, California
February 16, 2018