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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-38693

Allogene Therapeutics, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**82-3562771** **(I.R.S. Employer Identification No.)**

210 East Grand Avenue, South San Francisco, California 94080

(Address of principal executive offices including zip code)

Registrant's telephone number, including area code: (650) 457-2700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $0.001 Per Share	Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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	☐
Non-accelerated filer	☒	Small reporting 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 pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The registrant's common stock was not publicly traded as of the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of Registrant's Common Stock outstanding as of March 4, 2019 was 121,482,671.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement relating to the 2019 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended December 31, 2018, are incorporated by reference into Part III of this Report.

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Unless the context requires otherwise, references in this report to "Allogene," "we," "us" and "our" refer to Allogene Therapeutics, Inc., and references in this report to "Servier" collectively refer to Les Laboratoires Servier SAS and Institut de Recherches Internationales Servier SAS.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations". These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the success, cost, timing and potential indications of our product development activities and clinical trials, including the ongoing or planned clinical trials of UCART19, ALLO-501 and ALLO-715;
- the timing of our planned IND submissions to the FDA for our product candidates, including ALLO-715;
- the timing of the initiation, enrollment and completion of planned clinical trials;
- the timing of the planned submission by Servier to the European Medicines Agency of a revised pediatric investigation plan in connection with the planned PALL2 clinical trial of UCART19;
- our ability to obtain and maintain regulatory approval of our product candidates, including UCART19, ALLO-501 and ALLO-715 in any of the indications for which we plan to develop them, and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- our ability to obtain funding for our operations, including funding necessary to complete the clinical trials of any of our product candidates, including UCART19, ALLO-501 and ALLO-715;
- our plans to research, develop and commercialize our product candidates, including UCART19, ALLO-501 and ALLO-715;
- our ability to attract and retain collaborators with development, regulatory and commercialization expertise;
- the size of the markets for our product candidates, and our ability to serve those markets;
- our ability to successfully commercialize our product candidates, including UCART19, ALLO-501 and ALLO-715;
- the rate and degree of market acceptance of our product candidates, including UCART19, ALLO-501 and ALLO-715;
- our ability to develop and maintain sales and marketing capabilities, whether alone or with potential future collaborators;
- regulatory developments in the United States and foreign countries;
- our ability to contract with and the performance of our collaborator's third-party suppliers and manufacturers;
- our ability to develop our own manufacturing facility;
- the success of competing therapies that are or become available;
- our ability to attract and retain key scientific or management personnel;
- our use of cash and other resources, including our expected use of the proceeds from our initial public offering;
- the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates and our ability to operate our business without infringing on the intellectual property rights of others.

In some cases, you can identify these statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes. These forward-looking statements reflect our management's beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this report and are subject to risks and uncertainties. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should

not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. We discuss many of the risks associated with the forward-looking statements in this report in greater detail under the heading “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. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should carefully read this report and the documents that we reference in this report and have filed as exhibits to the Form 10-K, of which this report is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this report by these cautionary statements.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, whether as a result of new information, future events or otherwise.

Trademarks and Trade names

This Annual Report on Form 10-K contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Annual Report, including logos, artwork and other visual displays, may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies’ trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I

Item 1. Business

Overview

We are a clinical stage immuno-oncology company pioneering the development and commercialization of genetically engineered allogeneic T cell therapies for the treatment of cancer. We are developing a pipeline of off-the-shelf T cell product candidates that are designed to target and kill cancer cells. Our engineered T cells are allogeneic, meaning they are derived from healthy donors for intended use in any patient, rather than from an individual patient for that patient's use, as in the case of autologous T cells. We believe this key difference will enable us to deliver readily available treatments faster, more reliably, at greater scale, and to more patients.

In collaboration with Servier, we are developing UCART19 and ALLO-501, chimeric antigen receptor (CAR) T cell product candidates targeting CD19. Servier is sponsoring two Phase 1 clinical trials of UCART19 in patients with relapsed/refractory (R/R) B-cell precursor acute lymphoblastic leukemia (ALL), one for adult patients (the CALM trial) and one for pediatric patients (the PALL trial). In January 2019, the U.S. Food and Drug Administration (FDA) cleared our investigational new drug application (IND) for ALLO-501, and we plan to initiate a Phase 1/2 clinical trial (the ALPHA trial) in the first half of 2019 for the treatment of R/R non-Hodgkin lymphoma (NHL). In addition, we have a deep pipeline of allogeneic CAR T cell product candidates targeting multiple promising antigens in a host of hematological malignancies and solid tumors. For example, we plan to submit an IND and initiate a Phase 1 clinical trial in 2019 for ALLO-715, an allogeneic CAR T cell product candidate targeting B-cell maturation antigen (BCMA) for the treatment of R/R multiple myeloma. We believe our management team's experience in immuno-oncology and specifically in CAR T cell therapy will help drive the rapid development and, if approved, the commercialization of these potentially curative therapies for patients with aggressive cancer.

CAR T cell therapy, a form of cancer immunotherapy, has recently emerged as a revolutionary and potentially curative therapy for patients with hematologic cancers, including refractory cancers. In 2017, two autologous anti-CD19 CAR T cell therapies, Kymriah, developed by Novartis International AG (Novartis), and Yescarta, developed by Kite Pharma, Inc. (Kite), were approved by the FDA for the treatment of R/R B-cell precursor ALL (Kymriah) and R/R large B-cell lymphoma (Yescarta). Autologous CAR T cell therapies are manufactured individually for the patient's use by modifying the patient's own T cells outside the body, causing the T cells to express CARs. The entire manufacturing process is dependent on the viability of each patient's T cells and takes approximately two to four weeks. As seen in the registrational trials for Kymriah and Yescarta, up to 31% of intended patients ultimately did not receive treatment primarily due to interval complications from the underlying disease during manufacturing or manufacturing failures.

Our allogeneic approach involves engineering healthy donor T cells, which we believe will allow for the creation of an inventory of off-the-shelf products that can be delivered to a larger portion of eligible patients throughout the world. These potential benefits led our Executive Chairman, Arie Belldegrun, M.D., FACS, who was previously the Chairman and Chief Executive Officer at Kite, and our President and Chief Executive Officer, David Chang, M.D., Ph.D., previously Chief Medical Officer and Executive Vice President of Research and Development at Kite, to found our company with the driving purpose of accelerating the development of allogeneic CAR T cell therapies.

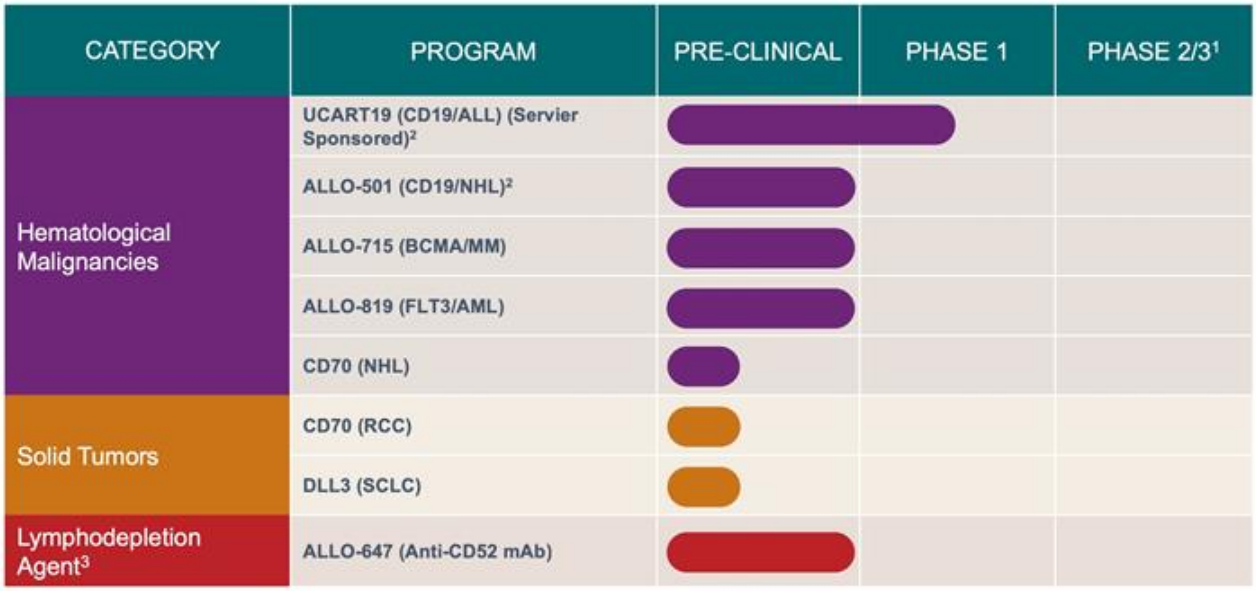
Our Approach

Our allogeneic T cell development strategy has four key pillars: (1) developing product candidates to minimize the risk of graft-versus-host disease (GvHD), a condition where allogeneic T cells can recognize the patient's normal tissue as foreign and cause damage, (2) creating a window of persistence that may enable allogeneic T cells to expand in patients, (3) building a leading manufacturing platform and (4) leveraging next generation technologies to improve the functionality of allogeneic CAR T cells.

We use Cellectis, S.A. (Cellectis), TALEN gene-editing technology with the goal of limiting the risk of GvHD by engineering T cells to lack functional T cell receptors (TCRs) that are no longer capable of recognizing a patient's normal tissue as foreign. With the goal of enhancing the expansion and persistence of our engineered allogeneic T cells, we use TALEN to inactivate the CD52 gene in donor T cells and an anti-CD52 monoclonal antibody to deplete CD52 expressing T cells in patients while sparing the therapeutic allogeneic T cells. We believe this enables a window of persistence for the infused allogeneic T cells to actively target and destroy cancer cells. We are also developing ALLO-647, our own anti-CD52 monoclonal antibody. Our off-the-shelf approach is dependent on state-of-the-art manufacturing processes, and we are building a technical operations organization with fully integrated in-house expertise in clinical and commercial engineered T cell manufacturing. In February 2019, we entered into a lease to build our own cell therapy manufacturing facility in Newark, California. Finally, we plan to leverage next generation technologies to improve the functionality of our product candidates and to develop more potent product candidates. We believe next generation technologies will also allow us to develop allogeneic T cell therapies for the treatment of solid tumors, which to date have been difficult to treat because of the lack of validated targets and tumor microenvironments that can impair the activity of T cells.

Our Pipeline

We are currently developing a pipeline of multiple allogeneic CAR T cell product candidates utilizing protein engineering, gene editing, gene insertion and advanced proprietary T cell manufacturing technologies. Our most advanced product candidates, UCART19 and ALLO-501, are engineered allogeneic CAR T cell therapies that target CD19, a protein expressed on the cell surface of B cells and a validated target for B cell driven hematological malignancies. We are also developing engineered allogeneic CAR T cell product candidates for multiple myeloma, other blood cancers and solid tumors. Our pipeline is represented in the diagram below.



[1] Phase 3 may not be required if Phase 2 is registrational.
[2] Servier holds ex-US commercial rights.
[3] ALLO-647 intended to enable expansion and persistence of allogeneic CAR T product candidates.

Our lead product candidates include:

- *UCART19.* In 2016, our collaboration partner, Servier, initiated the CALM trial for adult patients with R/R ALL and the PALL trial for pediatric patients with R/R ALL. In December 2018, interim results from 21 patients in the CALM and PALL clinical trials were presented at the 60th American Society of Hematology (ASH) Annual Meeting. As of October 23, 2018, 67% (14/21) of patients achieved complete remission (CR) or complete remission with incomplete blood recovery (CRi). Eighty-two percent (14/17) of patients who received a lymphodepletion regimen consisting of fludarabine, cyclophosphamide and an anti-CD52 monoclonal antibody (FCA) achieved a CR/CRi. In the four patients who received fludarabine and cyclophosphamide (FC) only, there was no evidence of UCART19 cell expansion and no responses were observed. We believe the interim data of UCART19 suggest an anti-CD52 antibody is an important addition to the lymphodepletion regimen for allogeneic CAR T cell expansion, and we are progressing the development of our own anti-CD52 antibody, ALLO-647, as described below. The most common adverse events were related to cytokine release syndrome (CRS) and were generally manageable. Two mild (Grade 1) GvHD cases in the skin were observed and resolved. We expect UCART19 to be advanced to potential registrational trials in 2020. See "—Product Pipeline and Development Strategy—UCART19—Pooled CALM and PALL Clinical Findings—Interim Safety" for more information regarding adverse events.
- *ALLO-501.* In January 2019, the FDA cleared our IND for the ALPHA trial of ALLO-501, and we plan to initiate the ALPHA trial in the first half of 2019 for the treatment of patients with R/R NHL. The Phase 1 portion of the ALPHA trial is designed to assess the safety and tolerability at increasing dose levels of ALLO-501 in the most common NHL subtypes of R/R large B-cell lymphoma, including diffuse large B-cell lymphoma (DLBCL), or follicular lymphoma (FL). Assuming positive Phase 1 data, we plan to introduce our second-generation version of ALLO-501 in the Phase 2 portion of the trial. We have removed rituximab recognition domains in the second generation of ALLO-501, which we believe will potentially facilitate treatment of patients who were previously treated with rituximab.
- *ALLO-715.* We plan to submit an IND and initiate a Phase 1 clinical trial in 2019 for ALLO-715, targeting BCMA for the treatment of patients with R/R multiple myeloma. Several clinical studies of third-party autologous CAR T cell therapies targeting BCMA have produced promising results in this indication.

- *ALLO-647*. We are developing an anti-CD52 monoclonal antibody, ALLO-647, which is designed to be used prior to infusing our other product candidates as part of the lymphodepletion regimen. ALLO-647 may be able to reduce the likelihood of a patient's immune system rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which our engineered allogeneic T cells can actively target and destroy cancer cells. We plan to utilize ALLO-647 in the ALPHA trial and, subject to regulatory acceptance, in the clinical trial for ALLO-715.

Our History and Team

We believe we have established a leadership position in allogeneic T cell therapy. In April 2018, we acquired certain assets from Pfizer Inc. (Pfizer), including strategic license and collaboration agreements and other intellectual property related to the development and administration of allogeneic CAR T cells for the treatment of cancer. We have an exclusive collaboration with Servier to develop and commercialize UCART19 and ALLO-501, and we hold the commercial rights to these product candidates in the United States. Under our collaboration with Servier, we also have an exclusive option to obtain the same rights to additional product candidates targeting one additional cancer antigen. We also have an exclusive worldwide license from Cellectis to its TALEN gene-editing technology for the development of allogeneic T cell product candidates directed against 15 different cancer antigens. Our collaboration with Servier gives us access to TALEN gene-editing technology for all product candidates under our collaboration with Servier. In connection with the Pfizer asset acquisition, we hired a team of employees from Pfizer, who are primarily research and technical operation employees and were leading the research and development of our product candidates and next generation gene engineering and cell engineering technologies at Pfizer.

Our world-class management team has significant experience in immuno-oncology and in progressing products from early stage research to clinical trials, and ultimately to regulatory approval and commercialization. In particular, Dr. Belldegrun's experience in T cell therapy dates back to his time at the National Cancer Institute as a research fellow in surgical oncology and immunotherapy with Steven Rosenberg, M.D., Ph.D, a recognized pioneer in immuno-oncology. Our President and Chief Executive Officer, Dr. Chang, served as Executive Vice President of Kite and held senior leadership roles at Amgen, Inc. (Amgen). Moreover, both Dr. Belldegrun and Dr. Chang led the development and approval of Yescarta at Kite. Additionally, our Chief Technical Officer, Alison Moore, Ph.D., was previously Senior Vice President, Process Development at Amgen, where she led the development, deployment and oversight of manufacturing for approximately 80 multi-modality assets. Dr. Moore has over 25 years of experience in biotechnology, including in the immuno-oncology space leading process development of Amgen's comprehensive bi-specific T cell engager production platform.

Our Strategy

Our goal is to maintain and build upon our leadership position in allogeneic T cell therapy. We plan to rapidly develop and, if approved, commercialize allogeneic T cell products for the treatment of cancer that can be delivered faster, more reliably and at greater scale than autologous T cell therapies. We believe achieving this goal could result in allogeneic T cell therapy becoming a standard of care in cancer treatment and enable us to make potentially curative therapies more readily accessible to more patients throughout the world. Key elements of our strategy include:

- ***Capitalize on a validated target and our first mover advantage in engineered allogeneic anti-CD19 CAR T cell product candidates.*** Autologous anti-CD19 CAR T cell therapies, such as Kymriah and Yescarta, have emerged as potentially curative therapies for B-cell lymphomas and leukemias. We believe developing allogeneic CAR T cell product candidates targeting CD19, such as UCART19 and ALLO-501, is the next frontier in delivering potentially curative therapies against B-cell lymphomas and leukemias, including NHL and ALL. We plan to support Servier in advancing the CALM and PALL trials in ALL and initiating potential registrational trials for UCART19 in 2020 after completion of the CALM and PALL trials. We also plan to initiate the ALPHA trial in the first half of 2019 for ALLO-501 in R/R NHL. We believe having the first anti-CD19 allogeneic CAR T cell product candidate in the clinic gives us a first mover advantage in efforts to obtain approval of and commercialize anti-CD19 allogeneic CAR T cell product candidates in B-cell lymphoma and leukemia indications.
- ***Expand our leadership position within hematologic indications.*** In addition to UCART19 and ALLO-501, we plan to advance our near-term pipeline against additional hematological targets where there remains a high unmet need. For example, we are developing ALLO-715, an allogeneic CAR T cell product candidate targeting BCMA. We believe BCMA is a promising target, as early results from clinical trials of third-party autologous CAR T cell therapeutic candidates targeting BCMA have been compelling. We plan to submit an IND and initiate a Phase 1 clinical trial of ALLO-715 for the treatment of patients with R/R multiple myeloma in 2019. In addition to advancing UCART19, ALLO-501 and ALLO-715, we plan to develop additional allogeneic T cell product candidates targeting other antigens found on hematologic malignancies, including ALLO-819 targeting FLT3 for the treatment of acute myeloid leukemia (AML).

- ***Build state-of-the-art gene engineering and cell manufacturing capabilities.*** Manufacturing allogeneic T cell product candidates involves a series of complex and precise steps. We believe a critical component to our success will be to leverage and expand our proprietary manufacturing know-how, expertise and capacity. In February 2019, we entered into a lease for approximately 118,000 square feet to develop a state-of-the-art cell therapy manufacturing facility in Newark, California. We believe establishing our own fully integrated manufacturing operations and infrastructure will allow us to improve the manufacturing process, limit our reliance on contract manufacturing organizations (CMOs) and more rapidly advance product candidates.
- ***Leverage next generation technologies to advance our platform and expand into solid tumor indications with high unmet need.*** We have a broad portfolio of solid tumor targets, including CD70 for the treatment of renal cell cancer and DLL3 for the treatment of small cell lung cancer and other aggressive neuroendocrine tumors. We plan to leverage next generation technologies to make more potent allogeneic CAR T cells and improve the characteristics of our product candidates. For example, we are exploring ways to improve the functionality of our product candidates, such as modulating cytokines to augment expansion, persistence and trafficking of allogeneic T cells. We are also exploring gene-editing technologies to allow site-specific integration of CARs and investigating the utility of a single cell product targeting multiple antigens. In addition, we continually survey the scientific and industry landscape for opportunities to license, partner or acquire technologies that may help us advance current or new T cell therapies for the benefit of patients.

Allogeneic T Cell Therapy

The Immune System and Cancer

White blood cells are a component of the immune system and are responsible for defending the body against infectious pathogens and other foreign material. T cells are a type of white blood cell and are involved in both sensing and killing infected or abnormal cells, including cancer cells, as well as coordinating the activation of other cells in an immune response.

T cells can be distinguished from other white blood cells by T cell receptors present on their cell surface. These receptors contribute to tumor surveillance by directing T cells to recognize and destroy cancerous cells. When T cells with cancer-specific receptors are absent, present in low numbers, of poor quality or rendered inactive by suppressive mechanisms, cancer may grow and spread. In addition, standard of care treatments, such as chemotherapy regimens, as well as disease specific factors can damage the patient's immune system, thereby inhibiting the ability of T cells to kill cancer.

Engineered T Cell Therapies

Engineered T cell therapy is a type of immunotherapy treatment whereby human T cells are removed from the body and engineered to express CARs which, when infused into a patient, may recognize and destroy cancer cells in a more targeted manner.

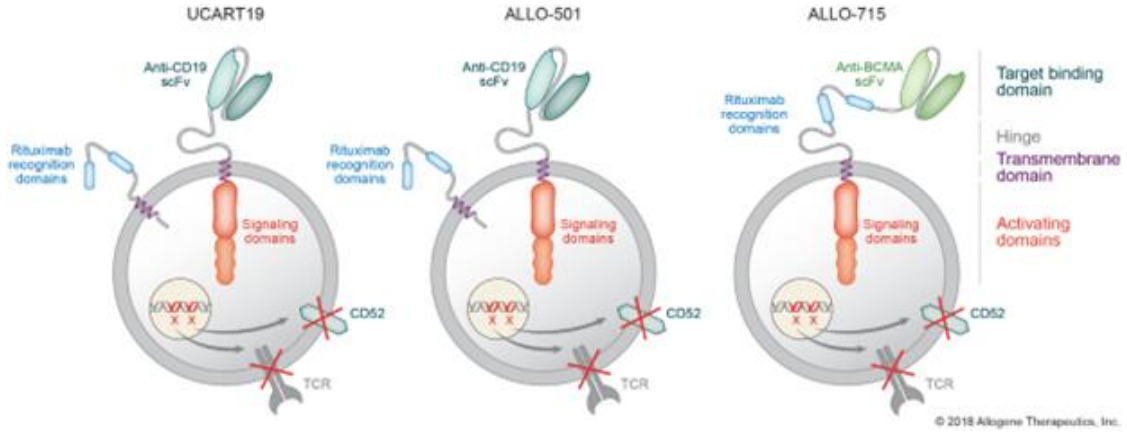
Chimeric Antigen Receptors (CARs)

CARs are engineered molecules that, when present on the surface of a T cell, enable the T cell to recognize specific proteins or antigens that are present on the surface of other cells. The CAR in UCART19, ALLO-501 and ALLO-715 is comprised of a single chain protein that contains the following elements:

- *Target Binding Domain:* At one end of the CAR is a target binding domain that is specific to a target antigen. This domain extends out onto the surface of the engineered T cell, where it can recognize the target antigens. The target binding domain consists of a single-chain variable fragment (scFv) of an antibody comprising variable domains of heavy and light chains joined by a short linker.
- *Transmembrane Domain and Hinge:* This middle portion of the CAR links the scFv target binding domain to the activating elements inside the cell. This transmembrane domain "anchors" the CAR in the cell's membrane. In addition, the transmembrane domain may also interact with other transmembrane proteins that enhance CAR function. The hinge domain, which extends to the exterior of the cell, connects the transmembrane domain to scFv and provides structural flexibility to facilitate optimal binding of scFv to the target antigen on the cancer cell's surface.
- *Activating Domains:* The other end of transmembrane domain, inside the T cell, is connected to two contiguous domains responsible for activating the T cell when the CAR binds to the target cell. The CD3 zeta domain delivers an essential primary signal within the T cell, and the 41BB domain delivers an additional, co-stimulatory signal. Together, these signals trigger T cell activation, resulting in proliferation of the CAR T cells and killing of the cancer cell. In addition, activated CAR T cells stimulate the local secretion of cytokines and other molecules that can recruit and activate additional immune cells to potentiate killing of the cancer cells.

In addition to the domains described above, ALLO-715 possesses two rituximab-recognition domains between the scFv and the hinge which allow it to be recognized and eliminated by rituximab. UCART19 and ALLO-501 possess rituximab recognition domains in a separate polypeptide termed RQR8 that is co-expressed with the CAR. The modification in ALLO-715 is designed to increase the efficiency of rituximab-mediated cell killing.

The figure below shows the constructs that support our three lead programs: UCART19, ALLO-501 and ALLO-715.



Allogeneic T Cell Therapies: The Next Revolution

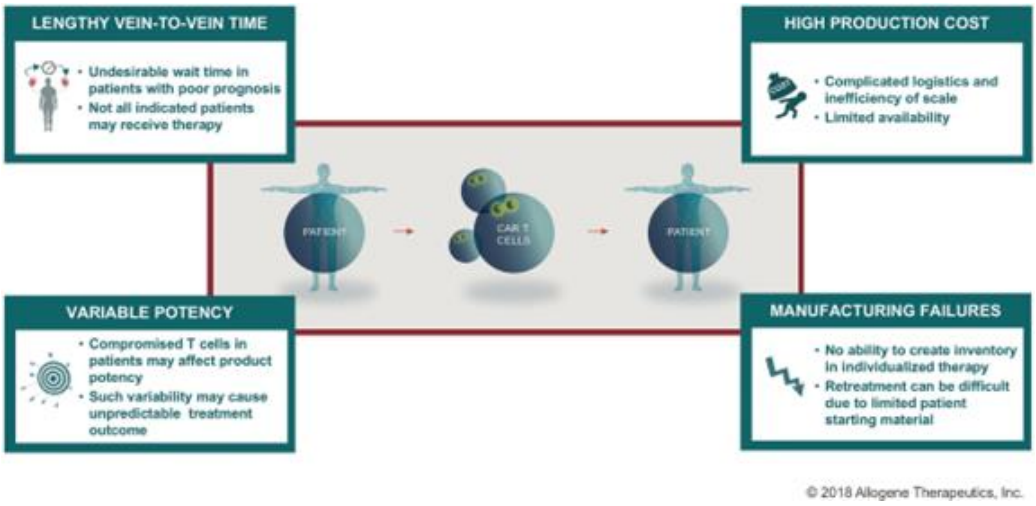
There are two primary approaches to engineered T cell therapy: autologous and allogeneic. Autologous therapies use engineered T cells derived from the individual patient, while allogeneic therapies use engineered T cells derived from healthy donor T cells.

The autologous approach, pioneered by Novartis and Kite, has been highly successful in engineering patients' immune systems to fight cancer, in particular CD19 positive cancers, resulting in significant remission rates. Autologous products are manufactured by first collecting a patient's white blood cells, through a process known as leukapheresis, separating the T cells from the patient's blood sample and proliferating the isolated T cells. After the cells have multiplied, the CAR construct is virally transduced into the T cells and the engineered T cells are then propagated until a sufficient number of cells are available for infusion into the patient. Finally, the engineered T cells are frozen, and then shipped back to the clinical center for administration to the patient. The process from leukapheresis to delivery to the clinical center takes approximately two to four weeks.

While the autologous approach has been revolutionary, demonstrating compelling efficacy in many patients, it is burdened by the following key limitations:

- ***Lengthy Vein-to-Vein Time***. Due to the individualized manufacturing process, patients must wait approximately two to four weeks to be treated with their engineered cells. As a result, in the registrational trials for Yescarta and Kymriah, up to 31% of intended patients ultimately did not receive treatment primarily due to interval complications from the underlying disease during manufacturing or manufacturing failures.
- ***Variable Potency***. In many cases, patients have T cells that have been damaged or weakened due to prior chemotherapy or hematopoietic stem-cell transplant. Compromised T cells may not proliferate well during manufacturing or may produce cells with insufficient potency that cannot be used for patient treatment, resulting in manufacturing failures, or that can show poor expansion and activity in patients. In addition, the individualized nature of autologous manufacturing, together with the variability in patients' T cells, may lead to variable potency of manufactured T cells, and this variability may cause unpredictable treatment outcomes.
- ***Manufacturing Failures***. Autologous cell manufacturing sometimes encounters production failures. This can mean that a patient never receives treatment, as additional patient starting material may not be available or the patient may no longer be eligible due to advanced disease. Furthermore, retreatment can be difficult due to a limited supply of usable patient starting material.

- ***High Production Cost***. The delivery of autologous T cell therapy is complicated due to the individualized nature of manufacturing, which allows only one patient to be treated from each manufacturing run and requires dedicated infrastructure to maintain a strict chain of custody and chain of identity of patient-by-patient material collection, manufacturing and delivery. The complex logistics add significant cost to the process and limit the ability to scale. Additionally, the collection of T cells through leukapheresis from each individual patient results in a time consuming and costly step in the autologous process. In part due to these logistics, autologous treatment is currently only available at select centers.

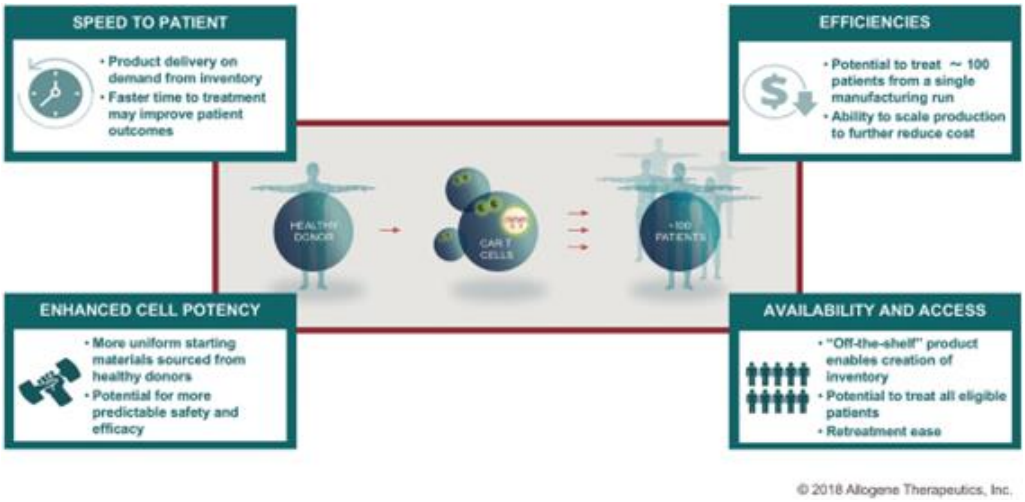


Allogeneic engineered T cells are manufactured in a similar manner as autologous, but with two key differences: (1) allogeneic T cells are derived from healthy donors, not cancer patients, and (2) allogeneic T cells must be genetically engineered to minimize the risk of GvHD and enable a window of persistence in the patient.

Our approach is designed to provide the same intended curative outcome as autologous therapy, while offering the following potential key advantages:

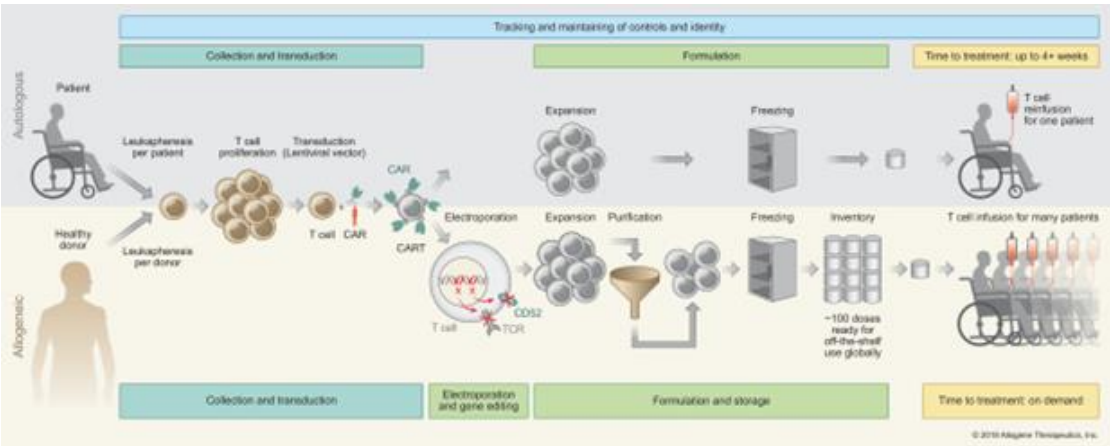
- ***Availability and Access***. Starting with T cells from a healthy donor, we believe that at scale we can manufacture approximately 100 doses of allogeneic product that could be used in any eligible patient. Because our allogeneic product candidates are designed to be frozen and available off-the-shelf, they could potentially be readily shipped and administered to patients. We believe having an inventory of off-the-shelf allogeneic T cell products can also facilitate delivering multiple product doses to a patient over time as well as enable treatment with multiple different engineered allogeneic T cell products directed to different cancer targets in a patient.
- ***Speed to Patient***. Many patients with aggressive cancer or rapidly progressing cancer that is refractory to existing therapies may not have multiple weeks to wait for autologous T cell treatment. Our allogeneic approach has the potential to create off-the-shelf product inventory, which could enable dosing of patients within days of prescription. This would represent a significant reduction in patient wait time, potentially allowing the treatment of patients who are too sick to wait for the autologous therapy, and could improve patient outcomes.
- ***Enhanced Cell Consistency and Potency***. Our manufacturing process produces therapies from selected, screened and tested healthy donors. Healthy donor T cells are potentially superior for engineered cellular therapy as compared to T cells from patients who have undergone prior chemotherapy or hematopoietic stem-cell transplant, which can damage or weaken T cells. In addition, greater consistency of the product may yield more predictable treatment outcomes.

- ***Streamlined Manufacturing and Cost Efficiencies***. We are building an efficient and scalable manufacturing process and organization. The allogeneic approach utilizes healthy donor T cells which we believe provides enhanced scalability, reduces costs of engineered T cell therapy and reduces costs to the healthcare system as our allogeneic approach does not require us to collect and track T cells from each individual patient.



Manufacturing Allogeneic T Cells

There are similarities as well as key differences between the processes for allogeneic and autologous T cell manufacturing, as illustrated in the figure below.



The three primary steps to creating our engineered allogeneic CAR T cells are: (1) collection and transduction, (2) gene editing, and (3) purification, formulation, and storage.

Step 1. Collection and Transduction

The starting material for our allogeneic T cell products is white blood cells from a healthy donor, which are collected using a standard blood bank procedure known as leukapheresis. The collected cells are then screened, tested, and shipped to a central processing facility, where the T cells are isolated and stored frozen, creating an inventory of starting healthy donor cells for manufacturing.

The manufacturing process starts by thawing frozen healthy donor T cells, which are then stimulated to proliferate and transduced with a viral vector to integrate the CAR sequence into the T cell genome. The CAR sequence directs the expression of CAR proteins on the cell surface that allows the transduced T cells to recognize and bind to a target molecule that is present on cancer cells.

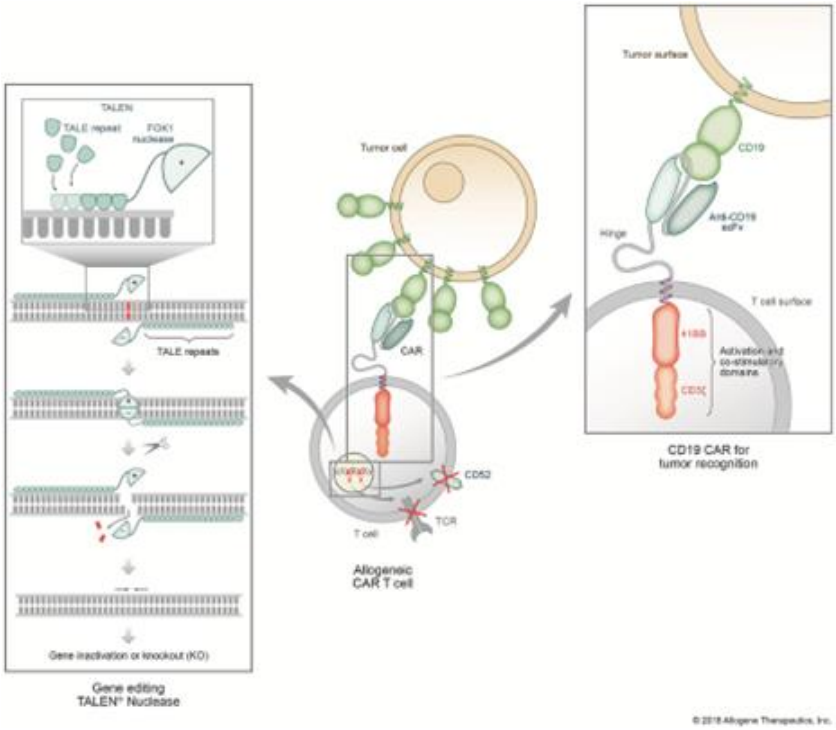
We can also concurrently add additional genes to these cells that confer specific properties. For example, we can add an off-switch by expressing proteins that can make T cells susceptible to certain drugs, such as anti-CD20 monoclonal antibodies, and enable us to deplete our engineered T cells if needed by administering such drugs to the patient.

Step 2. Gene Editing

Next, we use Cellectis's electroporation and TALEN technologies for gene editing of T cells. TALENs are a class of DNA cutting enzymes derived by fusing the DNA-cutting domain of a nuclease to the DNA-binding domains from transcription activator-like effectors (TALE). The TALE DNA-binding domain can be tailored to specifically recognize a unique DNA sequence. These fusion proteins serve as readily targetable "DNA scissors" for genome engineering applications that enable us to perform targeted genome modifications such as sequence insertion, deletion, repair and replacement in living cells.

Electroporation allows TALEN mRNA to enter into the cell, where it is translated into a nuclease that can cut DNA and inactivate specific target genes. Inactivation of genes, such as TCRα and CD52, which is performed for UCART19, ALLO-501, and ALLO-715, is intended to reduce the risk of GvHD and allow the allogeneic T cells to expand and persist in patients. We believe the inactivation of other target genes using the TALEN technology can be incorporated into future product candidates, with the goal of enhancing T cell function, including increasing potency against solid tumors.

The figure below illustrates how we utilize Cellectis's TALEN and electroporation technology to inactivate the genes coding for TCRα and CD52 in our allogeneic T cells for UCART19.

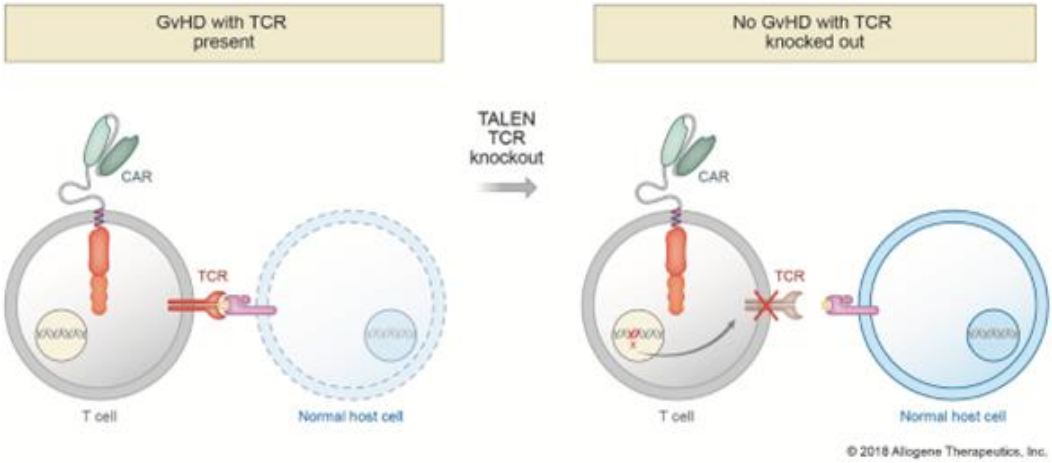


We believe the key benefits of TALEN technology are:

- *Precision*. It is possible to design a TALEN that will cleave at any selected region in any gene, giving us the ability to achieve the desired genetic outcome with any gene.

- *Specificity and Selectivity*. TALEN may be designed to limit its DNA cleavage to the desired sequence and to reduce the risk of cutting elsewhere in the genome. This parameter is essential, especially for therapeutic applications, because unwanted genomic modifications potentially could lead to harmful effects for the patient. In addition, gene editing requires only a transient presence of TALEN, thus preserving the integrity and functionality of the T cell's genome.
- *Efficiency*. A large percentage of cells treated by the nuclease bear the desired genomic modification after treatment is completed. We believe the efficiency of TALEN editing helps to improve our manufacturing yields.

TCRα knockout: Non-modified allogeneic T cells bear functional TCRs and, if injected into a patient, can potentially recognize the patient's tissue as foreign and damage it. This reaction, known as GvHD, is mediated by intact TCRs on allogeneic T cells. To reduce the risk of GvHD, all of our product candidates undergo the inactivation of a gene coding for TCRα, a key component of TCRs. The engineered T cells lacking functional TCRs are no longer capable of recognizing peptide antigens presented on major histocompatibility complex proteins and thus incapable of attacking the patient's normal tissue. This could mitigate the risk of GvHD that can occur when allogeneic TCR-positive T cells are infused into patients who are unrelated to the healthy donor, as shown in the figure below.



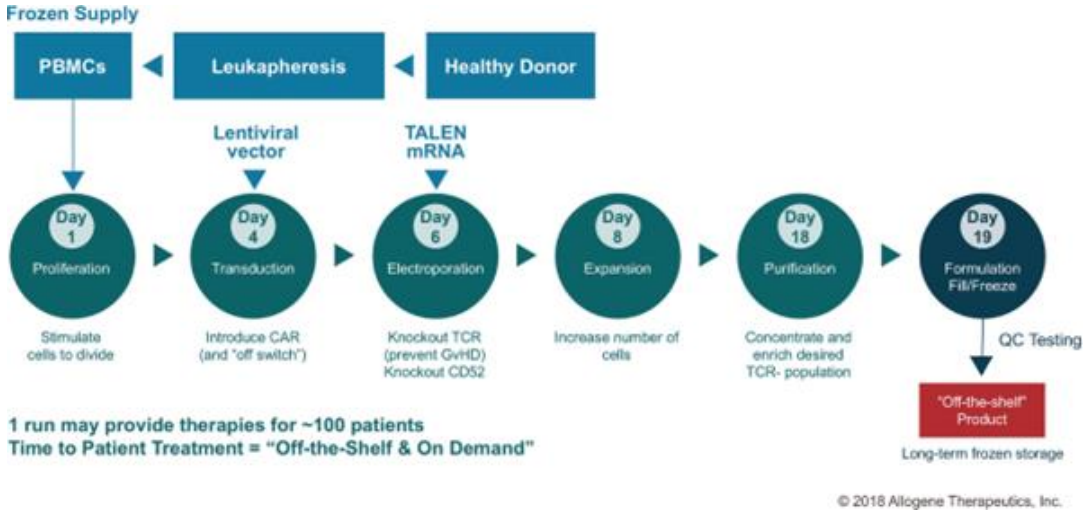
CD52 knockout: The patient's immune system is expected to recognize allogeneic T cells as foreign and destroy or reject them. To delay this rejection, we use anti-CD52 antibody to deplete lymphocytes, including T cells, in patients. Anti-CD52 antibody recognizes CD52 protein expressed on many immune cells, including T cells. CD52 protein is expressed in both donor and patient immune cells. To selectively deplete a patient's immune cells while sparing the therapeutic allogeneic T cells, we use TALEN gene editing to inactivate the CD52 gene in allogeneic T cells, thus protecting allogeneic T cells from the anti-CD52 antibody mediated depletion.

By administering anti-CD52 antibody prior to infusing our product candidates, we believe we can reduce the likelihood of a patient's immune system rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which our engineered allogeneic T cells can expand and actively target and destroy cancer cells. We also believe our approach is unique and differentiated. To capitalize on this differentiation and to secure our own source of anti-CD52 monoclonal antibody, we are developing ALLO-647. We plan to use ALLO-647 in our ALPHA trial and in our clinical trial of ALLO-715.

Step 3. Purification, Formulation, and Storage

Once the allogeneic T cells have been engineered with CARs and gene edited to remove the genes encoding TCRα and CD52, they are cultured for 10 days to increase the cell number and then harvested. The allogeneic cells then undergo a purification step to remove residual TCR positive cells that have not undergone TCRα gene editing. We believe this purification step is essential as none of the currently available gene-editing nucleases can completely inactivate the target genes. After overnight recovery, the cells are formulated in a cryopreservation media and filled into closed, stoppered vials prior to controlled-rate freezing and long-term storage in the vapor phase of liquid nitrogen. This inventory will be securely stored and then shipped to oncology centers as needed.

The figure below illustrates the steps in a manufacturing run for our engineered allogeneic CAR T product candidates.

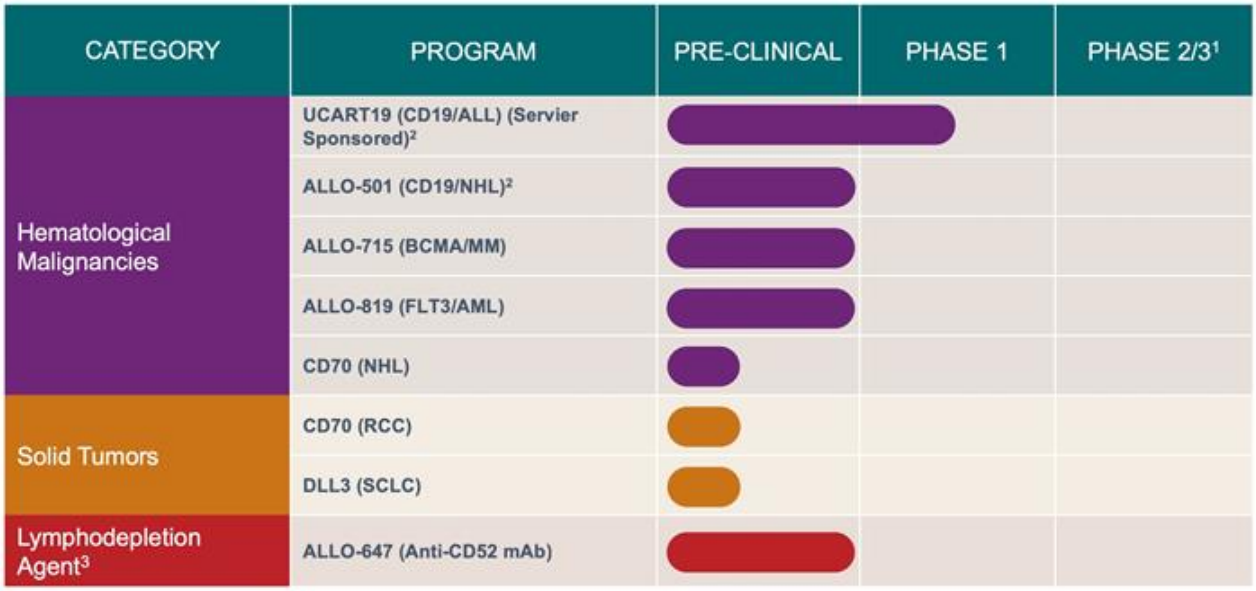


Product Pipeline and Development Strategy

Using our proprietary allogeneic T cell platform, we are researching and developing multiple product candidates for the treatment of blood cancers and solid tumors. Our product candidates are allogeneic T cells engineered to be used as off-the-shelf treatments for any patient with a particular cancer type. Each product candidate targets a selected antigen expressed on tumor cells and bears specific engineered attributes.

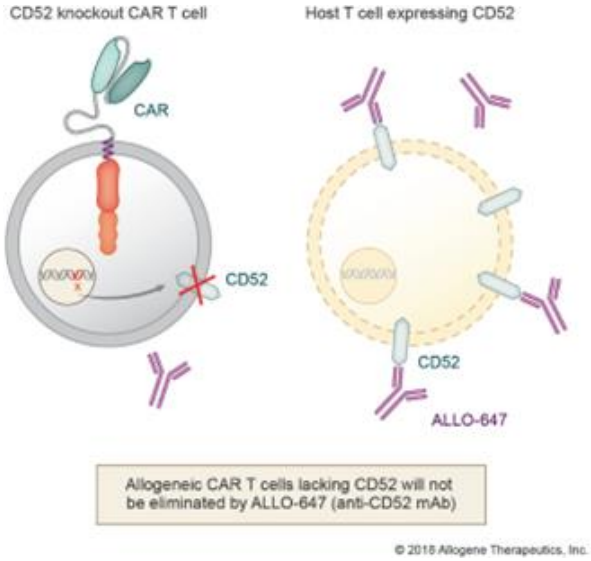
In the near term, we are progressing multiple product candidates directed at promising targets for blood cancers, including ALL, NHL, multiple myeloma and AML. We are also conducting earlier-stage research programs focused on targets associated with solid tumors, such as renal cell carcinoma, small cell lung cancer and other common epithelial cancers.

Our product pipeline is represented in the diagram below:



[1] Phase 3 may not be required if Phase 2 is registrational.
[2] Servier holds ex-US commercial rights.
[3] ALLO-647 intended to enable expansion and persistence of allogeneic CAR T product candidates.

In addition to the allogeneic CAR T cell product candidates we are developing for the treatment of blood cancers and solid tumors, we are developing an anti-CD52 monoclonal antibody, ALLO-647, which is designed to be used prior to infusing our other product candidates as part of the lymphodepletion regimen. As illustrated below, we believe ALLO-647 can reduce the likelihood of a patient's immune system from rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which our engineered allogeneic T cells can actively target and destroy cancer cells.

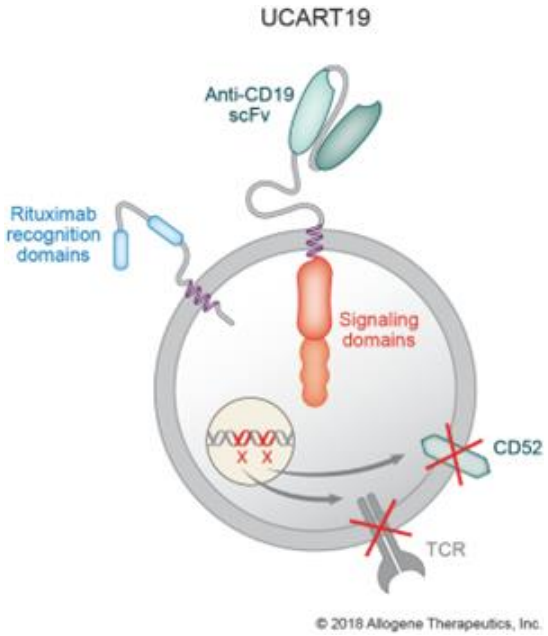


UCART19

We, in partnership with Servier, are developing UCART19 to be a potential first-in-class allogeneic CAR T cell product candidate for the treatment of pediatric and adult patients with R/R CD19 positive B-cell ALL. There are currently two ongoing Phase 1 clinical trials in adult and pediatric R/R ALL. Servier is the sponsor of the UCART19 clinical trials and is also responsible for manufacturing UCART19. Servier is experiencing UCART19 supply issues relating to the manufacturing of UCART19, and, as a result, while the clinical trials of UCART19 remain active, they are not recruiting new patients. We currently expect UCART19 to be advanced to potential registrational trials in 2020.

UCART19 targets CD19, an antigen expressed on the surface of B cells, including malignant B cells. In addition to these indications, CD19 targeting CAR T therapies have shown preliminary efficacy in chronic lymphocytic leukemia, mantle cell lymphoma and low-grade NHLs, such as FL or marginal zone lymphoma.

UCART19 is manufactured to express a CAR that is designed to target CD19 and gene edited to lack TCRα and CD52 to minimize the risk of GvHD and enable a window of persistence in the patient. In addition, UCART19 cells are engineered to express a small protein on the cell surface called RQR8, which consists of two rituximab recognition domains. This allows for recognition and elimination of cells in the event that silencing of CAR activity is desired. The figure bellow depicts the construct of UCART19.



Target Indication: Acute Lymphoblastic Leukemia (ALL)

ALL is characterized by the proliferation of immature lymphocytes in the bone marrow. Approximately 5,960 new cases and 1,470 deaths in the United States were estimated in 2018, according to the U.S. SEER database. Approximately 80% of cases of ALL are B-cell ALL, which we plan to address with UCART19.

The risk for developing ALL is highest in children younger than five years of age. From age five until the mid-20s, the risk declines slowly and begins to steadily rise again after age 50. Overall, about 40% of all cases of ALL are in adults. Though most cases occur in children, approximately 80% of deaths from ALL occur in adults.

Over the past four decades pediatric cure rates have reached greater than 80% in developed countries. This progress can be attributed, in part, to a deeper understanding of the molecular genetics and pathogenesis of the disease, advances in combination chemotherapy, monitoring of minimal residual disease, and use of tyrosine kinase inhibitors for Philadelphia chromosome–positive ALL. Allogeneic stem-cell transplant (allo-SCT) offers the potential for cure in some individuals, however, the option is available only to approximately a third of patients due to the lack of compatible stem cell source, general health, or the high risk of complications. Furthermore, allo-SCT carries a high rate of treatment-related mortality which can occur in approximately 20-30% of patients undergoing allo-SCT. In patients with R/R ALL after two or more lines of therapy, the median disease-free survival is less than six months. The five-year overall survival in adults over the age of 60 is approximately 20%, highlighting the high unmet need despite the recent advances in the treatment of ALL.

Clinical Data

UCART19 is being studied in two ongoing Phase 1 clinical trials, CALM and PALL, sponsored and conducted by Servier, our collaboration partner. Initiated in 2016, CALM is an ongoing Phase 1, open-label, dose-escalation clinical trial in adult patients with R/R ALL to evaluate safety, anti-leukemic activity, and determine the maximum tolerated dose (MTD). Post-therapy allo-SCT was allowed at the discretion of the investigator. Initiated in 2016, PALL is an ongoing Phase 1, open-label, clinical trial in pediatric R/R ALL patients to evaluate safety and anti-leukemic activity.

Prior to the initiation of CALM and PALL, UCART19 was administered to three patients with CD19 positive B-cell ALL (two children and one adult) under a compassionate use license granted by the Medicines and Healthcare Products Regulatory Agency in the United Kingdom. The patients had previously failed multiple lines of prior treatment. UCART19 for these patients was manufactured at an academic site, the University College London. The two pediatric patients achieved a CR and received allo-SCT, and the one adult died within the first month following UCART19 infusion due to disease progression.

Pooled CALM and PALL Interim Clinical Findings

In December 2018, interim results from 21 patients in the CALM and PALL clinical trials were presented at the 60th ASH Annual Meeting. As of the October 23, 2018 data cutoff, 21 patients enrolled had been treated in the CALM and PALL clinical trials. In the CALM trial, six patients were treated at the first dose level of 6×10^6 total cells (approximately 10^5 cells per kilogram) and six patients were treated at the second dose level with 8×10^7 total cells (approximately 10^6 cells per kilogram). Treatment at the third and final dose level of 1.8 to 2.4 $\times 10^8$ total cells is ongoing. In the PALL trial, all seven of the patients enrolled had been treated at a weight-banded cell dose equivalent to 1.1 to 2.3 $\times 10^6$ cells/kg. Patient characteristics are presented below.

	All (N=21)
Median age in yrs (range)	22 (0.8-62)
No of prior treatment lines	
1 to 3	7
≥4	14
Median (range)	4 (1-6)
Previous allo-SCT	13
Time of relapse following previous allo-SCT	
< 6 months	4
≥ 6 months	9
Bone marrow blasts prior to lymphodepletion	
<5%	6
5-25%	6
>25%	9
Median (range)	8% (0-96)

Interim Safety

The table below summarizes the adverse events by grade related to UCART19 infusion as well as those related to the lymphodepletion regimen. Grade 1 represents mild toxicity, Grade 2 represents moderate toxicity, Grade 3 represents severe toxicity and Grade 4 represents life threatening toxicity. Grade 5 toxicity represents toxicity resulting in death.

N=21	Worst Grade					
N=21	G1 n(%)	G2 n(%)	G3 n(%)	G4 n(%)	G5 n(%)	All Grades n(%)
AEs related to UCART19						
Cytokine release syndrome	4 (19.0)	12 (57.1)	2 (9.5)	1* (4.8)	—	19 (90.5)
Neurotoxicity events	7 (33.3)	1 (4.8)	—	—	—	8 (38.1)
Acute skin graft-versus-host disease(1)	2 (9.5)	—	—	—	—	2 (9.5)
AEs related to lymphodepletion and/or UCART19						
Prolonged cytopenia(2)	—	—	—	6+ (28.5)	—	6 (28.5)
Viral infections(3)	1 (4.8)	2 (9.5)	4 (19.0)	1 (4.8)	—	8 (38.1)
Neutropenic sepsis	—	—	—	1 (4.8)	1* (4.8)	2 (9.5)
Febrile neutropenia / septic shock	—	—	—	—	1 (4.8)	1 (4.8)

(1) GvHD confirmed by biopsy in 1 out of 2 cases.
(2) Persistent Grade 4 neutropenia and/or thrombocytopenia beyond day 42 post UCART19 infusion, except if >5% bone marrow blast.
(3) Viral infections: CMV, ADV, BK virus, metapneumovirus
* G4 CRS associated with G5 neutropenic sepsis (death at D15 post-infusion)
\+ G4 prolonged cytopenia associated with infection and pulmonary hemorrhage (death at D82 post-infusion)

The most common UCART19 related adverse event was CRS, reported in 19 patients. Grade 3 or 4 CRS was observed in three patients. Six patients developed prolonged cytopenia, defined as persistent Grade 4 neutropenia and/or thombocytopenia beyond day 42 after UCART19 infusion. Seven patients experienced mild, or Grade 1, neurotoxicity events and one patient experienced Grade 2 neurotoxicity events. Viral infections was attributed to lymphodepletion and/or UCART19. Two patients experienced Grade 1 GvHD adverse event of the skin, which resolved with steroids.

There were no new treatment-related deaths from the previous interim data report presented at the 23rd European Hematology Association Annual Congress in June 2018. As previously presented, there were two treatment-related deaths in the CALM study, one at day 15 post infusion as a result of Grade 4 CRS associated with Grade 5 neutropenic sepsis and one at day 82 post infusion in the post allogeneic stem-cell transplant setting. Grade 5 adverse events have been reported in other autologous anti-CD19 CAR T cell therapy trials in part due to advanced stage of disease and accompanying confounding conditions.

Eight deaths have also been reported that were not attributed to UCART19. Six patients died from progressive disease and two patients from allo-SCT related complications. Transplant related mortality occurs in approximately 20-30% of patients following allo-SCT.

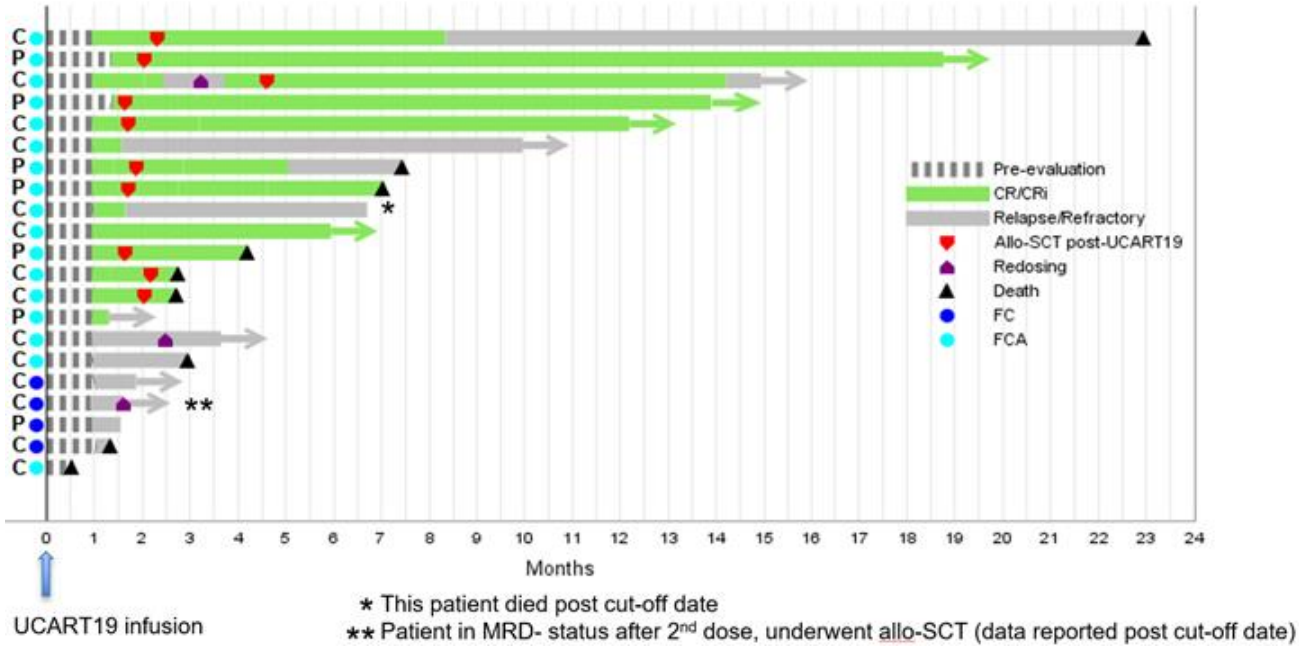
Interim Efficacy

As of October 2018, 67% (14/21) of patients achieved a CR/CRi. Eighty-two percent (14/17) of patients who received a lymphodepletion regimen consisting of fludarabine, cyclophosphamide and an anti-CD52 monoclonal antibody (FCA) achieved a CR/CRi. In the four patients who received fludarabine and cyclophosphamide (FC) only, there was no evidence of UCART19 cell expansion and no response. Seventy-one percent (10/14) of patients achieved MRD- CR. Three patients received a second dose of UCART19, two under compassionate use (as a deviation from the clinical trial protocol) and one under amended protocol, and two achieved cell expansion and MRD- CR. MRD- CR occurs when a patient achieves a CR and there is no evidence of ALL cells in the marrow when using sensitive tests such as polymerase chain reaction or flow cytometry. CR or CRi rates are the typical regulatory standard, but studies in both children and adults with ALL have demonstrated a strong correlation between minimal residual disease (MRD+) and risks for relapse.

We believe these data suggest an anti-CD52 antibody is an important addition to the lymphodepletion regimen for allogeneic CAR T cell expansion. We therefore believe that an anti-CD52 antibody is important to the success of our allogeneic CAR T platform. Going forward, the PALL and CALM trials will require the use of an anti-CD52 monoclonal antibody in the lymphodepletion regimen.

CAR T cell expansion was detected in blood from day 7 after UCART19 infusion, reaching the peak expansion between day 10 and day 17. One patient treated in the CALM trial at the second dose level showed the highest peak linked to a long persistence up to 4 months.

The four patients on the FC regimen showed no evidence of CAR T cell expansion. A similar lack of CAR T cell expansion was seen in two out of 10 patients on the FCA regimen. The following table illustrates response, duration of remission and re-dosing of UCART19 in the CALM and PALL trial as of the October 2018 data cutoff.



Development Plan

We, in partnership with Servier, plan to complete the third dose level of UCART19 in CALM in order to determine the recommended Phase 2 dose level, and then expand the enrollment to gain additional patient experience on the optimal lymphodepletion regimen, specifically testing the benefits of anti-CD52 monoclonal antibody, alemtuzumab or ALLO-647. We expect UCART19 to be advanced to potential registrational trials, CALM2 and PALL2, in 2020.

CALM2 will be designed to evaluate the efficacy of UCART19 in an open-label, Phase 2, international, non-comparative, two-stage, pivotal, multicenter, single-arm clinical trial in adult patients with R/R ALL who have exhausted available treatment options. The dose will be a flat dose based on the recommended Phase 2 dose identified in Phase 1. The primary efficacy endpoint will be overall complete remission rate within three months of UCART19 infusion. Up to 63 patients are expected to be enrolled. Redosing will be allowed in case of relapse within a three month period after the first infusion.

PALL2 will be designed as an open-label, Phase 2, international, non-comparative, two-stage, pivotal clinical trial of pediatric patients with R/R ALL range from birth to 18 years at time of initial diagnosis. The dose of UCART19 will depend on the actual weight at the time of infusion. The primary efficacy endpoint will be molecular response rate according to MRD result within two months of UCART19 infusion. Up to 49 patients are expected to be enrolled. Patients will be monitored for 12 months after infusion whether or not they have received an allo-SCT. Redosing will be allowed in case of relapse within the three-month period after the first infusion. Servier submitted a pediatric investigation plan to the European Medicines Agency (EMA) in March 2018. We expect Servier to submit a revised pediatric investigation plan to the EMA in 2019, with regulatory feedback expected over several months after submission.

In the CALM and PALL trials, Servier uses alemtuzumab, a commercially available monoclonal antibody that binds CD52, for the purpose of lymphodepletion. To secure our own readily available source of anti-CD52 antibody, we are developing our own monoclonal anti-CD52 antibody, ALLO-647.

ALLO-501

ALLO-501 is our other allogeneic CAR T cell product candidate targeting CD19. We plan to initiate the ALPHA trial, a Phase 1/2 clinical trial for the treatment of R/R NHL in the first half of 2019. ALLO-501 is jointly developed by us and Servier. We will be the sponsor of the ALLO-501 program and lead the clinical development program.

The first and current version of ALLO-501 is identical to UCART19 in molecular design, however several modifications have been introduced by us to the manufacturing process for ALLO-501. These modifications are designed to facilitate more efficient manufacturing scale-up for the larger patient population targeted by ALLO-501. Clinical supply for ALLO-501 trials will be manufactured in the United States using a CMO.

Target Indication: Non-Hodgkin Lymphoma (NHL)

NHL is a hematologic cancer originating from malignant lymphocytes. It is the most common hematological malignancy in the United States, with 74,680 new cases and 19,910 deaths were estimated to be diagnosed in 2018, according to the U.S. SEER database. Over 60 NHL subtypes have been identified, and each subtype represents different neoplastic lymphoid cells (T, B or NK cells) that have arrested at different stages of differentiation. The most common subtype is B-cell, which represented over 90% of all new NHL cases in 2016.

B-cell NHL itself represents a group of different neoplasms that not only differ in pathology, but also response to therapy and prognosis. NHL can be rapidly growing (aggressive) with short survival, such as large B-cell lymphomas, which include DLBCL, or it can be slow growing, or indolent, such as FL. Despite recent therapeutic advances, more than 50% of patients with aggressive B-cell NHL are incurable using existing approved therapies.

The R-CHOP chemotherapy combination (rituximab, cyclophosphamide, doxorubicin, vincristine, and prednisone) introduced in the early 2000s remains the standard of care for newly diagnosed DLBCL, and five-year survival can be achieved for 55-60% of patients. Unfortunately, approximately 30% of DLBCL second line and subsequent therapy is dependent on whether the patients are candidates for high-dose therapy followed by autologous stem-cell therapy. A retrospective analysis of patients with R/R DLBCL, who were not treated with autologous CAR T therapy, found that outcomes in this population are poor, with an objective response rate of 26% (CR: 7%, partial response: 18%) and median overall survival of 6.3 months.

Despite availability of multiple active agents, high response rates, and long progression-free survival with first-line therapy, FL remains an incurable disease. Most patients treated today eventually relapse, and subsequent responses and durations of responses become increasingly shorter. Ultimately, patients become resistant to chemo-immunotherapy, clinically defined as relapsed within 12 months. In these patients, the toxicity commonly outweighs the benefit of treatment with chemotherapy. Therefore, there remains a high unmet medical need for newer treatment options, especially for those patients with cancer that is resistant to chemo-immunotherapy.

Clinical Development Plan

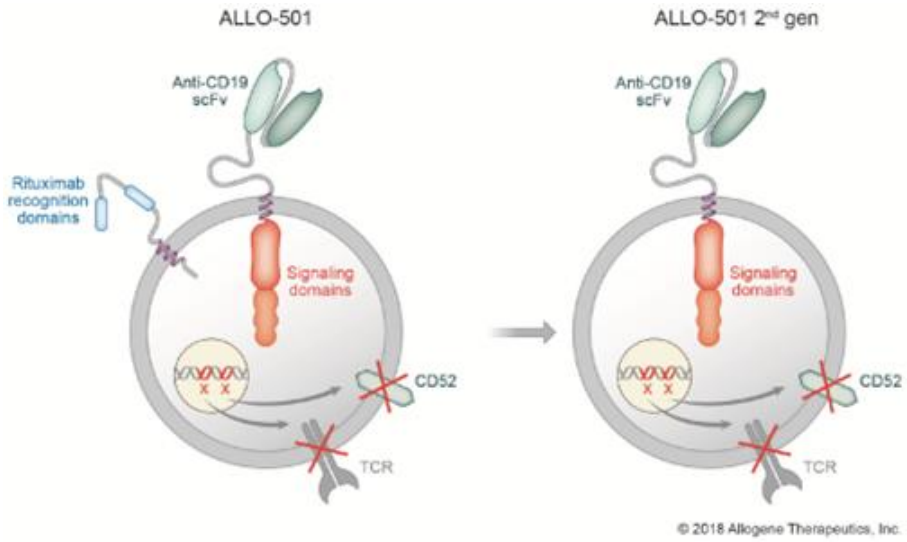
The ALPHA trial is an open-label, Phase 1/2, single arm, multicenter clinical trial evaluating the safety and efficacy of ALLO-501 in patients with R/R large B-cell lymphoma, including DLBCL, or FL. Cell kinetics and pharmacodynamics of ALLO-501 will be evaluated as secondary and exploratory objectives, respectively. The Phase 1 portion of the trial will be a dose-escalation study for ALLO-501 with three separate dose cohorts, from 40×10^6 to 360×10^6 total cells. A dose of ALLO-501 will be selected as the recommended Phase 2 dose. Prior to ALLO-501 treatment, all patients are expected to undergo lymphodepletion with a regimen of fludarabine, cyclophosphamide and ALLO-647.

Assuming positive Phase 1 data, we plan to introduce our second-generation of ALLO-501, as discussed below, in the Phase 2 portion of the trial. We believe the second-generation ALLO-501 will have the potential to facilitate treatment of patients who were previously treated with rituximab.

Approximately 24 patients are expected to be evaluated in Phase 1 and approximately 70 patients are expected to be evaluated in Phase 2. All patients treated with ALLO-501 will be followed in a long-term follow-up study.

Next Generation

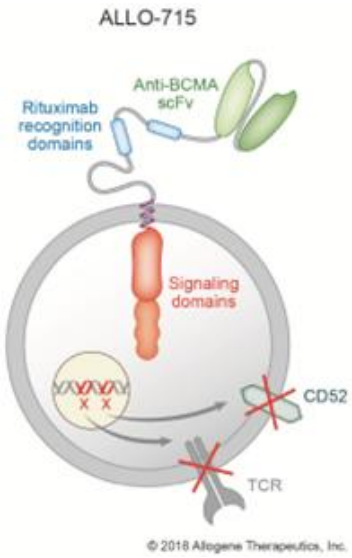
We have created a second version of ALLO-501. The first and current version of ALLO-501 co-expresses a small protein on the cell surface called RQR8, which consists of two rituximab recognition domains. This allows for removal of the CAR T by rituximab. Since prior treatment with rituximab, depending on the lag time between the rituximab administration and planned ALLO-501 infusion, may interfere with ALLO-501, we have removed RQR8 in this second version of ALLO-501, as illustrated in the figure below. The second version of ALLO-501 manufactured from several donors under non-cGMP conditions has been compared to the current version of ALLO-501 *in vitro*. In this study, we found that both first and second versions of ALLO-501 exhibited similar characteristics and killing activity.



ALLO-715

ALLO-715 is an allogeneic CAR T cell product candidate targeting BCMA. BCMA is a member of the tumor necrosis factor receptor family and is selectively expressed on immunoglobulin-producing plasma cells, including malignant plasma cells (myeloma cells). ALLO-715 will initially be evaluated for the treatment of adult patients with R/R multiple myeloma. We plan to submit an IND and initiate a Phase 1 clinical trial for ALLO-715 in 2019.

ALLO-715 is manufactured to express a CAR that is designed to target BCMA and gene edited to lack TCRα and CD52 to minimize the risk of GvHD and enable a window of persistence in the patient. In addition, rituximab recognition domains, as an off-switch, has been incorporated in between the scFv and the linker domain. We have completed the lead candidate selection and manufacturing under cGMP conditions is in process to enable IND submission. The figure bellow depicts the construct of ALLO-715.



Target Indication: Multiple Myeloma

Multiple myeloma is a hematological malignancy that is characterized by uncontrolled expansion of bone marrow plasma cells. There was an estimated 30,770 new cases of multiple myeloma and 12,770 deaths from multiple myeloma in 2018 in the United States according to the U.S. SEER database. Multiple myeloma predominantly affects the elderly, with 14 times more patients diagnosed at age 65 and over than those diagnosed under the age of 65.

For patients less than age of 70 with no comorbidities, autologous stem cell therapy is the preferred option to provide a durable response. For transplant ineligible patients, immunomodulatory drugs (Revlimid, Pomalyst, Thalomid) and proteasome inhibitors (Velcade, Kyrprolis, Ninlaro), often used in combination with one another, have displaced older cytotoxic agents as the mainstay of treatment. In the past five years, several new drugs with novel mechanisms (Darzalex, Empliciti, Farydak) have been approved for multiple myeloma, however none of these novel treatments is considered as curative.

Despite the introduction of newer therapies, a majority of patients are expected to relapse and the unmet need in patients with R/R myeloma remains high. In clinical trials, only 3% of patients who were previously treated with at least three lines of therapy (including proteasome inhibitors and immunomodulatory drugs), or who were refractory to both proteasome inhibitors and immunomodulatory drugs, achieved a complete response to Darzalex. Median survival in such patients was just 17.5 months. Trials of autologous CAR T cell therapies such as bb2121, currently being developed by bluebird bio, Inc. (bluebird) in partnership with Celgene Corporation, have shown early promise in multiple myeloma with complete response rates of 50% at doses greater than 150×10^6 CAR T cells.

Clinical Development Plan

We plan to submit an IND and initiate a Phase 1 clinical trial of ALLO-715 in 2019. The trial is expected to be an open label, multi-dose, multi center, dose escalation, safety, pharmacokinetic and pharmacodynamic clinical trial of ALLO-715 in adult patients with R/R multiple myeloma, who have progressed on at least three lines of prior therapy. The primary goal will be to assess safety and tolerability at increasing dose levels of ALLO-715 in successive cohorts of patients in order to estimate the MTD and the recommended Phase 2 dose of ALLO-715. Prior to ALLO-715 treatment, all patients are expected to undergo lymphodepletion with a regimen of fludarabine, cyclophosphamide and ALLO-647.

Future Opportunities

Moving forward, we plan to utilize our allogeneic platform to pursue additional targets of interest. These include the additional targets currently in our pipeline as well as other targets that might be validated in the future. For example, we are developing allogeneic CAR T cell product candidates targeting FLT3 for the treatment of AML (ALLO-819), CD70 for the treatment of renal cell carcinoma, and DLL3 for the treatment of small cell lung cancer (SCLC).

- ***Acute Myeloid Leukemia and ALLO-819***. AML is a high unmet medical need with few treatment options. It is a cancer of bone marrow stem cells and is the most common type of leukemia in adults. SEER estimated 19,520 new diagnoses and 10,670 deaths in the United States in 2018. Patients have a poor prognosis despite improvements in chemotherapy regimens and supportive care. FLT3 is a receptor tyrosine kinase that is overactive in AML blasts. We have conducted *in vitro* and *in vivo* studies of our anti-FLT3 CAR T candidate, ALLO-819, that show anti-tumor activity against blasts present in bone marrow from AML patients and in mice. We are currently advancing an IND-enabling data set for ALLO-819.
- ***Renal Cell Carcinoma and CD70***. Analysis using proteomic and immunohistochemistry techniques have demonstrated a high level of CD70 expression in clear cell renal cell carcinoma (ccRCC) cell lines and in more than 80% of human ccRCC tumor samples. ccRCC is the most common subtype of renal cancer. Approximately 65,000 new cases of renal cell carcinoma are diagnosed per year in the United States and 15,000 deaths were estimated in 2018, according to SEER. Average duration of disease control is eight to nine months in first-line and five to six months in second-line, with the five year survival rate for metastatic disease of only 11.6%, and median survival of high risk group at 5.9 months. We are in the final stages of testing and refining constructs and selecting an anti-CD70 CAR T candidate to progress to IND-enabling studies.
- ***Small Cell Lung Cancer and DLL3***. DLL3 is a target which is being pursued for SCLC using ADCs, bi-specifics and autologous CAR T therapies. According to SEER, there was approximately 234,000 new cases of lung cancer in the United States in 2018, and according to the American Cancer Society, SCLC comprises approximately 10-15% of all lung cancers. SCLC is responsive to chemotherapy, but recurrence arises rapidly, with less than 7% of patients surviving over five years. Recently, SCLC has shown to be responsive to immunotherapy with approximately one-third of patients responding to PD-1/PD-L1 therapy and achieving a median overall survival of approximately eight months. We believe an allogeneic anti-DLL3 CAR T cell product candidate could be used alone or in combination with PD-1/PD-L1 therapy. We are currently testing and refining constructs for an anti-DLL3 CAR T candidate, and following completion we plan to progress to IND-enabling studies.

We also plan to enhance our platform using next-generation technologies such as cytokine signal modulation, switch technologies, including small-molecule induced off-switch, site-specific integration and multi-specific CARs.

- ***Cytokine Signal Modulation***. Expressing cytokines from CAR T cells or mimicking cytokine activation signaling could enhance the proliferative potential, migratory behavior, and killing activity of engineered CAR T cells. Such modulation may enhance the anti-tumor activity of CAR T cells. We are currently investigating multiple construct designs to induce cytokine signaling in CAR T cells.
- ***Switch Technology***. In addition to the CD20 epitope engineered off-switch, such as RQR8 that sensitizes cells to rituximab, we are investigating the use of small molecules that dimerize death-inducing proteins to eliminate CAR T cells in the event that CAR T cell activity is no longer needed or should be shut off for safety reasons.
- ***Site-Specific Integration***. Using a combination of gene-editing technology and homologous recombination technology we can potentially integrate the CAR expressing DNA into specific target genes within the T cell DNA. Such site-specific integration may allow the CAR or other transgenes to be introduced into T cells in a more homogeneous manner, allowing a more uniform and controlled expression of the proteins, with the goal of generating CAR T cell products that behave in a more consistent and predictable manner.
- ***Multi-specific CARs***. We are investigating the utility of a single cell product targeting multiple antigens. This may be accomplished by including two antigen binding domains with different specificity in a single polypeptide encoding the CAR or in two separate polypeptides each encoding a CAR with different antigen specificity.

In addition, we continually survey the scientific and industry landscape for opportunities to license, partner or acquire technologies that may help us advance current or new T cell therapies for the benefit of patients.

Our Manufacturing Strategy

We have invested resources to optimize our manufacturing process, including the development of improved analytical methods. We plan to continue to invest in process science, product characterization and manufacturing to continuously improve our production and supply chain capabilities over time.

Our product candidates are designed and manufactured via a platform comprised of defined unit operations and technologies. The process is gradually developed from small to larger scales, incorporating compliant procedures to create current good manufacturing practices (cGMP) conditions. Although we have a platform-based manufacturing model, each product is unique and for each new product candidate, a developmental phase is necessary to individually customize each engineering step and to create a robust procedure that can later be implemented in a cGMP environment to ensure the production of clinical batches. This work is performed in our research and development environment to evaluate and assess variability in each step of the process in order to define the most reliable production conditions.

Servier is responsible for UCART19 manufacturing and is working with a CMO in Europe to provide clinical supply for the CALM and PALL clinical trials. The first and current version of ALLO-501 is identical in molecular design to UCART19, but is produced using a modified manufacturing process, optimized by us. ALLO-501 and ALLO-715 will be manufactured in the United States by a CMO, and we will manage all other aspects of the supply, including planning, CMO oversight, disposition and distribution logistics. We will similarly develop, and manufacture all of our other product candidates.

The CMO that is manufacturing the clinical supply of ALLO-501 and ALLO-715 is subject to cGMP requirements, using qualified equipment and materials. We also utilize separate third party contractors to manufacture cGMP raw materials that are used for the manufacturing of our product candidates, such as viral vectors that are used to deliver the applicable CAR gene into the T cells. We believe all materials and components utilized in the production of the cell line, viral vector and final T cell product are available from qualified suppliers and suitable for pivotal process development in readiness for registration and commercialization.

In addition, in February 2019, we entered into a lease for approximately 118,000 square feet to develop a state-of-the-art cell therapy manufacturing facility in Newark, California. However, we expect to continue to rely on our CMO and may rely on CMOs and other third parties for the manufacturing and processing of our product candidates in the future. We believe the use of contract manufacturing and testing for our first clinical product candidates has allowed us to rapidly prepare for clinical trials in accordance with our development plans. We expect third-party manufacturers will be capable of providing and processing sufficient quantities of our product candidates to meet anticipated clinical trial demands.

We plan to create a robust supply chain with redundant sources of supply comprised of both internal and external infrastructure.

Strategic Agreements

We have also entered into multiple additional strategic agreements and collaborations, including an Asset Contribution Agreement with Pfizer (the Pfizer Agreement), a License Agreement with Cellectis (the Cellectis Agreement) and an Exclusive License and Collaboration Agreement with Servier (the Servier Agreement). For additional information regarding our significant agreements, see Note 7 to our financial statements and Item 9B “Other Information”, each appearing elsewhere in this Annual Report.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our most advanced product candidate, UCART19, our other product candidates, ALLO-647, ALLO-501 and ALLO-715, future product candidates, as well as novel discoveries, product development technologies, and know-how. Our commercial success also depends in part on our ability to operate without infringing on the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to develop and maintain protection of our proprietary position by, among other methods, filing or in-licensing U.S. and foreign patents and applications related to our technology, inventions, and improvements that are important to the development and implementation of our business.

We also rely on trademarks, trade secrets, know-how, continuing technological innovation, confidentiality agreements, and invention assignment agreements to develop and maintain our proprietary position. The confidentiality agreements are designed to protect our proprietary information and the invention assignment agreements are designed to grant us ownership of technologies that are developed for us by our employees, consultants, or other third parties. We seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in our agreements and security measures, either may be breached, and we may not have adequate remedies. In addition, our trade secrets may otherwise become known or independently discovered by competitors.

With respect to both licensed and company-owned intellectual property, we cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting our commercial products and methods of using and manufacturing the same.

We are actively building our intellectual property portfolio around our product candidates and our discovery programs, based on our own intellectual property as well as licensed intellectual property. Following the execution of the Pfizer Agreement, we are the owners of, co-owners of, or the licensee of multiple patents and patent applications in the United States and worldwide. These licensed assets include rights to the Cellectis TALEN gene-editing technology to engineer T cells that lack functional TCRs and to inactivate the CD52 gene in donor cells. We have exclusive worldwide rights to these patents for certain antigen targets, including BCMA, and have U.S. rights to these patents for CD19. Our patent rights are composed of patents and pending patent applications that are solely owned by us, co-owned with Servier, co-owned with Cellectis, exclusively licensed from Pfizer, exclusively licensed from Servier, or exclusively licensed from Cellectis.

Our patent portfolio includes protection for our lead product candidates, UCART19, ALLO-501 and ALLO-715, as well as our other research-stage candidates. With respect to UCART19 and ALLO-501, we have an exclusive license from Servier in the United States to patent rights covering composition of matter and methods of making and use covering UCART19 and ALLO-501. With respect to ALLO-715, we have an exclusive license from Pfizer to patent rights covering ALLO-715 in the United States and in foreign jurisdictions. These rights include composition of matter protection for ALLO-715 and methods of making and using ALLO-715. More generally, our patent portfolio and filing strategy is designed to provide multiple layers of protection by pursuing claims directed toward: (1) antigen binding domains directed to the targets of our product candidates; (2) CAR constructs used in our product candidates; (3) methods of treatment for therapeutic indications; (4) manufacturing processes, preconditioning methods, and dosing regimens; and (5) reducing GvHD, and methods for genetically engineering immune cells suitable for allogeneic use.

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the date of filing of the first non-provisional application to which priority is claimed. In the United States, patent term may be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the United States Patent and Trademark Office in granting a patent, or may be shortened if a patent is terminally disclaimed over an earlier-filed patent. In the United States, the term of a patent that covers an FDA-approved drug may also be eligible for a patent term extension of up to five years under the Hatch-Waxman Act, which is designed to compensate for the patent term lost during the FDA regulatory review process. The length of the patent term extension involves a complex calculation based on the length of time it takes for regulatory review. A patent term extension under the Hatch-Waxman Act cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Moreover, a patent can only be extended once, and thus, if a single patent is applicable to multiple products, it can only be extended based on one product. Similar provisions are available in Europe and certain other foreign jurisdictions to extend the term of a patent that covers an approved drug.

Competition

Our products will compete with novel therapies developed by biopharmaceutical companies, academic research institutions, governmental agencies and public and private research institutions, in addition to standard of care treatments.

Novartis and Kite were the first to achieve FDA approval for autologous T cell therapies. In August 2017, Novartis obtained FDA approval to commercialize Kymriah, the treatment of children and young adults with B-cell ALL that is refractory or has relapsed at least twice. In May 2018, Kymriah received FDA approval for adults with R/R DLBCL. In October 2017, Kite obtained FDA approval to commercialize Yescarta, the first CAR T cell product candidate for the treatment of adult patients with R/R large B-cell lymphoma.

Due to the promising therapeutic effect of T cell therapies in clinical trials, we anticipate increasing competition from existing and new companies developing these therapies, as well as in the development of allogeneic T cell therapies.

Potential cell therapy competitors include:

- *Allogeneic T cell therapy competition*: Atara Biotherapeutics, Inc., Celyad S.A., CRISPR Therapeutics AG, Fate Therapeutics Inc., Intellia Therapeutics, Inc., Gilead (acquired Kite), Poseida Therapeutics, Inc., Precision Biosciences, Inc. and Sangamo Therapeutics, Inc. Additionally, Cellectis has several fully-owned allogeneic CAR programs that will compete with programs that fall outside our agreement with Cellectis.
- *Autologous T cell therapy competition*: Adaptimmune Therapeutics PLC, Amgen Inc., Autolus Therapeutics plc, bluebird, Gilead, Novartis, Celgene (acquired Juno), Tmunity Therapeutics, Inc. and Unum Therapeutics Inc.

Competition will also arise from non-cell based immune and other pursued by small-cap biotechnology and large-cap pharmaceutical companies including Amgen Inc., AstraZeneca plc, Bristol-Myers Squibb Company, Incyte Corporation, Merck & Co., Inc., and F. Hoffmann-La Roche AG. For instance, we may experience competition from companies, such as Amgen Inc., Regeneron Pharmaceuticals, Inc., Xencor Inc., MacroGenics, Inc., GlaxoSmithKline plc and F. Hoffmann-La Roche AG, that are pursuing bispecific antibodies, which target both the cancer antigen and T cell receptor, thus bringing both cancer cells and T cells in close proximity to maximize the likelihood of an immune response to the cancer cells. Additionally, companies, such as Amgen Inc., GlaxoSmithKline plc and Seattle Genetics, Inc., are pursuing antibody drug conjugates, which utilize the targeting ability of antibodies to deliver cell-killing agents directly to cancer cells.

Many of our competitors, either alone or with their collaboration partners, have significantly greater financial resources and expertise in research and development, pre-clinical testing, clinical trials, manufacturing, and marketing than we do. Future collaborations and mergers and acquisitions may result in further resource concentration among a smaller number of competitors.

Our commercial potential 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 products that we may develop. Our competitors also may obtain FDA or other 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 are able to enter the market or make our development more complicated. The key competitive factors affecting the success of all of our programs are likely to be efficacy, safety, and convenience.

These competitors may also vie for a similar pool of qualified scientific and management talent, sites and patient populations for clinical trials, as well as for technologies complementary to, or necessary for, our programs.

Government Regulation and Product Approval

As a biopharmaceutical company that operates in the United States, we are subject to extensive regulation. Our cell products will be regulated as biologics. With this classification, commercial production of our products will need to occur in registered facilities in compliance with cGMP for biologics. The FDA categorizes human cell- or tissue-based products as either minimally manipulated or more than minimally manipulated, and has determined that more than minimally manipulated products require clinical trials to demonstrate product safety and efficacy and the submission of a BLA for marketing authorization. Our products are considered more than minimally manipulated and will require evaluation in clinical trials and the submission and approval of a BLA before we can market them.

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

U.S. Product Development Process

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

- completion of nonclinical laboratory tests and animal studies according to good laboratory practices (GLPs) and applicable requirements for the humane use of laboratory animals or other applicable regulations;

- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by an independent Institutional Review Board (IRB) or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practices (GCPs) and any additional requirements for the protection of human research patients and their health information, to establish the safety and efficacy of the proposed biological product for its intended use;
- submission to the FDA of a BLA for marketing approval that includes substantial evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with cGMP, to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity and, if applicable, the FDA's current good tissue practices (GTPs) for the use of human cellular and tissue products;
- potential FDA audit of the nonclinical study and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval, or licensure, of the BLA.

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

Clinical trials involve the administration of the biological product candidate to patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical trial will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations comprising the GCP requirements, including the requirement that all research patients provide informed consent. Further, each clinical trial must be reviewed and approved by an independent IRB at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Certain clinical trials involving human gene transfer research also must be overseen by an Institutional Biosafety Committee (IBC), a standing committee to provide peer review of the safety of research plans, procedures, personnel training and environmental risks of work involving recombinant DNA molecules. IBCs are typically assigned certain review responsibilities relating to the use of recombinant DNA molecules, including reviewing potential environmental risks, assessing containment levels, and evaluating the adequacy of facilities, personnel training, and compliance with the National Institutes of Health Guidelines. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

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

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

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up. During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA, and the investigators for serious and unexpected adverse events, any findings from other studies, tests in laboratory animals or *in vitro* testing that suggest a significant risk for human patients, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA or the sponsor or its data safety monitoring board may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk, including risks inferred from other unrelated immunotherapy trials. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the biological product has been associated with unexpected serious harm to patients.

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

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

U.S. Review and Approval Processes

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

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

Within 60 days following submission of the application, the FDA reviews a BLA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA. The FDA reviews the BLA to determine, among other things, whether the proposed product is safe, potent, and/or effective for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, safety, strength, quality, potency and purity. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the biological product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy (REMS) is necessary to assure the safe use of the biological product. A REMS is a safety strategy to manage a known or potential serious risk associated with a medicine and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS. The FDA will not approve a BLA without a REMS, if required.

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

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

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

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

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug or biologic for this type of disease or condition will be recovered from sales in the United States for that drug or biologic. Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

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

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

Expedited Development and Review Programs

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

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

Regenerative Medicine Advanced Therapy (RMAT) designation was established by FDA in 2017 to facilitate an efficient development program for, and expedite review of, any drug that meets the following criteria: (1) it qualifies as a RMAT, which is defined as a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions; (2) it is intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition; and (3) preliminary clinical evidence indicates that the drug has the potential to address unmet medical needs for such a disease or condition. RMAT designation provides potential benefits that include more frequent meetings with FDA to discuss the development plan for the product candidate and eligibility for rolling review and priority review. Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. Once approved, when appropriate, the FDA can permit fulfillment of post-approval requirements under accelerated approval through the submission of clinical evidence, clinical studies, patient registries, or other sources of real world evidence such as electronic health records; through the collection of larger confirmatory datasets; or through post-approval monitoring of all patients treated with the therapy prior to approval.

Breakthrough therapy designation is also intended to expedite the development and review of products that treat serious or life-threatening conditions. The designation by FDA requires preliminary clinical evidence that a product candidate, alone or in combination with other drugs and biologics, demonstrates substantial improvement over currently available therapy on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Breakthrough therapy designation comes with all of the benefits of fast track designation, which means that the sponsor may file sections of the BLA for review on a rolling basis if certain conditions are satisfied, including an agreement with FDA on the proposed schedule for submission of portions of the application and the payment of applicable user fees before the FDA may initiate a review.

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

Post-Approval Requirements

Any products for which we receive FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, and complying with FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in patient populations that are not described in the product's approved uses (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although a physician may prescribe a legally available product for an off-label use, if the physicians deems such product to be appropriate in his/her professional medical judgment, a manufacturer may not market or promote off-label uses. However, it is permissible to share in certain circumstances truthful and not misleading information that is consistent with the product's approved labeling.

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

The FDA also may require post-marketing testing, known as Phase 4 testing, and surveillance to monitor the effects of an approved product. Discovery of previously unknown problems with a product or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, warning letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our products under development.

U.S. Marketing Exclusivity

The Biologics Price Competition and Innovation Act (BPCIA) amended the PHSA to authorize the FDA to approve similar versions of innovative biologics, commonly known as biosimilars. A competitor seeking approval of a biosimilar must file an application to establish its molecule as highly similar to an approved innovator biologic, among other requirements. The BPCIA, however, bars the FDA from approving biosimilar applications for 12 years after an innovator biological product receives initial marketing approval. This 12-year period of data exclusivity may be extended by six months, for a total of 12.5 years, if the FDA requests that the innovator company conduct pediatric clinical investigations of the product.

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

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

Other U.S. Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, the Centers for Medicare & Medicaid Services (CMS), other divisions of the U.S. Department of Health and Human Services (HHS) (e.g., the Office of Inspector General, the U.S. Department of Justice (DOJ), and individual U.S. Attorney offices within the DOJ, and state and local governments). For example, our business practices, including any future sales, marketing and scientific/educational grant programs may be required to comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the patient data privacy and security provisions of the Health Insurance Portability and Accountability Act (HIPAA), transparency requirements, and similar state, local and foreign laws, each as amended.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item, good, facility or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The federal Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, formulary managers, and other individuals and entities 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 require strict compliance in order to offer protection. 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 federal Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, collectively, the Affordable Care Act, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it in order to have committed a violation. Rather, if "one purpose" of the remuneration is to induce referrals, the federal Anti-Kickback Statute is violated. In addition, the Affordable Care Act codified case law that a claim that includes items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act (discussed below).

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

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

HIPAA created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

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

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH) and their implementing regulations, imposes requirements on certain types of individuals and entities 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 that are independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Additionally, the federal Physician Payments Sunshine Act within the Affordable Care Act, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) annually report information to CMS 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, physicians and teaching hospitals and certain ownership and investment interests held by physicians and their immediate family members.

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.

If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and administrative penalties, damages, fines, disgorgement, 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 requirements and/or oversight if we become subject to a corporate integrity agreement or similar 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 obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the extent to 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. The process for determining whether a third-party payor will provide coverage for a product may be separate from the process for setting the price of a product or for establishing the reimbursement rate that such a payor will pay for the product. Third-party payors may limit coverage to specific products on an approved list, or also known as a formulary, which might not include all of the FDA-approved products for a particular indication. Third-party payors are increasingly challenging the price, examining the medical necessity and reviewing the cost-effectiveness of medical products, therapies and services, in addition to questioning their safety and efficacy. We may need to conduct expensive pharmaco-economic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

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

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

Healthcare Reform

In 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 Affordable Care Act has substantially changed healthcare financing and delivery by both governmental and private insurers. Among the Affordable Care Act provisions of importance to the pharmaceutical and biotechnology industries, in addition to those otherwise described above, are the following:

- created 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;
- increased 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);
- created a new Medicare Part D coverage gap discount program, in which manufacturers must now agree to offer 70% 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;

- extended manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expanded eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and added new mandatory eligibility categories for individuals with income at or below 133% of the federal poverty level, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expanded of the entities eligible for discounts under the 340B Drug Discount Program;
- created a Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- expanded healthcare fraud and abuse laws, including the Foreign Corrupt Practices Act (FCPA) and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- created 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;
- required reporting of certain financial arrangements with physicians and teaching hospitals;
- required annual reporting of certain information regarding drug samples that manufacturers and distributors provide to physicians;
- established a Center for Medicare and Medicaid Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending; and
- created a licensure framework for follow on biologic products.

Some of the provisions of the Affordable Care Act have yet to be implemented, and there have been legal and political challenges to certain aspects of the Affordable Care Act. Since January 2017, the current U.S. President has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the Affordable Care Act. In December 2017, Congress repealed the tax penalty for an individual's failure to maintain Affordable Care Act-mandated health insurance, commonly known as the "individual mandate", as part of the Tax Cuts and Jobs Act of 2017 (Tax Act).

On January 22, 2018, the current U.S. President signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain Affordable Care Act-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. The Bipartisan Budget Act of 2018 (BBA), among other things, amended the Affordable Care Act, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". Congress is continuing to consider legislation that would alter other aspects of the Affordable Care Act. The ultimate content, timing or effect of any healthcare reform legislation on the U.S. healthcare industry is unclear. In July 2018, CMS published a final rule permitting further collections and payments to and from certain Affordable Care Act qualified health plans and health insurance issuers under the Affordable Care Act risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a Texas U.S. District Court Judge ruled that the Affordable Care Act is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. While the Texas U.S. District Court Judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace the Affordable Care Act will impact the Affordable Care Act.

We anticipate that the Affordable Care Act, 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 revenue 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 Affordable Care Act 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 2027 unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

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 federal and state legislative activity 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. At the federal level, the U.S. President's administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Additionally, the U.S. President's administration released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out of pocket costs of drug products paid by consumers. HHS has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage Plans the option to use step therapy for Part B drugs beginning January 1, 2019, and in October 2018, CMS proposed a rule that would require direct-to-consumer television advertisements of prescription drugs and biological products, for which payment is available through or under Medicare or Medicaid, to include in the advertisement the Wholesale Acquisition Cost, or list price, of that drug or biological product. On January 31, 2019, the HHS Office of Inspector General proposed modifications to federal Anti-Kickback Statute safe harbors which, among other things, may affect rebates paid by manufacturers to Medicare Part D plans, the purpose of which is to further reduce the cost of drug products to consumers. While some of these and other proposed measures may require authorization through additional legislation to become effective, Congress and the U.S. President's administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

The Foreign Corrupt Practices Act

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

Additional Regulation

In addition to the foregoing, state and federal laws regarding environmental protection and hazardous substances, including the Occupational Safety and Health Act, the Resource Conservancy and Recovery Act and the Toxic Substances Control Act, affect our business. These and other laws govern our use, handling and disposal of various biological, chemical and radioactive substances used in, and wastes generated by, our operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. We believe that we are in material compliance with applicable environmental laws and that continued compliance therewith will not have a material adverse effect on our business. We cannot predict, however, how changes in these laws may affect our future operations.

Europe / Rest of World Government Regulation

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

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

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

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

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

European Union General Data Protection Regulation

In addition to EU regulations related to the approval and commercialization of our products, we may be subject to the EU's General Data Protection Regulation (GDPR). The GDPR imposes stringent requirements for controllers and processors of personal data of persons in the EU, including, for example, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to special categories of data, such as health data, and additional obligations when we contract with third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States and other third countries. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

The GDPR applies extraterritorially, and we may be subject to the GDPR because of our data processing activities that involve the personal data of individuals located in the European Union, such as in connection with our EU clinical trials. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. GDPR regulations may impose additional responsibility and liability in relation to the personal data that we process and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules.

California Consumer Privacy Act

California recently enacted legislation that has been dubbed the first "GDPR-like" law in the United States. Known as the California Consumer Privacy Act (CPPA), it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. When it goes into effect on January 1, 2020, the CCPA will require covered companies to provide new disclosures to California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. Legislators have stated that amendments will be proposed to the CCPA before it goes into effect, but it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. As currently written, the CCPA may impact (possibly significantly) our business activities and exemplifies the vulnerability of our business to the evolving regulatory environment related to personal data and protected health information.

Employees

As of March 1, 2019, we had 122 full-time employees. Of these employees, 52 hold Ph.D. or M.D. degrees, and 82 are engaged in research, development and technical operations. Substantially all of our employees are located in South San Francisco, California. Our employees are not represented by labor unions or covered by collective bargaining agreements. We consider our relationship with our employees to be good.

Corporate Information

We were incorporated in Delaware in November 2017. Our principal executive offices are located at 210 East Grand Avenue, South San Francisco, California 94080, and our telephone number is (650) 457-2700. Our corporate website address is www.allogene.com. Information contained on or accessible through our website is not a part of this report, and the inclusion of our website address in this report is an inactive textual reference only.

Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012. 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 our initial public offering in June 2014, (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 we have been subject to the reporting requirements of the Exchange Act for twelve calendar months and the market value of our common stock that is held by non-affiliates exceeded $700.0 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. We refer to the Jumpstart Our Business Startups Act of 2012 in this Annual Report as the "JOBS Act," and references to "emerging growth company" have the meaning associated with it in the JOBS Act.

Item 1A. Risk Factors

RISK FACTORS

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this Annual Report. The occurrence of any of the following risks could harm our business, financial condition, results of operations and growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this Annual Report and those we may make from time to time.

Risks Related to Our Business and Industry

We have a limited operating history and face significant challenges and expense as we build our capabilities.

We were incorporated in 2017 and acquired certain rights to UCART19 and other allogeneic CAR T cell therapy assets from Pfizer in April 2018. We have a limited operating history and are subject to the risks inherent in any newly-formed organization, including, among other things, risks that we may not be able to hire sufficient qualified personnel and establish operating controls and procedures. We are in the process of moving in-house several support services provided by Pfizer through a Transition Services Agreement (TSA), including certain research and development and general and administrative services. As we build our own capabilities, we expect to encounter risks and uncertainties frequently experienced by growing companies in new and rapidly evolving fields, including the risks and uncertainties described herein. Our ability to rely on services from Pfizer is limited for a period of time, and if we are unable to transition support services in a timely manner, our operating and financial results could differ materially from our expectations, and our business could suffer.

As a company, we have not progressed any product candidates through clinical development to commercialization. Our collaboration partner, Servier, conducts the CALM and PALL clinical trials of UCART19, and we cannot be certain that our planned clinical trials of our other product candidates will begin or be completed on time, if at all.

We have incurred net losses in every period since our inception and anticipate that we will incur substantial net losses in the future.

We are a clinical-stage biopharmaceutical company and investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate efficacy or an acceptable safety profile, gain regulatory approval and become commercially viable. We have only recently acquired rights to an allogeneic CAR T platform of primarily early-stage product candidates and have no products approved for commercial sale and have not generated any revenue from product sales to date, and we will continue to incur significant research and development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred net losses in each period since our inception. For the year ended December 31, 2018, we reported a net loss of $211.5 million. As of December 31, 2018, we had an accumulated deficit of $211.5 million.

We expect to incur significant expenditures for the foreseeable future, and we expect these expenditures to increase as we continue our research and development of, and seek regulatory approvals for, product candidates based on our engineered allogeneic T cell platform, including UCART19, ALLO-501 and ALLO-715. Even if we succeed in commercializing one or more of our product candidates, we will continue to incur substantial research and development and other expenditures to develop and market additional product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' equity and working capital.

Our engineered allogeneic T cell product candidates represent a novel approach to cancer treatment that creates significant challenges for us.

We are developing a pipeline of allogeneic T cell product candidates that are engineered from healthy donor T cells to express CARs and are intended for use in any patient with certain cancers. Advancing these novel product candidates creates significant challenges for us, including:

- manufacturing our product candidates to our specifications and in a timely manner to support our clinical trials, and, if approved, commercialization;
- sourcing clinical and, if approved, commercial supplies for the raw materials used to manufacture our product candidates;
- understanding and addressing variability in the quality of a donor's T cells, which could ultimately affect our ability to produce product in a reliable and consistent manner;

- educating medical personnel regarding the potential side effect profile of our product candidates, if approved, such as the potential adverse side effects related to cytokine release syndrome (CRS), neurotoxicity, graft-versus-host disease (GvHD), prolonged cytopenia and neutropenic sepsis;
- using medicines to manage adverse side effects of our product candidates which may not adequately control the side effects and/or may have a detrimental impact on the efficacy of the treatment;
- conditioning patients with chemotherapy and ALLO-647 or other lymphodepletion agents in advance of administering our product candidates, which may increase the risk of adverse side effects;
- obtaining regulatory approval, as the U.S. Food and Drug Administration (FDA) and other regulatory authorities have limited experience with development of allogeneic T cell therapies for cancer; and
- establishing sales and marketing capabilities upon obtaining any regulatory approval to gain market acceptance of a novel therapy.

The gene-editing technology we use is relatively new, and if we are unable to use this technology in our intended product candidates, our revenue opportunities will be materially limited.

Cellectis's TALEN technology involves a relatively new approach to gene editing, using sequence-specific DNA-cutting enzymes, or nucleases, to perform precise and stable modifications in the DNA of living-cells and organisms. Although Cellectis has generated nucleases for many specific gene sequences, it has not created nucleases for all gene sequences that we may seek to target, and we may not be able do so, which could limit the usefulness of this technology. This technology may also not be shown to be effective in clinical studies that Cellectis, we or other licensees of Cellectis technology may conduct, or may be associated with safety issues that may negatively affect our development programs. For instance, gene-editing may create unintended changes to the DNA such as a non-target site gene-editing, a large deletion and a DNA translocation that may lead to oncogenesis. The gene-editing of our product candidates may also not be successful in limiting the risk of GvHD or rejection by the patient.

In addition, the gene-editing industry is rapidly developing, and our competitors may introduce new technologies that render our technology obsolete or less attractive. New technology could emerge at any point in the development cycle of our product candidates. As competitors use or develop new technologies, any failures of such technology could adversely impact our program. We also may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, our competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are unable to maintain technological advancements consistent with industry standards, our operations and financial condition may be adversely affected.

We are heavily reliant on our partners for access to key gene editing technology for manufacturing our product candidates and for the development of UCART19 and ALLO-501.

A critical aspect to manufacturing allogeneic T cell product candidates involves gene editing the healthy donor T cells in an effort to avoid GvHD and to limit the patient's immune system from attacking the allogeneic T cells. GvHD results when allogeneic T cells start recognizing the patient's normal tissue as foreign. We use Cellectis's TALEN gene-editing technology to inactivate a gene coding for TCRα, a key component of the natural antigen receptor of T cells, to cause the engineered T cells to be incapable of recognizing foreign antigens. Accordingly, when injected into a patient, the intent is for the engineered T cell not to recognize the tissue of the patient as foreign and thus avoid attacking the patient's tissue. In addition, we use TALEN gene editing to inactivate the CD52 gene in donor T cells, which codes for the target of an anti-CD52 monoclonal antibody. Anti-CD52 monoclonal antibodies deplete CD52 expressing T cells in patients while sparing therapeutic allogeneic T cells lacking CD52. By administering an anti-CD52 antibody prior to infusing our product candidates, we believe we have the potential to reduce the likelihood of a patient's immune system from rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which the engineered allogeneic T cells can actively target and destroy the cancer cells.

We rely on an agreement with Cellectis for rights to use TALEN and electroporation technology for 15 select cancer targets, including BCMA, FLT3, CD70, DLL3 and other targets included in our pipeline. We also rely on Cellectis, through our agreement with Servier, for rights to UCART19, ALLO-501 and potentially one additional target. We would need an additional license from Cellectis or access to other gene-editing technology to research and develop product candidates directed at targets not covered by our existing agreements with Cellectis and Servier. In addition, the Cellectis gene-editing technology may fail to produce viable product candidates. Moreover, both Servier and Cellectis may terminate our respective agreements in the event of a material breach of the agreements, or upon certain insolvency events. If our agreements were terminated or we required other gene editing technology, such a license or technology may not be available to us on reasonable terms, or at all, particularly given the limited number of alternative gene-editing technologies in the market.

In addition, under the Servier Agreement, Servier is responsible for conducting the two clinical trials of UCART19, CALM and PALL. We plan to support Servier in advancing the CALM and PALL trials, and we expect Servier to support us as we initiate our clinical trial of ALLO-501 for the treatment of patients with R/R NHL. Other than the agreed-upon global research and development plan for UCART19, we have limited control over the nature or timing of Servier's clinical trials and limited visibility into their day-to-day activities. In addition, we rely on Servier for access to data from the UCART19 trials, and as a result at any given time we may not be aware of one or more significant trial developments. If UCART19 encounters safety or efficacy problems, manufacturing problems, developmental delays, regulatory issues or other problems, our development plans and business would be significantly harmed. Additionally, other clinical trials being conducted by Servier may at times receive higher priority than research on our programs. Moreover, if Servier does not provide its share of support for the UCART19 and ALLO-501 clinical trials, our expenses may be greater than we currently expect and we may have difficulty progressing ALLO-501 in a timely manner.

Our product candidates are based on novel technologies, which makes it difficult to predict the time and cost of product candidate development and obtaining regulatory approval.

We have concentrated our research and development efforts on our engineered allogeneic T cell therapy and our future success depends on the successful development of this therapeutic approach. We are in the early stages of developing our platform and there can be no assurance that any development problems we experience in the future will not cause significant delays or unanticipated costs, or that such development problems can be overcome. We may also experience delays in developing a sustainable, reproducible and scalable manufacturing process or transferring that process to commercial partners, which may prevent us from completing our clinical studies or commercializing our products on a timely or profitable basis, if at all. In addition, since we are in the early stages of clinical development, we do not know the doses to be evaluated in pivotal trials or, if approved, commercially. Finding a suitable dose may delay our anticipated clinical development timelines. In addition, our expectations with regard to our scalability and costs of manufacturing may vary significantly as we develop our product candidates and understand these critical factors.

The clinical study requirements of the FDA, European Medicines Agency (EMA) and other regulatory agencies and the criteria these regulators use to determine the safety and efficacy of a product candidate are determined according to the type, complexity, novelty and intended use and market of the potential products. The regulatory approval process for novel product candidates such as ours can be more complex and consequently more expensive and take longer than for other, better known or extensively studied pharmaceutical or other product candidates. Approvals by the EMA and FDA for existing autologous CAR T therapies, such as Kymriah and Yescarta, may not be indicative of what these regulators may require for approval of our therapies. Also, while we expect reduced variability in our products candidates compared to autologous products, we do not have significant clinical data supporting any benefit of lower variability. More generally, approvals by any regulatory agency may not be indicative of what any other regulatory agency may require for approval or what such regulatory agencies may require for approval in connection with new product candidates. Moreover, our product candidates may not perform successfully in clinical trials or may be associated with adverse events that distinguish them from the autologous CAR T therapies that have previously been approved. For instance, allogeneic product candidates may result in GvHD not experienced with autologous products. Even if we collect promising initial clinical data of our product candidates, longer-term data may reveal new adverse events or responses that are not durable. Unexpected clinical outcomes would significantly impact our business.

Our business is highly dependent on the success of UCART19 and ALLO-501. If we or Servier are unable to obtain approval for UCART19 and ALLO-501 and effectively commercialize UCART19 and ALLO-501 for the treatment of patients in approved indications, our business would be significantly harmed.

Our business and future success depends on our ability to obtain regulatory approval of, and then successfully commercialize, our most advanced product candidates, UCART19 and ALLO-501. UCART19 is in the early stages of development and has only been administered in a limited number of patients in Phase 1 clinical trials. The results to date may not predict results for our planned trial or any future studies of UCART19 or any other allogeneic CAR T product candidate. Because UCART19 and ALLO-501 are among the first allogeneic products to be evaluated in the clinic, the failure of either product candidate, or the failure of other allogeneic T cell therapies, may significantly influence physicians' and regulators' opinions in regards to the viability of our entire pipeline of allogeneic T cell therapies, particularly if high or uncontrolled rates of GvHD are observed. If significant GvHD events are observed with the administration of UCART19 or ALLO-501, or if either product candidate is viewed as less safe or effective than autologous therapies, our ability to develop other allogeneic therapies may be significantly harmed.

We are also dependent on Servier to oversee the manufacturing of UCART19 and conduct the UCART19 trials in a timely and appropriate manner. Servier is experiencing UCART19 supply issues relating to the manufacturing of UCART19, and, as a result, while the clinical trials of UCART19 remain active, they are not recruiting new patients. Significant delays in enrollment, due to supply issues or results from the CALM and PALL studies or other reasons, could affect the progress and success of the CALM and PALL clinical trials, our leadership position in the allogeneic CAR T industry and the ability to progress additional product candidates. In addition, we expect Servier to submit a revised pediatric investigation plan for UCART19 to the EMA in 2019. The EMA could reject the revised pediatric investigation plan, which would affect Servier's ability to progress the PALL2 clinical trial on the timeframe currently anticipated or at all.

All of our product candidates, including UCART19 and ALLO-501, will require additional clinical and non-clinical development, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales. In addition, because UCART19 and ALLO-501 are our most advanced product candidates, and because our other product candidates are based on similar technology, if either product candidate encounters safety or efficacy problems, manufacturing problems, developmental delays, regulatory issues or other problems, our development plans and business would be significantly harmed.

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

Undesirable or unacceptable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Approved autologous CAR T therapies and those under development have shown frequent rates of CRS and neurotoxicity, and adverse events have resulted in the death of patients. We expect similar adverse events for allogeneic CAR T product candidates. Our allogeneic CAR T cell product candidates undergo gene engineering by using lentivirus and TALEN nucleases that can cause insertion, deletion, or chromosomal translocation. These changes can cause allogeneic CAR T cells to proliferate uncontrollably and may cause adverse events. In addition, our allogeneic CAR T cell product candidates may cause unique adverse events related to the differences between the donor and patients, such as GvHD or infusion reaction.

In the PALL and CALM clinical trials, the most common severe or life threatening adverse events resulted from CRS, prolonged cytopenia and neutropenic sepsis. Multiple patients have also died in these trials, including two deaths that were attributed to UCART19, as further described in this Annual Report under the heading “Business—Product Pipeline and Development Strategy—UCART19—Clinical Data”. In the future, patients may experience additional adverse events related to the lymphodepletion regimen as well as UCART19, some of which may result in death. As we treat more patients with UCART19 in our clinical trials, new less common side effects may also emerge.

As an anti-CD19 CAR T cell therapy, we expect ALLO-501 to cause similar toxicities as UCART19. Other of our allogeneic CAR T product candidates may also cause similar or worse toxicities. For instance, because ALLO-715 may require a higher dose than UCART19 and could be used in a more elderly patient population, it is possible that the risk of GvHD or other adverse events for ALLO-715 could be greater than UCART19.

If unacceptable toxicities arise in the development of our product candidates, we or Servier could suspend or terminate our trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. The data safety monitoring board may also suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk, including risks inferred from other unrelated immunotherapy trials. Treatment-related side effects could also affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff, as toxicities resulting from T cell therapy are not normally encountered in the general patient population and by medical personnel. We have trained and expect to have to train medical personnel using CAR T cell product candidates to understand the side effect profile of our product candidates for both our clinical trials and upon any commercialization of any of our product candidates. Inadequate training in recognizing or managing the potential side effects of our product candidates could result in patient deaths. Any of these occurrences may harm our business, financial condition and prospects significantly.

Our clinical trials may fail to demonstrate the safety and efficacy of any of our product candidates, which would prevent or delay regulatory approval and commercialization.

Before obtaining regulatory approvals for the commercial sale of our product candidates, including UCART19, ALLO-501 and ALLO-715, we must demonstrate through lengthy, complex and expensive preclinical testing and clinical trials that our product candidates are both safe and effective for use in each target indication. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, including in any post-approval studies.

There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy, insufficient durability of efficacy or unacceptable safety issues, notwithstanding promising results in earlier trials. Most product candidates that commence clinical trials are never approved as products.

In addition, for ongoing and any future trials that may be completed, we cannot guarantee that the FDA or foreign regulatory authorities will interpret the results as we do, and more trials could be required before we submit our product candidates for approval. To the extent that the results of the trials are not satisfactory to the FDA or foreign regulatory authorities for support of a marketing application, approval of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates.

Interim "top line" and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publish interim "top line" or preliminary data from our clinical studies. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. For instance, we and Servier have published preliminary data from the CALM and PALL clinical trials, however such results are preliminary in nature, do not bear statistical significance and should not be viewed as predictive of ultimate success. It is possible that such results will not continue or may not be repeated in ongoing or future clinical trials of UCART19 or our other product candidates.

Preliminary or "top line" data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects.

We may not be able to file INDs to commence additional clinical trials on the timelines we expect, and even if we are able to, the FDA may not permit us to proceed.

We plan to submit an IND to the FDA to initiate a clinical trial of ALLO-715 targeting BCMA for the treatment of patients with R/R multiple myeloma in 2019, and plan to submit INDs for additional product candidates in the future. However, our timing of filing an IND for ALLO-715 and INDs for other product candidates is dependent on further pre-clinical and manufacturing success. We cannot be sure that submission of an IND or IND amendment will result in the FDA allowing testing and clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such clinical trials. Additionally, even if such regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND or clinical trial application, we cannot guarantee that such regulatory authorities will not change their requirements in the future.

We may encounter substantial delays in our clinical trials, or may not be able to conduct our trials on the timelines we expect.

Clinical testing is expensive, time consuming and subject to uncertainty. We cannot guarantee that any clinical studies will be conducted as planned or completed on schedule, if at all. Even if these trials begin as planned, issues may arise that could suspend or terminate such clinical trials. A failure of one or more clinical study can occur at any stage of testing, and our future clinical studies may not be successful. Events that may prevent successful or timely completion of clinical development include:

- inability to generate sufficient preclinical, toxicology or other in vivo or in vitro data to support the initiation of clinical studies;
- delays in sufficiently developing, characterizing or controlling a manufacturing process suitable for advanced clinical trials;
- difficulty sourcing healthy donor material of sufficient quality and in sufficient quantity to meet our development needs;
- delays in developing suitable assays for screening patients for eligibility for trials with respect to certain product candidates;
- delays in reaching a consensus with regulatory agencies on study design;
- delays in reaching agreement on acceptable terms with prospective contract research organizations (CROs) and clinical study sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical study sites;

- delays in obtaining required institutional review board (IRB) approval at each clinical study site;
- imposition of a temporary or permanent clinical hold by regulatory agencies for a number of reasons, including after review of an IND application or amendment, or equivalent application or amendment; as a result of a new safety finding that presents unreasonable risk to clinical trial participants; a negative finding from an inspection of our clinical study operations or study sites; developments on trials conducted by competitors for related technology that raises FDA concerns about risk to patients of the technology broadly; or if FDA finds that the investigational protocol or plan is clearly deficient to meet its stated objectives;
- delays in recruiting suitable patients to participate in our clinical studies;
- difficulty collaborating with patient groups and investigators;
- failure by our CROs, other third parties or us to adhere to clinical study requirements;
- failure to perform in accordance with the FDA's good clinical practice (GCP) requirements or applicable regulatory guidelines in other countries;
- transfer of manufacturing processes to any new contract manufacturing organization (CMO) or our own manufacturing facilities or any other development or commercialization partner for the manufacture of product candidates;
- delays in having patients complete participation in a study or return for post-treatment follow-up;
- patients dropping out of a study;
- occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- changes in the standard of care on which a clinical development plan was based, which may require new or additional trials;
- the cost of clinical studies of our product candidates being greater than we anticipate;
- clinical studies of our product candidates producing negative or inconclusive results, which may result in our deciding, or regulators requiring us, to conduct additional clinical studies or abandon product development programs;
- delays or failure to secure supply agreements with suitable raw material suppliers, or any failures by suppliers to meet our quantity or quality requirements for necessary raw materials; and
- delays in manufacturing, testing, releasing, validating, or importing/exporting sufficient stable quantities of our product candidates for use in clinical studies or the inability to do any of the foregoing.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us or impair our ability to generate revenue. In addition, if we make manufacturing or formulation changes to our product candidates, we may be required to or we may elect to conduct additional studies to bridge our modified product candidates to earlier versions. Clinical study delays could also shorten any periods during which our products have patent protection and may allow our competitors to bring products to market before we do, which could impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

Monitoring safety of patients receiving our product candidates is challenging, which could adversely affect our ability to obtain regulatory approval and commercialize.

For our clinical trials of UCART19 and ALLO-501 and in our planned clinical trials of other product candidates, we and Servier contract with academic medical centers and hospitals experienced in the assessment and management of toxicities arising during clinical trials. Nonetheless, these centers and hospitals may have difficulty observing patients and treating toxicities, which may be more challenging due to personnel changes, inexperience, shift changes, house staff coverage or related issues. This could lead to more severe or prolonged toxicities or even patient deaths, which could result in us or the FDA delaying, suspending or terminating one or more of our clinical trials, and which could jeopardize regulatory approval. We also expect the centers using UCART19 or ALLO-501, if approved, on a commercial basis could have similar difficulty in managing adverse events. Medicines used at centers to help manage adverse side effects of UCART19 or ALLO-501 may not adequately control the side effects and/or may have a detrimental impact on the efficacy of the treatment. Use of these medicines may increase with new physicians and centers administering our product candidates.

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

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

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before the infusion of our product candidates or trial completion.

In addition, our clinical trials will compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, some of our clinical trial sites are also being used by some of our competitors, which may reduce the number of patients who are available for our clinical trials in that clinical trial site.

Moreover, because our product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy and hematopoietic cell transplantation or autologous CAR T cell therapies, rather than enroll patients in our clinical trial. Patients eligible for allogeneic CAR T cell therapies but ineligible for autologous CAR T cell therapies due to aggressive cancer and inability to wait for autologous CAR T cell therapies may be at greater risk for complications and death from therapy.

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

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

Human clinical trials are expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Because our allogeneic T cell product candidates are based on new technologies and will require the creation of inventory of mass-produced, off-the-shelf product, we expect that they will require extensive research and development and have substantial manufacturing and processing costs. In addition, costs to treat patients with R/R cancer and to treat potential side effects that may result from our product candidates can be significant. We also have less control of costs incurred by our development partner, Servier, for the clinical trials of UCART19. Accordingly, our clinical trial costs are likely to be significantly higher than for more conventional therapeutic technologies or drug products.

The market opportunities for our product candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

The FDA often approves new therapies initially only for use in patients with R/R metastatic disease. We expect to initially seek approval of UCART19, with Servier, and our other product candidates in this setting. Subsequently, for those products that prove to be sufficiently beneficial, if any, we would expect to seek approval in earlier lines of treatment and potentially as a first line therapy. There is no guarantee that our product candidates, even if approved, would be approved for earlier lines of therapy, and, prior to any such approvals, we will have to conduct additional clinical trials, including potentially comparative trials against approved therapies. We are also targeting a similar patient population as autologous CAR T product candidates, including approved autologous CAR T products. Our therapies may not be as safe and effective as autologous CAR T therapies and may only be approved for patients who are ineligible for autologous CAR T therapy.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers in a position to receive second or later lines of therapy and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations, or market research and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. For instance, we expect our most advanced product candidate, UCART19, to initially target a small patient population that suffers from R/R ALL. Even if we obtain significant market share for our product candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications.

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

One of our core strategies is to pursue clinical development of additional product candidates beyond UCART19, including ALLO-501 and ALLO-715. Developing, obtaining regulatory approval and commercializing additional CAR T cell product candidates will require substantial additional funding and is prone to the risks of failure inherent in medical product development. We cannot provide you any assurance that we will be able to successfully advance any of these additional product candidates through the development process.

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

Our development strategy relies on incorporating an anti-CD52 monoclonal antibody as part of the lymphodepletion preconditioning regimen prior to infusing allogeneic CAR T cell product candidates.

We plan to utilize an anti-CD52 monoclonal antibody as part of a lymphodepletion regimen to be infused prior to infusing our product candidates, such as UCART19, ALLO-501 and ALLO-715. While we believe an anti-CD52 antibody may be able to reduce the likelihood of a patient's immune system rejecting the engineered allogeneic T cells for a sufficient period of time to enable a window of persistence during which such engineered allogeneic T cells can actively target and destroy cancer cells, the antibody may not have the benefits that we anticipate and could have other adverse effects. For instance, our lymphodepletion regimen, including using an anti-CD52 antibody, will cause a transient and sometimes prolonged immune suppression.

In the ongoing CALM and PALL trials, we use a commercially available monoclonal antibody, alemtuzumab, that binds CD52. To secure our own readily available source of anti-CD52 antibody, we are developing our own monoclonal anti-CD52 antibody, ALLO-647. We plan to use ALLO-647 in our clinical trial of ALLO-501 and, subject to regulatory acceptance, our clinical trial of ALLO-715. Subject to regulatory acceptance, Servier may also use ALLO-647 in the Servier sponsored clinical trials of UCART19. However, we may be unable to agree with Servier an appropriate arrangement for the use of ALLO-647, and we are dependent on Servier's ability to progress the UCART19 trials, which are subject to delayed enrollment due to UCART19 supply issues relating to the manufacturing UCART19. In addition, we may have to license certain rights relating to ALLO-647 from third parties. If we are unable to secure such rights, we may not be able to progress the commercialization of ALLO-647.

If we are unable to successfully develop and manufacture ALLO-647 in the timeframe we anticipate, or at all, or if the FDA does not approve the use of ALLO-647 in combination with our allogeneic T cell product candidates, we may be unable to source alemtuzumab and our engineered allogeneic T cell product candidates may be less effective, which could result in delays in our product development efforts and/or the commercial potential of our product candidates.

We intend to operate our own manufacturing facility, which will require significant resources and we may fail to successfully operate our facility, which could adversely affect our clinical trials and the commercial viability of our product candidates.

We may not be able to achieve clinical or commercial manufacturing and cell processing on our own or at our CMO, including mass-producing off-the-shelf product to satisfy demands for any of our product candidates. While we believe the manufacturing and processing approaches are appropriate to support our clinical product development, we have limited experience in managing the allogeneic T cell engineering process, and our allogeneic processes may be more difficult or more expensive than the approaches taken by our competitors. We cannot be sure that the manufacturing processes employed by us or the technologies that we incorporate for manufacturing will result in T cells that will be safe and effective.

In February 2019, we entered into a lease for approximately 118,000 square feet to develop a state-of-the-art cell therapy manufacturing facility in Newark, California. The facility requires substantial improvements and there can be no assurance that we will complete the build-out of our manufacturing facility in a timely manner or at all. We also do not yet have sufficient information to reliably estimate the cost of the clinical and commercial manufacturing and processing of our product candidates, and the actual cost to manufacture and process our product candidates could materially and adversely affect the commercial viability of our product candidates. In addition, the ultimate clinical dose will affect our ability to scale and our costs per dose. For instance, because ALLO-715 may require a higher dose than ALLO-501, it is possible that it may be more difficult to scale ALLO-715 production. As a result, we may never be able to develop a commercially viable product. The commercial manufacturing facility we develop will also require FDA approval, which we may never obtain. Even if approved, we would be subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration and corresponding state agencies to ensure strict compliance with current good manufacturing practices (cGMPs), and other government regulations.

The manufacture of biopharmaceutical products is complex and requires significant expertise, including the development of advanced manufacturing techniques and process controls. Manufacturers of cell therapy products often encounter difficulties in production, particularly in scaling out and validating initial production and ensuring the absence of contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. The application of new regulatory guidelines or parameters, such as those related to release testing, may also adversely affect our ability to manufacture our product candidates. Furthermore, if contaminants are discovered in our supply of product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability or other issues relating to the manufacture of our product candidates will not occur in the future.

We may fail to manage the logistics of storing and shipping our product candidates. Storage failures and shipment delays and problems caused by us, our vendors or other factors not in our control, such as weather, could result in loss of usable product or prevent or delay the delivery of product candidates to patients.

We may also experience manufacturing difficulties due to resource constraints or as a result of labor disputes. If we were to encounter any of these difficulties, our ability to provide our product candidates to patients would be jeopardized.

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

We currently have no sales, marketing or distribution capabilities and as a company have no experience in marketing products. We intend to develop an in-house marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel.

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

There can be no assurance that we will be able to develop in-house sales and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product that receives regulatory approval in the United States or overseas.

A variety of risks associated with conducting research and clinical trials abroad and marketing our product candidates internationally could materially adversely affect our business.

The CALM and PALL clinical trials are currently being conducted in the United States and multiple countries in Europe, and we plan to globally develop our future product candidates. Accordingly, we expect that we will be subject to additional risks related to operating in foreign countries, including:

- differing regulatory requirements in foreign countries;

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

These and other risks associated with our international operations and our collaborations with Servier and Cellectis, each based in France, may materially adversely affect our ability to attain or maintain profitable operations.

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

The biopharmaceutical industry, and the immuno-oncology industry specifically, is characterized by intense competition and rapid innovation. Our competitors may be able to develop other compounds or drugs that are able to achieve similar or better results. Our potential competitors include major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies and universities and other research institutions. Many of our competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations and well-established sales forces. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors, either alone or with collaborative partners, may succeed in developing, acquiring or licensing on an exclusive basis drug or biologic products that are more effective, safer, more easily commercialized or less costly than our product candidates or may develop proprietary technologies or secure patent protection that we may need for the development of our technologies and products.

Specifically, engineered T cells face significant competition from multiple companies. Even if we obtain regulatory approval of our product candidates, the availability and price of our competitors' products could limit the demand and the price we are able to charge for our product candidates. We may not be able to implement our business plan if the acceptance of our product candidates is inhibited by price competition or the reluctance of physicians to switch from existing methods of treatment to our product candidates, or if physicians switch to other new drug or biologic products or choose to reserve our product candidates for use in limited circumstances. For additional information regarding our competition, see "Item 1. Business—Competition."

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

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

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

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

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

As of March 1, 2019, we had 122 full-time employees. As our development and commercialization plans and strategies develop, and as we continue to transition into operating as a public company, we have rapidly expanded our employee base and expect to continue to add managerial, operational, sales, research and development, marketing, financial and other personnel. Current and future growth imposes significant added responsibilities on members of management, including:

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

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

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants, including Pfizer through the TSA, which expires after a certain period of time, to provide certain services, including certain research and development as well as general and administrative support. We plan to transition from Pfizer services and facilities throughout 2019 and the transition may significantly disrupt our operations and be more expensive than we expect. There can be no assurance that the services of independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by consultants is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval of our product candidates or otherwise advance our business. There can be no assurance that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, or at all.

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

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

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

If we license products or businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. For instance, our Exclusive License and Collaboration Agreement with Servier requires significant research and development commitments that may not result in the development and commercialization of product candidates, including UCART19 and ALLO-501. We cannot be certain that, following a strategic transaction or license, we will achieve the results, revenue or specific net income that justifies such transaction.

We may not realize the benefits of acquired assets or other strategic transactions.

In April 2018, we entered into an Asset Contribution Agreement with Pfizer pursuant to which we acquired certain assets and assumed certain liabilities from Pfizer, including an Exclusive License and Collaboration Agreement with Servier and other intellectual property for the development and administration of CAR T cells for the treatment of cancer. We also agreed to offer employment to certain Pfizer employees on terms no less favorable than the terms such employees enjoyed while being employed by Pfizer. We also entered into a TSA with Pfizer pursuant to which Pfizer provides us with certain services, including the services of their personnel, with respect to the assets that we purchased from Pfizer. Under the TSA, Pfizer also provides us with certain facilities and facility management services, which terminate in 2019.

We actively evaluate various strategic transactions on an ongoing basis. We may acquire other businesses, products or technologies as well as pursue joint ventures or investments in complementary businesses. The success of our strategic transactions, including our acquisition of CAR T cell assets from Pfizer and licenses with Cellectis and Servier, and any future strategic transactions depends on the risks and uncertainties involved including:

- unanticipated liabilities related to acquired companies or joint ventures;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- retention of key employees;
- diversion of management time and focus from operating our business to management of strategic alliances or joint ventures or acquisition integration challenges;
- increases in our expenses and reductions in our cash available for operations and other uses;
- disruption in our relationships with collaborators or suppliers as a result of such a transaction; and
- possible write-offs or impairment charges relating to acquired businesses or joint ventures.

If any of these risks or uncertainties occur, we may not realize the anticipated benefit of any acquisition or strategic transaction. Additionally, foreign acquisitions and joint ventures are subject to additional risks, including those related to integration of operations across different cultures and languages, currency risks, potentially adverse tax consequences of overseas operations and the particular economic, political and regulatory risks associated with specific countries.

Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition.

We will need substantial additional financing to develop our products and implement our operating plans. If we fail to obtain additional financing, we may be unable to complete the development and commercialization of our product candidates.

We expect to spend a substantial amount of capital in the clinical development of our product candidates, including the planned clinical trials for UCART19, ALLO-501 and ALLO-715. We will need substantial additional financing to develop our products and implement our operating plans. In particular, we will require substantial additional financing to enable commercial production of our products and initiate and complete registration trials for multiple products. Further, if approved, we will require significant additional amounts in order to launch and commercialize our product candidates.

As of December 31, 2018, we had $721.4 million in cash and cash equivalents and available-for-sale investments. Changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. We may also need to raise additional capital sooner than we currently anticipate if we choose to expand more rapidly than we presently plan. In any event, we will require additional capital for the further development and commercialization of our product candidates, including funding our internal manufacturing capabilities.

We cannot be certain that additional funding will be available on acceptable terms, or at all. We have no committed source of additional capital and if we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of our product candidates or other research and development initiatives. Our license agreements may also be terminated if we are unable to meet the payment obligations under the agreements. We could be required to seek collaborators for our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available or relinquish or license on unfavorable terms our rights to our product candidates in markets where we otherwise would seek to pursue development or commercialization ourselves.

Any of the above events could significantly harm our business, prospects, financial condition and results of operations and cause the price of our common stock to decline.

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

Our internal computer systems and those of our CROs, collaborators, and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, cybersecurity threats, and telecommunication and electrical failures. While we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our product candidates could be delayed.

Changes in funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

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

Our operations, and those of our CMO, CROs and other contractors and consultants, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses.

Our ability to manufacture our product candidates could be disrupted if our operations or those of our suppliers are affected by a man-made or natural disaster or other business interruption. Our corporate headquarters and planned manufacturing facility are located in California near major earthquake faults and fire zones. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural disaster.

Our relationships with customers, physicians, and third-party payors are subject, directly or indirectly, to federal, state, local and foreign healthcare fraud and abuse laws, false claims laws, health information privacy and security laws, and other healthcare laws and regulations. If we or our employees, independent contractors, consultants, commercial partners and vendors violate these laws, we could face substantial penalties.

These laws may impact, among other things, our clinical research program, as well as our proposed and future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services is subject to extensive laws and regulations designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive and other business arrangements. We may also be subject to federal, state and foreign laws governing the privacy and security of identifiable patient information. The U.S. healthcare laws and regulations that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which 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, the purchasing, leasing, ordering or arranging for the purchase, lease, or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term “remuneration” has been broadly interpreted to include anything of value. Although 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 require strict compliance in order to offer protection. Practices that may be alleged to be intended to induce prescribing, purchases or recommendations, include any payments of more than fair market value, and may be subject to scrutiny if they do not qualify for an exception or safe harbor. In addition, a person or entity does not need to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act and the civil monetary penalties statute;
- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal civil False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other federal government programs that are false or fraudulent or knowingly making a false statement to improperly avoid, decrease or conceal an obligation to pay money to the federal government, including federal healthcare programs;
- the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, including private third-party payors and knowingly and willfully falsifying, concealing or covering up by any trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statements in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH) and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services’ (HHS) Centers for Medicare & Medicaid Services (CMS) information related to payments or other transfers of value made to physicians

and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

Additionally, we may be subject to state, local and foreign equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope. For example, we may be subject to the following: state anti-kickback and false claims laws that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third party payors, including private insurers, or that apply regardless of payor; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government; state and local laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; state laws that require the reporting of information related to drug pricing; state and local laws requiring the registration of pharmaceutical sales and medical representatives; and state and foreign laws governing the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of our business activities, or our arrangements with physicians, some of who receive stock options as compensation, could be subject to challenge under one or more of such laws. If we or our employees, independent contractors, consultants, commercial partners and vendors violate these laws, we may be subject to investigations, enforcement actions and/or significant penalties. We have adopted a code of business conduct and ethics, but it is not always possible to identify and deter employee misconduct or business noncompliance, and the precautions we take to detect and prevent inappropriate conduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Efforts to ensure that our business arrangements will comply with applicable healthcare laws may involve substantial costs. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and 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 civil, criminal and administrative penalties, damages, disgorgement, monetary fines, imprisonment, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting requirements and/or oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

European data collection is governed by restrictive regulations governing the use, processing, and cross-border transfer of personal information.

The collection and use of personal data in the European Union (EU) are governed by the General Data Protection Regulation (GDPR). The GDPR imposes stringent requirements for controllers and processors of personal data, including, for example, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to special categories of data, such as health data, and additional obligations when we contract with third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States and other third countries. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

The GDPR applies extraterritorially, and we may be subject to the GDPR because of our data processing activities that involve the personal data of individuals located in the European Union, such as in connection with our EU clinical trials. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. GDPR regulations may impose additional responsibility and liability in relation to the personal data that we process and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. This may be onerous and may interrupt or delay our development activities, and adversely affect our business, financial condition, results of operations and prospects.

Additionally, California recently enacted legislation that has been dubbed the first "GDPR-like" law in the United States. Known as the California Consumer Privacy Act (CPPA), it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. When it goes into effect on January 1, 2020, the CCPA will require covered companies to provide new disclosures to

California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. Legislators have stated that amendments will be proposed to the CCPA before it goes into effect, but it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. As currently written, the CCPA may impact (possibly significantly) our business activities and exemplifies the vulnerability of our business to evolving regulatory environment related to personal data and protected health information.

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

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

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

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop, alone or with corporate collaborators. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. While we have obtained clinical trial insurance for our ALPHA trial, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

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

The global credit and financial markets have experienced extreme volatility and disruptions in the past several years, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly and more dilutive. Our portfolio of corporate and government bonds would also be adversely impacted. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, manufacturers and other partners may not survive an economic downturn, which could directly affect our ability to attain our operating goals on schedule and on budget.

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

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage point change (by value) in the equity ownership of certain stockholders over a rolling three-year period), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income and taxes may be limited. As a result of our most recent private placements, our IPO and other transactions that have occurred in 2018, we may have experienced, an "ownership change." We may also experience ownership changes in the future as a result of subsequent shifts in our stock ownership. We anticipate incurring significant additional net losses for the foreseeable future, and our ability to utilize net operating loss carryforwards associated with any such losses to offset future taxable income may be limited to the extent we incur future ownership changes. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, we may be unable to use all or a material portion of our net operating loss carryforwards and other tax attributes, which could adversely affect our future cash flows.

Risks Related to Our Reliance on Third Parties

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

We depend and will continue to depend upon independent investigators and collaborators, such as universities, medical institutions, CROs and strategic partners to conduct our preclinical and clinical trials under agreements with us. In addition, we depend on our collaborator, Servier, to sponsor and lead the conduct of the CALM and PALL clinical trials.

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

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

If any of our relationships with trial sites, or any CRO that we may use in the future, terminates, we may not be able to enter into arrangements with alternative trial sites or CROs or do so on commercially reasonable terms. Switching or adding third parties to conduct our clinical trials involves substantial cost and requires extensive management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines.

We may rely on third parties to manufacture our clinical product supplies, and we may have to rely on third parties to produce and process our product candidates, if approved.

Servier is responsible for UCART19 manufacturing and is working with a CMO in Europe to provide clinical supply for the CALM and PALL clinical trials. Servier is experiencing UCART19 supply issues relating to the manufacturing of UCART19, and, as a result, while the clinical trials of UCART19 remain active, they are not recruiting new patients. ALLO-501 has the same molecular design as UCART19, but is produced by a different CMO using a different manufacturing process. ALLO-501 and ALLO-715 will be manufactured in the United States, at least initially, by a CMO, and we will manage all other aspects of the supply, including planning, CMO oversight, disposition and distribution logistics. There can be no assurance that we or Servier will not experience additional supply or manufacturing issues in the future.

While we have leased space to build a manufacturing facility, we must currently rely on outside vendors to manufacture supplies and process our product candidates. We have not yet caused our product candidates to be manufactured or processed on a commercial scale and may not be able to achieve manufacturing and processing and may be unable to create an inventory of mass-produced, off-the-shelf product to satisfy demands for any of our product candidates.

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

In addition, our anticipated reliance on a limited number of third-party manufacturers exposes us to the following risks:

- We may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA may have questions regarding any replacement contractor. This may require new testing and regulatory interactions. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA questions, if any.
- Our third-party manufacturers might be unable to timely formulate and manufacture our product or produce the quantity and quality required to meet our clinical and commercial needs, if any.
- Contract manufacturers may not be able to execute our manufacturing procedures appropriately.
- Manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration and corresponding state agencies to ensure strict compliance with cGMP and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.
- We may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our products.
- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.
- Our third-party manufacturers could breach or terminate their agreement with us.

Our contract manufacturers would also be subject to the same risks we face in developing our own manufacturing capabilities, as described above. Each of these risks could delay our clinical trials, the approval, if any of our product candidates by the FDA or the commercialization of our product candidates or result in higher costs or deprive us of potential product revenue. In addition, we will rely on third parties to perform release tests on our product candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm.

Cell-based therapies rely on the availability of specialty raw materials, which may not be available to us on acceptable terms or at all.

Our product candidates require many specialty raw materials, including viral vectors that deliver the CAR sequence and electroporation technology that we currently obtain through Cellectis, some of which are manufactured by small companies with limited resources and experience to support a commercial product, and the suppliers may not be able to deliver raw materials to our specifications. We do not have contracts with many of the suppliers, and we may not be able to contract with them on acceptable terms, or at all. Accordingly, we may experience delays in receiving, or fail to secure entirely, key raw materials to support clinical or commercial manufacturing. Certain raw materials also require third-party testing, and some of the testing service companies may not have capacity or be able to conduct the testing that we request.

In addition, many of our suppliers normally support blood-based hospital businesses and generally do not have the capacity to support commercial products manufactured under cGMP by biopharmaceutical firms. The suppliers may be ill-equipped to support our needs, especially in non-routine circumstances like an FDA inspection or medical crisis, such as widespread contamination. We also face competition for supplies from other cell therapy companies. Such competition may make it difficult for us to secure raw materials or the testing of such materials on commercially reasonable terms or in a timely manner.

Some raw materials are currently available from a single supplier, or a small number of suppliers. We cannot be sure that these suppliers will remain in business or that they will not be purchased by one of our competitors or another company that is not interested in continuing to produce these materials for our intended purpose. In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we may experience delays in meeting demand in the event we must switch to a new supplier. The time and effort to qualify a new supplier could result in additional costs, diversion of resources or reduced manufacturing yields, any of which would negatively impact our operating results. Further, we may be unable to enter into agreements with a new supplier on commercially reasonable terms, which could have a material adverse impact on our business.

Unlike autologous CAR T companies, we are also reliant on receiving healthy donor material to manufacture our product candidates. Variation in donor material or delay in receiving donor material that meets our specifications, including specifications required by regulatory authorities, could adversely affect our ability to manufacture sufficient supply of our product candidates.

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

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical and biological materials. We and our suppliers are subject to federal, state and local laws and regulations in the United States governing the use, manufacture, storage, handling and disposal of medical and hazardous materials. Although we believe that we and our suppliers' procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we and our suppliers cannot completely eliminate the risk of contamination or injury resulting from medical or hazardous materials. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from medical or hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, prospects, financial condition or results of operations.

Risks Related to Government Regulation

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

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing, and distribution of drug products, including biologics, are subject to extensive regulation by the FDA and other regulatory authorities in the United States. We are not permitted to market any biological drug product in the United States until we receive approval of a biologics license application (BLA) from the FDA. We have not previously submitted a BLA to the FDA, or similar approval filings to comparable foreign authorities. A BLA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and effectiveness for each desired indication. The BLA must also include significant information regarding the chemistry, manufacturing and controls for the product.

We expect the novel nature of our product candidates to create further challenges in obtaining regulatory approval. For example, the FDA has limited experience with commercial development of allogeneic T cell therapies for cancer. We may also request regulatory approval of future CAR-based product candidates by target, regardless of cancer type or origin, which the FDA may have difficulty accepting if our clinical trials only involved cancers of certain origins. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support licensure. The opinion of the Advisory Committee, although not binding, may have a significant impact on our ability to obtain licensure of the product candidates based on the completed clinical trials, as the FDA often adheres to the Advisory Committee's recommendations. Accordingly, the regulatory approval pathway for our product candidates may be uncertain, complex, expensive and lengthy, and approval may not be obtained.

We may also experience delays in completing planned clinical trials for a variety of reasons, including delays related to:

- obtaining regulatory authorization to begin a trial, if applicable;
- the availability of financial resources to commence and complete the planned trials;
- reaching agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining approval at each clinical trial site by an independent IRB;
- recruiting suitable patients to participate in a trial;
- having patients complete a trial, including having patients enrolled in clinical trials dropping out of the trial before the product candidate is manufactured and returned to the site, or return for post-treatment follow-up;
- clinical trial sites deviating from trial protocol or dropping out of a trial;
- addressing any patient safety concerns that arise during the course of a trial;
- adding new clinical trial sites; or
- manufacturing sufficient quantities of qualified materials under cGMPs and applying them on a patient by patient basis for use in clinical trials.

We could also encounter delays if physicians encounter unresolved ethical issues associated with enrolling patients in clinical trials of our product candidates in lieu of prescribing existing treatments that have established safety and efficacy profiles. Further, a clinical trial may be suspended or terminated by us, the IRBs for the institutions in which such trials are being conducted or by the FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions, lack of adequate funding to continue the clinical trial, or based on a recommendation by the Data Safety Monitoring Committee. The FDA's review of our data of our ongoing clinical trials of UCART19 may, depending on the data, also result in the delay, suspension or termination of one or more clinical trials of UCART19, which would also delay or prevent the initiation of our other planned clinical trials. If we experience termination of, or delays in the completion of, any clinical trial of our product candidates, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenue will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product development and approval process and jeopardize our ability to commence product sales and generate revenue.

Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may ultimately lead to the denial of regulatory approval of our product candidates.

We expect the product candidates we develop will be regulated as biological products, or biologics, and therefore they may be subject to competition sooner than anticipated.

The Biologics Price Competition and Innovation Act of 2009 (BPCIA) was enacted as part of the Affordable Care Act to establish an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an approved biologic. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the reference product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement the BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of the product candidates we develop that is approved in the United States as a biological product under a BLA should qualify for the 12-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 the subject product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of the reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

The regulatory landscape that will govern our product candidates is uncertain; regulations relating to more established gene therapy and cell therapy products are still developing, and changes in regulatory requirements could result in delays or discontinuation of development of our product candidates or unexpected costs in obtaining regulatory approval.

Because we are developing novel CAR T cell immunotherapy product candidates that are unique biological entities, the regulatory requirements that we will be subject to are not entirely clear. Even with respect to more established products that fit into the categories of gene therapies or cell therapies, the regulatory landscape is still developing. For example, regulatory requirements governing gene therapy products and cell therapy products have changed frequently and may continue to change in the future. Moreover, there is substantial, and sometimes uncoordinated, overlap in those responsible for regulation of existing gene therapy products and cell therapy products. For example, in the United States, the FDA has established the Office of Tissues and Advanced Therapies (OTAT), formerly known as the Office of Cellular, Tissue and Gene Therapies (OCTGT), within its Center for Biologics Evaluation and Research (CBER) to consolidate the review of gene therapy and related products, and the Cellular, Tissue and Gene Therapies Advisory Committee to advise CBER on its review. Gene therapy clinical trials are also subject to review and oversight by an institutional biosafety committee (IBC), a local institutional committee that reviews and oversees basic and clinical research conducted at the institution participating in the clinical trial. Although the FDA decides whether individual gene therapy protocols may proceed, review process and determinations of other reviewing bodies can impede or delay the initiation of a clinical study, even if the FDA has reviewed the study and approved its initiation. Conversely, the FDA can place an IND application on clinical hold even if such other entities have provided a favorable review. Furthermore, each clinical trial must be reviewed and approved by an independent IRB at or servicing each institution at which a clinical trial will be conducted. In addition, adverse developments in clinical trials of gene therapy products conducted by others may cause the FDA or other regulatory bodies to change the requirements for approval of any of our product candidates.

Complex regulatory environments exist in other jurisdictions in which we might consider seeking regulatory approvals for our product candidates, further complicating the regulatory landscape. For example, in the EU a special committee called the Committee for Advanced Therapies (CAT) was established within the EMA in accordance with Regulation (EC) No 1394/2007 on advanced-therapy medicinal products (ATMPs) to assess the quality, safety and efficacy of ATMPs, and to follow scientific developments in the field. ATMPs include gene therapy products as well as somatic cell therapy products and tissue engineered products. In this regard, on May 28, 2014, the EMA issued a recommendation that UCART19 be considered a gene therapy product under Regulation (EC) No 1394/2007 on ATMPs. We believe this recommendation is likely to be applicable to our UCART19 product candidate; however, this recommendation is not definitive until UCART19 obtains regulatory approval for commercialization.

These various regulatory review committees and advisory groups and new or revised guidelines that they promulgate from time to time may lengthen the regulatory review process, require us to perform additional studies, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of our product candidates or lead to significant post-approval limitations or restrictions. Because the regulatory landscape for our CAR T cell immunotherapy product candidates is new, we may face even more cumbersome and complex regulations than those emerging for gene therapy products and cell therapy products. Furthermore, even if our product candidates obtain required regulatory approvals, such approvals may later be withdrawn as a result of changes in regulations or the interpretation of regulations by applicable regulatory agencies.

Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a potential product to market could decrease our ability to generate sufficient product revenue to maintain our business.

The FDA may disagree with our regulatory plan and we may fail to obtain regulatory approval of our product candidates.

If and when our ongoing and planned Phase 1 clinical trials for UCART19, ALLO-501 and ALLO-715 are completed and, assuming positive data, we expect to advance to potential registrational trials. The general approach for FDA approval of a new biologic or drug is for the sponsor to provide dispositive data from two well-controlled, Phase 3 clinical studies of the relevant biologic or drug in the relevant patient population. Phase 3 clinical studies typically involve hundreds of patients, have significant costs and take years to complete. We expect registrational trials for UCART19, ALLO-501 and ALLO-715 to be designed to evaluate the efficacy of the product candidate in an open-label, non-comparative, two-stage, pivotal, multicenter, single-arm clinical trial in patients who have exhausted available treatment options. If the results are sufficiently compelling, we intend to discuss with the FDA submission of a BLA for the relevant product candidate. However, we do not have any agreement or guidance from the FDA that our regulatory development plans will be sufficient for submission of a BLA. For example, the FDA may require that we conduct a comparative trial against an approved therapy including potentially an approved autologous T cell therapy, which would significantly delay our development timelines and require substantially more resources. In addition, the FDA may only allow us to evaluate patients that have failed or who are ineligible for autologous therapy, which are extremely difficult patients to treat and patients with advanced and aggressive cancer, and our product candidates may fail to improve outcomes for such patients. For ALLO-501, we may have additional difficulties progressing to Phase 2 as we plan to introduce a second-generation ALLO-501 product candidate at the time of initiating Phase 2, and the FDA may disagree with the plan or require a Phase 1 study of the second-generation ALLO-501 product candidate.

The FDA may grant accelerated approval for our product candidates and, as a condition for accelerated approval, the FDA may require a sponsor of a drug or biologic receiving accelerated approval to perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug or biologic may be subject to withdrawal procedures by the FDA that are more accelerated than those available for regular approvals. We believe our accelerated approval strategy is warranted given the limited alternatives for patients with R/R cancers, but the FDA may ultimately require a Phase 3 clinical trial prior to approval, particularly since our product candidates represent a novel treatment. In addition, the standard of care may change with the approval of new products in the same indications that we are studying. This may result in the FDA or other regulatory agencies requesting additional studies to show that our product candidate is superior to the new products.

ALLO-647 will also require regulatory review prior to its use in our clinical trials and the FDA may not accept the use of ALLO-647 in our clinical trials in a timely manner or at all. In addition, we cannot be certain we will be able to successfully obtain regulatory approval of ALLO-647 in a timely manner or at all. Any delays to ALLO-647 approval could delay any approval or commercialization of our allogeneic T cell product candidates. Additionally, regulatory authorities may seek to understand the contribution of the lymphodepletion regimen, including the use of an anti-CD52 antibody, to any treatment effect.

Our clinical trial results may also not support approval. In addition, our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that our product candidates are safe and effective for any of their proposed indications;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval, including due to the heterogeneity of patient populations;
- we may be unable to demonstrate that our product candidates' clinical and other benefits outweigh their safety risks;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to the satisfaction of the FDA or comparable foreign regulatory authorities to support the submission of a BLA or other comparable submission in foreign jurisdictions or to obtain regulatory approval in the United States or elsewhere;
- the FDA or comparable foreign regulatory authorities will review our manufacturing process and inspect our commercial manufacturing facility and may not approve our manufacturing process or facility; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

We may seek orphan drug designation for some or all of our product candidates across various indications, but we may be unable to obtain such designations or to maintain the benefits associated with orphan drug designation, including market exclusivity, which may cause our revenue, if any, to be reduced.

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, defined as a disease or condition with a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States when there is no reasonable expectation that the cost of developing and making available the drug or biologic in the United States will be recovered from sales in the United States for that drug or biologic. In order to obtain orphan drug designation, the request must be made before submitting a BLA. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages, and user-fee waivers. After the FDA grants orphan drug designation, the generic identity of the drug and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval of that particular product for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications, including a BLA, to market the same biologic (meaning, a product with the same principal molecular structural features) for the same indication for seven years, except in limited circumstances such as a showing of clinical superiority to the product with orphan drug exclusivity or if FDA finds that the holder of the orphan drug exclusivity has not shown that it can assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the drug was designated. As a result, even if one of our product candidates receives orphan exclusivity, the FDA can still approve other biologics that do not have the same principal molecular structural features for use in treating the same indication or disease or the same biologic for a different indication or disease during the exclusivity period. Furthermore, the FDA can waive orphan exclusivity if we are unable to manufacture sufficient supply of our product or if a subsequent applicant demonstrates clinical superiority over our product.

We may seek orphan drug designation for some or all of our product candidates in specific orphan indications in which there is a medically plausible basis for the use of these products. Even if we obtain orphan drug designation, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan designated indication and may be lost if the FDA later determines that the request for designation was materially defective or if we are unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition, or if a subsequent applicant demonstrates clinical superiority over our products, if approved. In addition, although we may seek orphan drug designation for other product candidates, we may never receive such designations.

Regenerative Medicine Advanced Therapy designation, even if granted for any of our product candidates, may not lead to a faster development or regulatory review or approval process and it does not increase the likelihood that our product candidates will receive marketing approval.

We may seek Regenerative Medicine Advanced Therapy (RMAT) designation for one or more of our product candidates. In 2017, the FDA established the RMAT designation to expedite review of a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition and for which preliminary clinical evidence indicates that the potential to address unmet medical needs for such a disease or condition. RMAT designation provides potential benefits that include more frequent meetings with FDA to discuss the development plan for the product candidate, and eligibility for rolling review and priority review. Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. There is no assurance that we will be able to obtain RMAT designation for any of our product candidates. RMAT designation does not change the FDA's standards for product approval, and there is no assurance that such designation will result in expedited review or approval or that the approved indication will not be narrower than the indication covered by the designation. Additionally, RMAT designation can be revoked if the criteria for eligibility cease to be met as clinical data emerges.

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

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

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

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

Any regulatory approvals that we receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a risk evaluation and mitigation strategy, or REMS, in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and cGCPs for any clinical trials that we conduct post-approval. As such, we and our contract manufacturers will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any BLA, other marketing application and previous responses to inspectional observations. 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. In addition, the FDA could require us to conduct another study to obtain additional safety or biomarker information. Further, we will be required to comply with FDA promotion and advertising rules, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in patient populations that are not described in the product's approved uses (known as "off-label use"), limitations on industry-sponsored scientific and educational activities and requirements for promotional activities involving the internet and social media. Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party suppliers or manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

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

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the current U.S. President's administration may impact our business and industry. Namely, the current U.S. President's administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these orders will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose restrictions on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

Negative public opinion and increased regulatory scrutiny of genetic research and therapies involving gene editing may damage public perception of our product candidates or adversely affect our ability to conduct our business or obtain regulatory approvals for our product candidates.

The gene-editing technologies that we use are novel. Public perception may be influenced by claims that gene editing is unsafe, and products incorporating gene editing may not gain the acceptance of the public or the medical community. In particular, our success will depend upon physicians specializing in our targeted diseases prescribing our product candidates as treatments in lieu of, or in addition to, existing, more familiar, treatments for which greater clinical data may be available. Any increase in negative perceptions of gene editing may result in fewer physicians prescribing our treatments or may reduce the willingness of patients to utilize our treatments or participate in clinical trials for our product candidates. Increased negative public opinion or more restrictive government regulations in response thereto, would have a negative effect on our business or financial condition and may delay or impair the development and commercialization of our product candidates or demand for such product candidates.

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

The use of engineered T cells as a potential cancer treatment is a recent development and may not become broadly accepted by physicians, patients, hospitals, cancer treatment centers and others in the medical community. We expect physicians in the large bone marrow transplant centers to be particularly influential and we may not be able to convince them to use our product candidates for many reasons. For example, certain of the product candidates that we will be developing target a cell surface marker that may be present on cancer cells as well as non-cancerous cells. It is possible that our product candidates may kill these non-cancerous cells, which may result in unacceptable side effects, including death. Additional factors will influence whether our product candidates are accepted in the market, including:

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

If our product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centers or others in the medical community, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

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

Successful sales of our product candidates, if approved, depend on the availability of coverage and adequate reimbursement from third-party payors including governmental healthcare programs, such as Medicare and Medicaid, managed care organizations and commercial payors, among others. Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In addition, because our product candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our product candidates.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Obtaining coverage and adequate reimbursement from third-party payors is critical to new product acceptance.

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

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data for the use of our products. Even if we obtain coverage for a given product, if the resulting reimbursement rates are insufficient, hospitals may not approve our product for use in their facility or third-party payors may require co-payments that patients find unacceptably high. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates. Separate reimbursement for the product itself may or may not be available. Instead, the hospital or administering physician may be reimbursed only for providing the treatment or procedure in which our product is used. Further, from time to time, CMS revises the reimbursement systems used to reimburse health care providers, including the Medicare Physician Fee Schedule and Outpatient Prospective Payment System, which may result in reduced Medicare payments. In some cases, private third-party payers rely on all or portions of Medicare payment systems to determine payment rates. Changes to government healthcare programs that reduce payments under these programs may negatively impact payments from private third-party payers, and reduce the willingness of physicians to use our product candidates.

In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. 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.

We intend to seek approval to market our product candidates in both the United States and in selected foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in Europe, the pricing of biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. Some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if government and other third-party payors fail to provide coverage and adequate reimbursement. We expect downward pressure on pharmaceutical pricing to continue. Further, 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.

The advancement of healthcare reform may negatively impact our ability to sell our product candidates, if approved, profitably.

Third-party payors, whether domestic or foreign, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the health care system that could impact our ability to sell our product candidates, if approved, profitably. In particular, in 2010 the Affordable Care Act was enacted. The Affordable Care Act and its implementing regulations, among other things, revised the methodology by which rebates owed by manufacturers to the state and federal government for covered outpatient drugs and certain biologics, including our product candidates, under the Medicaid drug rebate program are calculated, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid drug rebate program, extended the Medicaid drug rebate program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations, subjected manufacturers to new annual fees and taxes for certain branded prescription drugs, and provided incentives to programs that increase the federal government's comparative effectiveness research. Additionally, the Affordable Care Act allowed states to implement expanded eligibility criteria for Medicaid programs, imposed a new Medicare Part D coverage gap discount program, expanded the entities eligible for discounts under the Public Health Service pharmaceutical pricing program and implemented a new Patient-Centered Outcomes Research Institute. We are still unsure of the full impact that the Affordable Care Act will have on our business.

Some of the provisions of the Affordable Care Act have yet to be implemented, and there have been legal and political challenges to certain aspects of the Affordable Care Act. Since January 2017, the U.S. President has signed two Executive Orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the Affordable Care Act. In December 2017, Congress repealed the tax penalty for an individual's failure to maintain Affordable Care Act-mandated health insurance, commonly known as the "individual mandate", as part of the Tax Cuts and Jobs Act of 2017 (Tax Act). On January 22, 2018, the U.S. President signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain Affordable Care Act-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. The Bipartisan Budget Act of 2018 (BBA), among other things, amended the Affordable Care Act, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". In July 2018, CMS published a final rule permitting further collections and payments to and from certain Affordable Care Act qualified health plans and health insurance issuers under the Affordable Care Act risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a Texas U.S. District Court Judge ruled that the Affordable Care Act is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. While the Texas U.S. District Court Judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace the Affordable Care Act will impact the Affordable Care Act and our business.

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 Affordable Care Act 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 2027, unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. 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 revenue 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.

In addition, 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 federal and state legislative activity designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient assistance programs, and reform government program reimbursement methodologies for drugs. At the federal level, the U.S. President's administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Further, the current U.S. President's administration released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. HHS has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage Plans the option to use step therapy for Part B drugs beginning January 1, 2019, and in October 2018, CMS proposed a rule that would require direct-to-consumer television advertisements of prescription drugs and biological products, for which payment is available through or under Medicare or Medicaid, to include in the advertisement the Wholesale Acquisition Cost, or list price, of that drug or biological product. On January 31, 2019, the HHS Office of Inspector General proposed modifications to federal Anti-Kickback Statute safe harbors which, among other things, may affect rebates paid by manufacturers to Medicare Part D plans, the purpose of which is to further reduce the cost of drug products to consumers. While some of these and other proposed measures may require authorization through additional legislation to become effective, Congress and the current U.S. President's administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

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

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

Risks Related to Our Intellectual Property

We depend on intellectual property licensed from third parties and termination of any of these licenses could result in the loss of significant rights, which would harm our business.

We are dependent on patents, know-how and proprietary technology, both our own and licensed from others.

We depend substantially on our license agreements with Pfizer, Servier and Cellectis. These licenses may be terminated upon certain conditions. Any termination of these licenses could result in the loss of significant rights and could harm our ability to commercialize our product candidates. For example, we are dependent on our license with Cellectis for gene-editing technology that is necessary to produce our engineered T cells. In addition, we are reliant on Servier in-licensing from Cellectis some of the intellectual property rights they are licensing to us, including certain intellectual property rights relating to ALLO-501. To the extent these licensors fail to meet their obligations under their license agreements, which we are not in control of, we may lose the benefits of our license agreements with these licensors. In the future, we may also enter into additional license agreements that are material to the development of our product candidates.

Disputes may also arise between us and our licensors regarding intellectual property subject to a license agreement, including those related to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over intellectual property that we have licensed, or license in the future, prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

We are generally also subject to all of the same risks with respect to protection of intellectual property that we license, as we are for intellectual property that we own, which are described below. If we or our licensors fail to adequately protect this intellectual property, our ability to commercialize products could suffer.

If our efforts to protect the proprietary nature of the intellectual property related to our technologies are not adequate, we may not be able to compete effectively in our market.

We rely upon a combination of patents, trade secret protection and license agreements to protect the intellectual property related to our technologies. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

We have an exclusive collaboration with Servier to develop and commercialize UCART19 and ALLO-501, and we hold the commercial rights to these product candidates in the United States. Under the Servier Agreement, we also have an exclusive option to obtain the same rights to additional product candidates targeting one additional cancer antigen. We also have an exclusive worldwide license from Cellectis to its TALEN gene-editing technology for the development of allogeneic T cell product candidates directed against 15 different cancer antigens. Our collaboration with Servier gives us access to TALEN gene-editing technology for all product candidates under the Servier Agreement. Certain intellectual property which is covered by these agreements may have been developed with funding from the U.S. government. If so, our rights in this intellectual property may be subject to certain research and other rights of the government.

Additional patent applications have been filed, and we anticipate additional patent applications will be filed, both in the United States and in other countries, as appropriate. However, we cannot predict:

- if and when patents will issue;
- the degree and range of protection any issued patents will afford us against competitors including whether third parties will find ways to invalidate or otherwise circumvent our patents;
- whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications; or
- whether we will need to initiate litigation or administrative proceedings which may be costly whether we win or lose.

Composition of matter patents for biological and pharmaceutical products such as CAR-based product candidates often provide a strong form of intellectual property protection for those types of products, as such patents provide protection without regard to any method of use. We cannot be certain that the claims in our pending patent applications covering composition of matter of our product candidates will be considered patentable by the United States Patent and Trademark Office (USPTO) or by patent offices in foreign countries, or that the claims in any of our issued patents will be considered valid and enforceable by courts in the United States or foreign countries. Method of use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to our product for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products “off-label.” Although off-label prescriptions may infringe or contribute to the infringement of method of use patents, the practice is common and such infringement is difficult to prevent or prosecute.

The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates or uses thereof in the United States or in other foreign countries. Even if the patents do successfully issue, third parties may challenge the patentability, validity, enforceability or scope thereof, for example through inter partes review (IPR) post-grant review or ex parte reexamination before the USPTO or oppositions and other comparable proceedings in foreign jurisdictions, which may result in such patents being cancelled, narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing their products to avoid being covered by our claims. If the breadth or strength of protection provided by the patents and patent applications we hold 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. Further, if we encounter delays in our clinical trials, the period of time during which we could market our product candidates under patent protection would be reduced. United States patent applications containing or that at any time contained a claim not entitled to a priority date before March 16, 2013 are subject to the "first to file" system implemented by the America Invents Act (2011).

This first to file system will require us to be cognizant going forward of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our product candidates. Furthermore, for United States applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the USPTO, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. For United States applications containing a claim not entitled to priority before March 16, 2013, there is a greater level of uncertainty in the patent law in view of the passage of the America Invents Act, which brought into effect significant changes to the United States patent laws, including new procedures for challenging patent applications and issued patents.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our product discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. Trade secrets, however, may be difficult to protect. Although we require all of our employees to assign their inventions to us, and require all of our employees and key consultants who have access to our proprietary know-how, information, or technology to enter into confidentiality agreements, we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

Third-party claims of intellectual property infringement may prevent or delay our product discovery and development efforts and our ability to commercialize our product candidates.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we infringe their patents or are otherwise employing their proprietary technology without authorization and may sue us. We are aware of several U.S. patents held by third parties relating to certain CAR compositions of matter and their methods of use. Generally, conducting clinical trials and other development activities in the United States is not considered an act of infringement. If and when UCART19, ALLO-501 or another CAR-based product candidate is approved by the FDA, third parties may then seek to enforce their patents by filing a patent infringement lawsuit against us. Patents issued in the United States by law enjoy a presumption of validity that can be rebutted only with evidence that is "clear and convincing," a heightened standard of proof. We may not be able to prove in litigation that any patent enforced against us is invalid.

Additionally, there may be third-party patents of which we are currently unaware with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may be alleged to infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of our product candidates, constructs or molecules used in or formed during the manufacturing process, or any final product itself, the holders of any such patents may be able to block our ability to commercialize the product candidate unless we obtained a license under the applicable patents, or until such patents expire or they are finally determined to be held not infringed, unpatentable, invalid or unenforceable. Similarly, if any third-party patent were held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture or methods of use, including combination therapy or patient selection methods, the holders of any such patent may be able to block our ability to develop and commercialize the product candidate unless we obtained a license or until such patent expires or is finally determined to be held not infringed, unpatentable, invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all. If we are unable to obtain a necessary license to a third-party patent on commercially reasonable terms, or at all, our ability to commercialize our product candidates may be impaired or delayed, which could in turn significantly harm our business.

Parties making claims against us may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business and may impact our reputation. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our infringing products, which may be impossible or require substantial time and monetary expenditure. We cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize our product candidates, which could harm our business significantly.

We may not be successful in obtaining or maintaining necessary rights to product components and processes for our development pipeline through acquisitions and in-licenses.

Presently we have rights to the intellectual property, through licenses from third parties and under patent applications that we own or will own, that we believe will facilitate the development of UCART19 and our other product candidates. Because our programs may involve additional product candidates that may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license or use these proprietary rights.

We may be unable to acquire or in-license any compositions, methods of use, processes or other third-party intellectual property rights from third parties that we identify. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, which would harm our business. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology. We may need to cease use of the compositions or methods covered by such third-party intellectual property rights.

The licensing and acquisition of third-party intellectual property rights is a competitive area, and companies, which may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party intellectual property rights that we may consider necessary or attractive in order to commercialize our product candidates. More established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that one or more of our patents is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly and could put one or more of our pending patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our infringing products, which may be impossible or require substantial time and monetary expenditure.

Interference proceedings provoked by third parties or brought by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could result in a loss of our current patent rights and could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Litigation or interference proceedings may result in a decision adverse to our interests and, even if we are successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could 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 substantial adverse effect on the price of our common stock.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, 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 on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

The lives of our patents may not be sufficient to effectively protect our products and business.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after its first effective filing date. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. 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 medications. In addition, although upon issuance in the United States a patent's life can be increased based on certain delays caused by the USPTO, this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. If we do not have sufficient patent life to protect our products, our business and results of operations will be adversely affected.

We or our licensors may be subject to claims challenging the inventorship of our patents and other intellectual property.

We or our licensors may in the future 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. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we or our licensors 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 or our licensors are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Issued patents covering our product candidates could be found unpatentable, invalid or unenforceable if challenged in court or the USPTO.

If we or one of our licensing partners initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate, as applicable, is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include IPR, ex parte re-examination and post grant review in the United States, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our product candidates. The outcome following legal assertions of unpatentability, invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we, our patent counsel and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of unpatentability, invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection could have a material adverse impact on our business.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

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 involve both technological and legal complexity, and is therefore costly, time-consuming and inherently uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, 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. For example, in the 2013 case, *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, the U.S. Supreme Court held that certain claims to DNA molecules are not patentable. While we do not believe that any of the patents owned or licensed by us will be found invalid based on this decision, we cannot predict how future decisions by the courts, the U.S. Congress or the USPTO may impact the value of our patents.

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

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

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biopharmaceutical products, 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. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. 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.

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

We have received confidential and proprietary information from third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or our employees' former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

Risks Related to Ownership of Our Common Stock

The price of our stock has been and may continue to be volatile, and you could lose all or part of your investment.

Prior to our IPO in October 2018, there was no public market for our common stock. We cannot assure you that an active, liquid trading market for our shares will develop or persist. You may not be able to sell your shares quickly or at a recently reported market price if trading in our common stock is not active. The trading price of our common stock following our IPO has been and is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control, including limited trading volume. In addition to the factors discussed in this "Risk Factors" section, these factors include:

- the commencement, enrollment or results of our ongoing and planned clinical trials of our product candidates or any future clinical trials we or Servier may conduct, or changes in the development status of our product candidates;
- our or Servier's decision to initiate a clinical trial, not to initiate a clinical trial or to terminate an existing clinical trial;
- adverse results or delays in clinical trials;
- any delay in our regulatory filings for our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority's review of such filings, including without limitation the FDA's issuance of a "refusal to file" letter or a request for additional information;
- our failure to commercialize our product candidates;
- adverse regulatory decisions, including failure to receive regulatory approval of our product candidates;
- changes in laws or regulations applicable to our products, including but not limited to clinical trial requirements for approvals;
- adverse developments concerning our manufacturers or suppliers;
- our inability to obtain adequate product supply for any approved product or inability to do so at acceptable prices;
- our inability to establish collaborations if needed;
- additions or departures of key scientific or management personnel;
- unanticipated serious safety concerns related to immuno-oncology or related to the use of our product candidates;
- introduction of new products or services offered by us or our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- our ability to effectively manage our growth;
- the size and growth of our initial cancer target markets;
- our ability to successfully treat additional types of cancers or at different stages;
- actual or anticipated variations in quarterly operating results;
- our cash position;
- our failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public;
- publication of research reports about us or our industry, or immunotherapy in particular, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in the market valuations of similar companies;
- overall performance of the equity markets;

- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- changes in accounting practices;
- ineffectiveness of our disclosure controls or internal controls;
- disagreements with our auditor or termination of an auditor engagement;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- changes in the structure of healthcare payment systems;
- significant lawsuits, including patent or stockholder litigation;
- general political and economic conditions; and
- other events or factors, many of which are beyond our control.

In addition, the stock market in general, and the Nasdaq Global Select Market and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of a company's securities. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would harm our business, operating results or financial condition.

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

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

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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 our IPO, (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 requires the market value of our common stock that is held by non-affiliates to exceed $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies 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 incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), which requires, among other things, that we file with the Securities and Exchange Commission (SEC) annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and the Nasdaq Global Select Market to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was enacted, pursuant to which the SEC adopted rules and regulations related to corporate governance and executive compensation, such as "say on pay" and proxy access. Emerging growth companies are permitted to implement many of these requirements over a longer period and up to five years following the completion of its initial public offering. We intend to take advantage of this legislation for as long as we are permitted to do so. Once we become required to implement these requirements, we will incur additional compliance-related expenses. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate.

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

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

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

Substantially all of our pre-IPO stockholders are subject to lock-up agreements with the underwriters of our IPO that restrict their ability to transfer shares of our common stock or securities convertible into or exercisable or exchangeable for shares of our common stock until April 9, 2019. The lock-up agreements limit the number of shares of common stock that may be sold immediately following our IPO. As of March 1, 2019, there are 121,482,671 shares of stock outstanding, including 23,698,453 shares issued but subject to repurchase, as described under Note 11 and to our financial statements appearing elsewhere in this report. Subject to certain limitations, approximately 100,782,671 shares will become eligible for sale upon expiration of the lock-up period, a portion of which will be subject to repurchase. Sales of stock by these stockholders could have a material adverse effect on the trading price of our common stock.

Certain holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act, subject to the 180-day lock-up agreements described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We have registered on Form S-8 all shares of common stock that are issuable under our 2018 Plan. As a consequence, these shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described above.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to the 2018 Plan, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

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

Pursuant to the 2018 Plan, our management is authorized to grant stock options to our employees, directors and consultants.

The aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2018 Plan is 15,409,983 shares. Additionally, the number of shares of our common stock reserved for issuance under the 2018 Plan will automatically increase on January 1 of each year and continuing through and including January 1, 2028, by 5% of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall.

We have broad discretion in the use of the net proceeds from our IPO and may not use them effectively.

Our management has broad discretion in the application of the net proceeds from our IPO, including for any of the purposes described in the section of our final prospectus, filed with the SEC on October 11, 2018, titled “Use of Proceeds”. Because of the number and variability of factors that will determine our use of the net proceeds from our IPO, their ultimate use may vary substantially from the use described in the final prospectus. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from our IPO in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply the net proceeds from our IPO in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions include:

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

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

If securities or industry analysts issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if the clinical trials and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more analysts do not initiate coverage of us, cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We occupy approximately 21,544 square feet of office and laboratory space in South San Francisco, California pursuant to our Transition Services Agreement (TSA) with Pfizer. In August 2018, we entered into a new lease for approximately 68,000 square feet for office and laboratory space in South San Francisco that will serve as our headquarters. We expect to transition from the Pfizer facilities and complete occupancy in our headquarters by the end of the third quarter of 2019. The lease for our headquarters commenced March 1, 2019 and has an initial 10-year term expiring on June 15, 2023. We entered into an additional lease in October 2018 for approximately 14,943 square feet of office and laboratory space in South San Francisco near our headquarters. This lease has an initial term of ten years and four months and commenced on November 1, 2018.

In February 2019, we entered into a lease for approximately 118,000 square feet to develop a state-of-the-art cell therapy manufacturing facility in Newark, California. The lease has an initial term of 15 years and eight months. We expect the lease to commence in March 2020.

We believe that our existing facilities and other available properties will be sufficient for our needs for the foreseeable future.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been listed on The Nasdaq Global Select Market under the symbol "ALLO" since October 11, 2018. Prior to that date, there was no public trading market for our common stock.

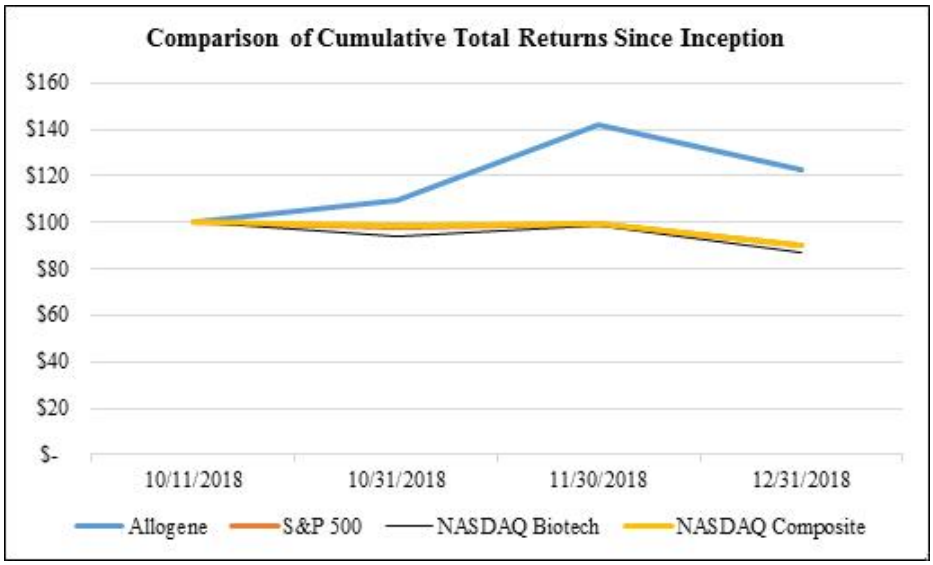
Holders of Common Stock

As of March 8, 2019, there were approximately 107 holders of record of our common stock.

Stock Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows the value of an investment of $100 from October 11, 2018 (the date our common stock commenced trading on The Nasdaq Global Select Market) through December 31, 2018, in our common stock, the Standard & Poor's 500 Index (S&P 500), the Nasdaq Biotechnology Index, and Nasdaq Composite Index. The historical stock price performance of our common stock shown in the performance graph is not necessarily indicative of future stock price performance.



	Cumulative Total Return date ended			
	10/11/2018	10/31/2018	11/30/2018	12/31/2018
Allogene Therapeutics, Inc.	$ 100.00	$ 109.14	$ 142.18	$ 122.41
S&P 500	$ 100.00	$ 97.65	$ 99.40	$ 90.28
Nasdaq Biotechnology	$ 100.00	$ 93.90	$ 98.30	$ 87.25
Nasdaq Composite	$ 100.00	$ 98.89	$ 99.22	$ 89.81

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant.

Use of Proceeds

In October 2018, we completed our initial public offering, and sold 18,000,000 shares of our common stock at a price of $18.00 per share pursuant to registration statements on Form S-1 (File Nos. 333-227333 and 333-227774) that were declared or became effective on October 10, 2018. Additionally, the underwriters exercised their option to purchase additional shares for an additional 2,700,000 shares at $18.00 per share. As a result of our IPO, we raised a total of approximately $343.3 million in net proceeds after deducting underwriting discounts and commissions of $26.1 million and offering expenses of $3.2 million. Upon completion of our IPO, (1) all outstanding shares of our Series A convertible preferred stock, were converted into 61,655,922 shares of common stock and, (2) we issued 7,856,176 shares of common stock as a result of the automatic conversion of the $120.2 million aggregate principal amount of convertible promissory notes sold in September 2018.

Upon receipt, the net proceeds from our IPO were held in cash, cash equivalents and investments. As of December 31, 2018, we have not used any of the net proceeds from our IPO. The net proceeds from our IPO will be used, together with our cash and cash equivalents, short-term and long-term investments, to fund continued advancement of our product pipeline, with the balance to be used to fund working capital and other general corporate purposes, which may include licensing, acquiring or investing in complementary businesses, technologies, products or assets.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data.

The selected statements of operations and comprehensive loss data for the periods presented and the selected balance sheet data as of the dates presented are derived from our financial statements appearing elsewhere in this Annual Report.

Our historical results are not necessarily indicative of the results that can be expected in the future. The selected historical financial data below should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes appearing elsewhere in this Annual Report.

	Year Ended December 31, 2018	Period from November 30, 2017 (inception) to December 31, 2017
Statements of operations and comprehensive loss data:	**(in thousands, except share and per share amounts)**	
Operating expenses:		
Research and development	$ 151,860	$ —
General and administrative	40,982	2
Total operating expenses	192,842	2
Loss from operations	(192,842)	(2)
Other (expense) income, net:		—
Change in fair value of convertible note payable	(21,211)	—
Interest expense	(3,358)	—
Interest and other income, net	5,789	—
Total other (expense) income, net	(18,780)	—
Loss before income taxes	(211,622)	(2)
Benefit from income taxes	117	—
Net loss	(211,505)	(2)
Other comprehensive income (loss)	306	—
Net comprehensive loss	$ (211,199)	$ (2)
Net loss attributable to common stockholders-basic and diluted (1)	$ (7.31)	$ (0.00)
Weighted-average number of common shares used in net loss per share applicable to common stockholders basic and diluted	28,948,386	26,249,993

(1) See the statements of operations and comprehensive loss and Note 16 to our financial statements for further details on the calculation of net loss per share, basic and diluted, and the weighted-average number of shares used in the computation of the per share amounts.

	As of December 31	
	2018	2017
Balance sheet data:	**(in thousands)**	
Cash, cash equivalents and investments	$ 721,350	$ —
Working capital (2)	438,523	(2)
Total assets	773,855	—
Total liabilities	70,691	2
Accumulated deficit	(211,528)	(23)
Total stockholders' equity (deficit)	703,164	(2)

(2) We define working capital as current assets less current liabilities. See our financial statements for further details regarding our current assets and current liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with "Selected Financial Data" and the historical consolidated financial statements and the notes thereto included in "Financial Statements and Supplementary Data". This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are a clinical stage immuno-oncology company pioneering the development and commercialization of genetically engineered allogeneic T cell therapies for the treatment of cancer. We are developing a pipeline of off-the-shelf T cell product candidates that are designed to target and kill cancer cells. Our engineered T cells are allogeneic, meaning they are derived from healthy donors for intended use in any patient, rather than from an individual patient for that patient's use, as in the case of autologous T cells. We believe this key difference will enable us to deliver readily available treatments faster, more reliably, at greater scale, and to more patients.

In collaboration with Servier, we are developing UCART19 and ALLO-501, chimeric antigen receptor (CAR) T cell product candidates targeting CD19. Servier is sponsoring two Phase 1 clinical trials of UCART19 in patients with relapsed/refractory (R/R) B-cell precursor acute lymphoblastic leukemia (ALL), one for adult patients (the CALM trial) and one for pediatric patients (the PALL trial). In January 2019, the U.S. Food and Drug Administration (FDA) cleared our investigational new drug application (IND) for ALLO-501, and we plan to initiate a Phase 1/2 clinical trial (the ALPHA trial) in the first half of 2019 for the treatment of R/R non-Hodgkin lymphoma (NHL). In addition, we have a deep pipeline of allogeneic CAR T cell product candidates targeting multiple promising antigens in a host of hematological malignancies and solid tumors. For example, we plan to submit an IND and initiate a Phase 1 clinical trial in 2019 for ALLO-715, an allogeneic CAR T cell product candidate targeting B-cell maturation antigen (BCMA) for the treatment of R/R multiple myeloma.

Servier is the sponsor of the UCART19 clinical trials and is also responsible for manufacturing UCART19. Servier is experiencing UCART19 supply issues relating to the manufacturing of UCART19, and, as a result, while the clinical trials of UCART19 remain active, they are not recruiting new patients. We will be the sponsor of the clinical trials for ALLO-501 and ALLO-715, and we will also be responsible for manufacturing ALLO-501 and ALLO-715. We believe the UCART19 supply issues have no effect on our manufacturing or program timelines for ALLO-501 and ALLO-715. We will also manage all other aspects of the supply of ALLO-501 and ALLO-715, including planning, contract manufacturing oversight, disposition and distribution logistics.

Since inception, we have had significant operating losses, the majority of which are attributable to acquired intangible in-process research and development costs pursuant to the Asset Contribution Agreement with Pfizer Inc. (Pfizer) described below. Our net loss was $211.5 million for the year ended December 31, 2018. As of December 31, 2018, we had an accumulated deficit of $211.5 million. As of December 31, 2018, we had $721.4 million in cash and cash equivalents and investments. We expect to continue to incur net losses for the foreseeable future, and we expect our research and development expenses, general and administrative expenses, and capital expenditures will continue to increase.

Our Research Development and License Agreements

Asset Contribution Agreement with Pfizer

In April 2018, we entered into an Asset Contribution Agreement (Pfizer Agreement) with Pfizer pursuant to which we acquired certain assets and assumed certain liabilities from Pfizer, including agreements with Cellectis and Servier as described below, and other intellectual property for the development and administration of CAR T cells for the treatment of cancer. See Notes 6 and 7 to our financial statements included elsewhere in this report for further description of the Pfizer Agreement.

Research Collaboration and License Agreement with Cellectis

In June 2014, Pfizer entered into a Research Collaboration and License Agreement with Cellectis S.A. (Cellectis). In April 2018, Pfizer assigned the agreement to us pursuant to the Pfizer Agreement. In March 2019, we terminated the agreement with Cellectis and entered into a new license agreement with Cellectis. See Note 7 to our financial statements and Item 9B "Other Information" each included elsewhere in this report for further descriptions of the prior agreement with Cellectis and the new license agreement with Cellectis.

Exclusive License and Collaboration Agreement With Servier

In October 2015, Pfizer entered into an Exclusive License and Collaboration Agreement (Servier Agreement) with Servier to develop, manufacture and commercialize certain allogeneic anti-CD19 CAR products, including UCART19, in the United States with the option to obtain the rights over additional products, including other allogeneic anti-CD19 CAR product candidates. In April 2018, Pfizer assigned the agreement to us pursuant to the Pfizer Agreement. See Note 7 to our financial statements included elsewhere in this report for further description of the Servier Agreement.

Transition Services Agreement

In connection with the closing of the Pfizer Agreement, we entered into a Transition Services Agreement (TSA) with Pfizer in April 2018, pursuant to which Pfizer provides us with certain (i) research and development services, including services relating to testing, studies, and clinical trials, project management services, laboratory equipment and operations services, animal care services, data storage services and regulatory strategy services, and (ii) general and administrative services, including business technology services, compliance services, finance/accounting services, and procurement, manufacturing and supply chain services, with respect to the assets that we purchased from Pfizer. Under the TSA, Pfizer also provides us with certain facilities and facility management services. The services are provided by certain employees of Pfizer as independent contractors of Allogene. We believe that it is helpful for Pfizer to provide such services to us under the TSA to help facilitate the efficient operation of our business after the asset purchase.

Pfizer began providing the services in May 2018 and agreed to provide the services for a period of time ranging from one to 12 months thereafter, depending on the service, which we refer to as the Service Period, with the exception of the services relating to the facilities, which Pfizer agreed to provide for up to 18 months. The services and employees for each service may be amended from time to time by the parties. Under the TSA, total expenses were $10.1 million for the year ended December 31, 2018 and we estimate we will pay Pfizer an aggregate of $3.8 million in 2019.

The TSA provides that Pfizer will indemnify us for damages that result from Pfizer's gross negligence, willful misconduct or material breach of the TSA and that we will indemnify Pfizer for damages that arise from the provision of the services, unless such damages result from Pfizer's gross negligence, willful misconduct or material breach. We are also required to indemnify Pfizer for damages that arise from our material breach of the TSA.

The term of the agreement began in April 2018 and ends on the earlier to occur of the last date that Pfizer is required to provide the services or the termination of the TSA in accordance with the agreement. Either party may terminate the agreement upon 60 days' prior written notice in the event of the other party's uncured material breach. Pfizer may terminate the TSA upon 10 days' prior written notice in the event of our non-payment, if left uncured. We may terminate our use of the facilities with 60 days' written notice.

Components of Results of Operations

Operating Expenses

Research and Development

To date, our research and development expenses have related primarily to discovery efforts and preclinical and clinical development of our product candidates. Research and development expenses for the year ended December 31, 2018 includes acquired in-process research and development costs of $109.4 million recognized as a non-cash expense related to the Pfizer Agreement. Additional research and development expenses were incurred in the year related to development of pipeline product candidates UCART19, ALLO-501 and ALLO-715. The most significant research and development expenses for the year relates to costs incurred for the development of our most advanced product candidates, UCART19 and ALLO-501, which include:

- expenses incurred under agreements with our collaboration partners and third-party contract organizations, investigative clinical trial sites that conduct research and development activities on our behalf, and consultants;
- costs related to production of clinical materials, including fees paid to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical and clinical trials;
- employee-related expenses, which include salaries, benefits and stock-based compensation; and
- facilities and other expenses, which include expenses for rent and maintenance of facilities, depreciation and amortization expense and other supplies.

Other significant research and development costs include costs relating to facilities and overhead costs, including payments to Pfizer under the TSA for use of their facilities. We expense all research and development costs in the periods in which they are incurred. We accrue for costs incurred as the services are being provided by monitoring the status of the project and the invoices received from our external service providers. We adjust our accrual as actual costs become known. Where contingent milestone payments are due to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

We are required to reimburse Servier for 60% of the costs associated with the development of UCART19, including for the CALM and PALL clinical trials. We accrue for costs incurred by monitoring the status of the CALM and PALL clinical trials and the invoices received from Servier. We adjust our accrual as actual costs become known. Servier is required to reimburse us for 40% of the costs associated with the development of ALLO-501, including for the ALPHA clinical trial. Collaboration expenses and cost reimbursement is recorded on a net basis as a research and development expense in our statements of operations and comprehensive loss.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as our UCART19, ALLO-501 and ALLO-715 clinical programs progress and as we seek to initiate clinical trials of additional product candidates. The cost of advancing our manufacturing process as well as the cost of manufacturing product candidates for clinical trials are included in our research and development expense. We also expect to incur increased research and development expenses as we selectively identify and develop additional product candidates. However, it is difficult to determine with certainty the duration and completion costs of our current or future preclinical programs and clinical trials of our product candidates.

The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;
- the cost of manufacturing for the trials;
- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidates.

In the case of UCART19, we are also dependent on Servier’s ability to manage the CALM and PALL clinical trials. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate’s commercial potential.

Because our product candidates are still in clinical and preclinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of product candidates or whether, or when, we may achieve profitability.

General and Administrative

General and administrative expenses consist primarily of salaries and other staff-related costs, including stock-based compensation for options granted and modification of shares of common stock issued to our founders to include vesting conditions, for personnel in executive, finance, accounting, legal, investor relations, facilities, business development, information technology and human resources functions. Other significant costs include costs relating to facilities and overhead costs, including payments to Pfizer under the TSA for use of their facilities, legal fees relating to corporate and patent matters, insurance, investor relations costs, fees for accounting and consulting services, information technology, and other general and administrative costs. General and administrative costs are expensed as incurred, and we accrue for services provided by third parties related to the above expenses by monitoring the status of services provided and receiving estimates from our service providers, and adjusting our accruals as actual costs become known.

We expect our general and administrative expenses to increase over the next several years to support our continued research and development activities, manufacturing activities, potential commercialization of our product candidates and the increased costs of operating as a public company. These increases are anticipated to include increased costs related to the hiring of additional personnel, developing commercial infrastructure, fees to outside consultants, lawyers and accountants, and increased costs associated with being a public company such as expenses related to services associated with maintaining compliance with Nasdaq listing rules and SEC requirements, insurance and investor relations costs.

Change in Fair Value of 2018 Notes

In September 2018, we entered into a note purchase agreement pursuant to which we sold and issued an aggregate of $120.2 million in convertible promissory notes (2018 Notes) and received net cash proceeds of $116.8 million. We elected on issuance to account for the 2018 Notes at fair value until their settlement. From issuance to settlement, the change in fair value of the 2018 Notes was recognized in the statement of operations and comprehensive loss. The 2018 Notes settled on the closing of our IPO in October 2018.

Interest Expense

Interest expense consists of debt issuance costs we incurred to issue the 2018 Notes. The debt issuance costs were expensed on issuance because we elected to record the 2018 Notes at fair value.

Interest and Other Income, Net

Interest and other income, net consists of interest earned on our cash equivalents and investment gains and losses recognized during the period.

Results of Operations

Year Ended December 31, 2018

For the period from November 30, 2017 (inception) to December 31, 2017, we incurred $2,000 in start-up costs to establish our company. Principal operations commenced in April 2018 when we acquired certain assets from Pfizer and completed a Series A and A-1 preferred stock financing. Due to our limited operations in 2017, the following discussion does not contain a comparison of the results of operations for the period from November 30, 2017 (inception) to December 31, 2017.

The following sets forth our results of operations for the year ended December 31, 2018 (in thousands):

	Year Ended December 31, 2018
Operating expenses:	
Research and development	$ 151,860
General and administrative	40,982
Total operating expenses	192,842
Loss from operations	(192,842)
Other (expense) income, net:	
Change in fair value of convertible note payable	(21,211)
Interest expense	(3,358)
Interest and other income, net	5,789
Total other (expense) income, net	(18,780)
Net loss before tax	(211,622)
Benefit from income taxes	117
Net loss	$ (211,505)

Research and Development Expenses

Research and development expenses were $151.9 million for the year ended December 31, 2018 which consisted primarily of $109.4 million of in-process research and development acquired from Pfizer which was primarily related to anti-CD19 CAR T cell therapy. The remaining expense is primarily due to $15.8 million in external costs related to our clinical programs UCART19, ALLO-501 and ALLO-715, $13.1 million in personnel-related costs, of which $1.7 million is stock-based compensation expense, $5.2 million for expenses incurred under the TSA, and $4.2 million in net external collaboration partner costs related to product candidate development activities and manufacturing support for UCART19 clinical trials. We expect research and development expenses will remain significant and will increase as we initiate funding of our planned clinical trials for ALLO-501 and ALLO-715 and continue to fund clinical trials for UCART19.

General and Administrative Expenses

General and administrative expenses were $41.0 million for the year ended December 31, 2018. General and administrative expenses consisted primarily of $14.9 million in stock-based compensation related to vesting of modified founders' shares, $2.0 million of expense for all other stock-based compensation, $6.5 million for personnel-related costs, $6.5 million in legal fees and professional consulting service fees related to supporting the growth of the Company, and $4.9 million for expenses incurred under the TSA.

Change in Fair Value of 2018 Notes

The change in fair value of the 2018 Notes of $21.2 million for the year ended December 31, 2018 was due to the accretion of the 2018 Notes to their fair value from the date of issuance at $120.2 million to the fair value upon settlement of $141.4 million.

Interest Expense

Interest expense of $3.4 million for the year ended December 31, 2018 consists of debt issuance costs that were expensed on issuance of the 2018 Notes.

Interest and Other Income, Net

Interest and other income, net was $5.8 million for the year ended December 31, 2018 and primarily consists of interest earned on our investments and cash equivalents during the period.

Liquidity, Capital Resources and Plan of Operations

To date, we have incurred significant net losses and negative cash flows from operations. Our operations have been financed primarily by net proceeds from the sale and issuance of our convertible preferred stock, the issuance of the 2018 Notes and net proceeds from our IPO.

In connection with our IPO, we sold an aggregate of 20,700,000 shares of our common stock (inclusive of 2,700,000 shares of common stock pursuant to the over-allotment option granted to the underwriters) at a price of $18.00 per share and received approximately $343.3 million in net proceeds. At the closing of the IPO, the 2018 Notes were automatically converted into 7,856,176 shares of common stock. As of December 31, 2018, we had $721.4 million in cash, cash equivalents and investments.

Capital Resources

Our primary use of cash is to fund operating expenses, which consist primarily of clinical manufacturing and research and development expenditures related to UCART19, ALLO-501 and ALLO-715, and other research efforts, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Our product candidates are still in the early stages of clinical and preclinical development and the outcome of these efforts is uncertain. Accordingly, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to raise capital when needed, we will need to delay, reduce or terminate planned activities to reduce costs. Doing so will likely harm our ability to execute our business plans.

Cash Flows

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

	Year ended December 31, 2018
	(in thousands)
Net cash (used in) provided by:	
Operating activities	$ (44,653)
Investing activities	(632,798)
Financing activities	771,182
Net increase in cash, cash equivalents and restricted cash	$ 93,731

Operating Activities

During the year ended December 31, 2018, cash used in operating activities of $44.7 million was attributable to a net loss of $211.5 million, substantially offset by non-cash charges of $154.8 million and a net change of $12.1 million in our net operating assets and liabilities. The non-cash charges consisted primarily of acquired in-process research and development expense resulting from the asset acquisition from Pfizer of $109.4 million, change in fair value of convertible notes payable of $21.2 million and $18.6 million of stock-based compensation. The net change in operating assets and liabilities was primarily due to a $12.1 million increase in accruals and other liabilities driven by increased professional fees and an $8.8 million increase in accounts payable resulting from the timing of payments made to our collaboration partners and Pfizer accrued services. This was partially offset by a $8.6 million increase in prepaid expenses and other current assets and a $0.2 million increase in other long-term assets.

Investing Activities

During the year ended December 31, 2018, cash used by investing activities of $632.8 million was related to the purchase of investments of $649.3 million, cash transaction costs of $2.1 million incurred in the asset acquisition from Pfizer and the purchase of

property and equipment of $3.2 million. This was offset by cash inflows from maturities of investments of $19.2 million and cash inflows from sales of investments of $2.6 million.

Financing Activities

During the year ended December 31, 2018, cash provided by financing activities of $771.2 million was related to net proceeds of $299.3 million from the issuance of our Series A and A-1 convertible preferred stock, $116.8 million from the issuance of the 2018 Notes, $343.7 million in net proceeds from our IPO and $11.4 million from the issuance of common stock in connection with stock option exercises.

Contractual Obligations and Commitments

The following table summarizes our commitments and contractual obligations as of December 31, 2018:

	Payments Due by Period			
	Total	2019 - 2020	2021 - 2022	2023 and After
	(in thousands)			
Contractual Obligations:				
Operating lease obligations (1)(2)(3)	$ 60,822	$ 9,255	$ 11,776	$ 39,791
Total	$ 60,822	$ 9,255	$ 11,776	$ 39,791

(1) In August 2018, we entered into an operating lease agreement for our new headquarters in South San Francisco. The lease term is 127 months beginning August 2018 through February 2029.

(2) In October 2018, we entered into an operating lease agreement for office and laboratory space in South San Francisco near the headquarters. The lease has a term of ten years and four months commencing on November 1, 2018.

(3) In December 2018, we entered into an operating lease agreement for office space in New York, and another operating lease agreement for office space in Los Angeles. The lease terms are 79 months and 36 months, respectively, with the leases commencing on December 1, 2018 and December 19, 2018, respectively.

Commitments

Our commitments primarily consist of obligations under our agreements with Pfizer, Cellectis and Servier. Under these agreements we are required to make milestone payments upon successful completion of certain regulatory and sales milestones on a target-by-target and country-by-country basis. The payment obligations under the license agreements are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones and we will be required to make development milestone payments and royalty payments in connection with the sale of products developed under these agreements. As of December 31, 2018, we were unable to estimate the timing or likelihood of achieving the milestones or making future product sales.

Additionally, we have entered into an agreement with third-party contract manufacturers for the manufacture and processing of certain of our product candidates for clinical testing purposes, and we have entered and will enter into other contracts in the normal course of business with contract research organizations for clinical trials and other vendors for other services and products for operating purposes. These agreements generally provide for termination or cancellation, other than for costs already incurred.

We also have a Change in Control and Severance Plan that require the funding of specific payments, if certain events occur, such as a change of control and the termination of employment without cause.

In addition, subsequent to December 31, 2018, we entered into a lease agreement to develop a manufacturing facility. For additional information regarding this lease agreement, including our payment obligations, see Note 17 to our financial statements appearing elsewhere in this Annual Report.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported 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 assumptions and estimates associated with accrued research and development expenditures, research and development expenses, stock-based compensation and leases have the most significant impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Accrued Research and Development Costs

We accrue liabilities for estimated costs of research and development activities conducted by our collaboration partners and third-party service providers, which include the conduct of preclinical and clinical studies, and contract manufacturing activities. We recorded the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced, and includes these costs in the accrued and other current liabilities on the balance sheets and within research and development expense on the statements of operations and comprehensive loss.

We accrue for these costs based on factors such as estimates of the work completed and budget provided and in accordance with agreements established with our collaboration partners and third-party service providers. We make significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, we adjust its accrued liabilities. We have not experienced any material differences between accrued costs and actual costs incurred since our inception.

Research and Development Expenses

We expense research and development costs as incurred. Acquired intangible assets are expensed as research and development costs if, at the time of payment, the technology is under development; is not approved by the FDA or other regulatory agencies for marketing; has not reached technical feasibility; or otherwise has no foreseeable alternative future use.

Research and development expenses also include costs incurred for internal and sponsored and collaborative research and development activities. Research and development costs consist of salaries and benefits, including associated stock-based compensation, and laboratory supplies and facility costs, as well as fees paid to other entities that conduct certain research and development activities on our behalf. Costs associated with co-development activities performed under the various license and collaboration agreements are included in research and development expenses.

Stock-Based Compensation

We recognize compensation costs related to stock-based awards granted to employees and directors, including stock options, based on the estimated fair value of the awards on the date of grant. We estimate the grant date fair value, and the resulting stock-based compensation, using the Black-Scholes option-pricing model. The grant date fair value of the stock-based awards is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards.

The Black-Scholes option-pricing model requires the use of subjective assumptions to determine the fair value of stock-based awards. These assumptions include:

- *Fair value of common stock*—For grants before October 2018 when we were private and there was no public market for our common stock, the fair value of our common stock underlying share-based awards was estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered, among other things, valuations of our common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. For all grants subsequent to our IPO in October 2018, the fair value of common stock was determined by taking the closing price per share of common stock per NASDAQ.

- *Expected term*— The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.
- *Expected volatility*— We use an average historical stock price volatility of comparable public companies within the biotechnology and pharmaceutical industry that were deemed to be representative of future stock price trends as we do not have sufficient trading history for our common stock. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available.
- *Risk-free interest rate*—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.
- *Expected dividend*—We have never paid dividends on its common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

For the year ended December 31, 2018, stock-based compensation was $18.6 million. As of December 31, 2018, we had $42.8 million of total unrecognized stock-based compensation which we expect to recognize over a weighted-average period of 3.5 years. In addition, we recorded $14.9 million in stock-based compensation as a result of the modification of our founders' shares of common stock to include vesting conditions.

Leases

We early adopted Accounting Standards Update (ASU) No. 2016-02, Leases as of January 1, 2018 in accordance with ASC 250, *Accounting Changes and Error Corrections*. For our long-term operating leases, we recognized right-of-use assets and lease liabilities on our balance sheet. The lease liabilities are determined as the present value of future lease payments using an estimated rate of interest that we would have to pay to borrow equivalent funds on a collateralized basis at the lease commencement date. The right-of-use assets are based on the liability adjusted for any prepaid or deferred rent. For each lease, the lease term at the commencement date is determined by considering whether renewal options and termination options are reasonably assured of exercise.

Rent expense for the operating lease is recognized on a straight-line basis over the lease term and is included in operating expenses on the statements of operations and comprehensive loss. Variable lease payments include lease operating expenses.

We elected to exclude from our balance sheets recognition of leases having a term of 12 months or less (short-term leases) and elected to not separate lease components and non-lease components for our long-term real estate leases.

Recent Accounting Pronouncements

Please refer to Note 2 to our financial statements for a discussion of new accounting standards updates that may impact us.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our cash, cash equivalents and investments of $721.4 million as of December 31, 2018, consist of bank deposits, money market funds and available-for-sale securities. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant for us. A 10% change in the interest rates in effect on December 31, 2018 would not have a material effect on the fair market value of our cash equivalents and available-for-sale securities.

Foreign Exchange Rate Risk

Our collaboration agreement with Servier requires collaboration payments for shared clinical development costs to be paid in foreign currency, and thus we face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars. Due to the uncertain timing of expected payments in foreign currencies, we do not utilize any forward exchange contracts. All foreign transactions settle on the applicable spot exchange basis at the time such payments are made. An adverse movement in foreign exchange rates could have an effect on payments due and made to our collaboration partner as well as other foreign suppliers and for license agreements. A 10% change in foreign exchange rates during the periods presented would not have had a material effect on our consolidated financial statements. As of December 31, 2018, we had $4.4 million of liabilities denominated in foreign currencies.

Item 8. Financial Statements and Supplementary Data.

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For the year ended December 31, 2018 and the period from November 30, 2017 (inception) to December 31, 2017

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Allogene Therapeutics, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Allogene Therapeutics, Inc. (the Company) as of December 31, 2018 and 2017, the related statements of operations and comprehensive loss**,** statements of convertible preferred stock and stockholders' equity (deficit) and cash flows for the year ended December 31, 2018 and the period from November 30, 2017 (inception) to December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for the year ended December 31, 2018 and the period from November 30, 2017 (inception) to 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 auditors since 2018.
Redwood City, California
March 8, 2019

ALLOGENE THERAPEUTICS, INC.
Balance Sheets
(In thousands, except share and per share amounts)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 92,432	$ —
Short-term investments	366,952	—
Prepaid expenses and other current assets	8,598	—
Total current assets	467,982	—
Long-term investments	261,966	—
Operating lease right-of-use asset	33,015	—
Property and equipment, net	8,595	—
Intangible assets, net	754	—
Restricted cash	1,299	—
Other long-term assets	244	—
Total assets	$ 773,855	$ —
Liabilities, convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 12,338	$ —
Accrued and other current liabilities	17,121	2
Total current liabilities	29,459	2
Lease liability, noncurrent	34,456	
Other long-term liabilities	6,776	—
Total liabilities	70,691	2
Commitments and Contingencies (Notes 7, 8 and 9)		
Convertible preferred stock, $0.001 par value; no shares and 1,000,000 shares authorized as of December 31, 2018 and December 31, 2017, respectively; no shares issued and outstanding as of December 31, 2018 and December 31, 2017	—	—
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value: 10,000,000 and no shares authorized as of December 31, 2018 and December 31, 2017, respectively; no shares were issued and outstanding as of December 31, 2018	—	—
Common stock, $0.001 par value: 200,000,000 and 47,250,000 shares authorized as of December 31, 2018 and December 31, 2017, respectively; 121,482,671 and 26,249,993 shares issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	121	26
Notes receivable from common stockholders	—	(5)
Additional paid-in capital	914,265	—
Accumulated deficit	(211,528)	(23)
Accumulated other comprehensive income	306	—
Total stockholders' equity (deficit)	703,164	(2)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 773,855	$ —

The accompanying notes are an integral part of these financial statements.

ALLOGENE THERAPEUTICS, INC.
Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Year Ended December 31, 2018	Period from November 30, 2017 (Inception) to December 31, 2017
Operating expenses:		
Research and development	$ 151,860	$ —
General and administrative	40,982	2
Total operating expenses	192,842	2
Loss from operations	(192,842)	(2)
Other income (expense), net:		
Change in fair value of convertible note payable	(21,211)	—
Interest expense	(3,358)	—
Interest and other income, net	5,789	—
Total other income (expense), net	(18,780)	—
Loss before income taxes	(211,622)	(2)
Benefit from income taxes	117	—
Net loss	(211,505)	(2)
Other comprehensive loss:		
Net unrealized gain on available-for-sale investments, net of tax	306	—
Net comprehensive loss	$ (211,199)	$ (2)
Net loss per share, basic and diluted	$ (7.31)	$ (0.00)
Weighted-average number of shares used in computing net loss per share, basic and diluted	28,948,386	26,249,993

The accompanying notes are an integral part of these financial statements.

ALLOGENE THERAPEUTICS, INC.
Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(In thousands, except share and per share data)

	Series A Convertible Preferred Stock		Subscriptions Receivables from Preferred Stockholders	Common Stock		Notes Receivable from Common Stockholders	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount		Shares	Amount					
Balance — November 30, 2017 (Inception)	—	$ —	$ —	—	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of common stock	—	—	—	26,249,993	26	—	—	(21)	—	5
Notes receivable from common stockholders	—	—	—	—	—	(5)	—	—	—	(5)
Net loss and comprehensive loss	—	—	—	—	—	—	—	(2)	—	(2)
Balance — December 31, 2017	—	—	—	26,249,993	26	(5)	—	(23)	—	(2)
Issuance of Series A convertible preferred shares at $35.06 per share, net of issuance costs of $635	7,557,990	264,365	—	—	—	—	—	—	—	—
Issuance of Series A-1 convertible preferred shares at $35.06 per share in connection with asset acquisition	3,187,772	111,770	—	—	—	—	—	—	—	—
Issuance of Series A-1 convertible preferred shares at $35.06 per share, net of issuance costs of $84	998,225	34,917	—	—	—	—	—	—	—	—
Proceeds received from common stockholders for issuance of founders' stock at inception	—	—	—	—	—	5	—	—	—	5
Subscriptions receivable from preferred stockholders	—	—	(150,000)	—	—	—	—	—	—	(150,000)
Proceeds received from preferred stockholders	—	—	150,000	—	—	—	—	—	—	150,000
Issuance of common stock for early exercise of stock options	—	—	—	5,020,580	5	—	—	—	—	5
Issuance of common stock upon initial public offering, net of issuance costs of $29,272	—	—	—	20,700,000	21	—	343,308	—	—	343,329
Conversion of Series A convertible preferred stock	(11,743,987)	(411,052)	—	61,655,922	62	—	410,990	—	—	411,052
Issuance of common stock upon conversion of convertible notes	—	—	—	7,856,176	7	—	141,403	—	—	141,410
Adjustment for fractional shares from forward stock split	—	—	—	—	—	—	(2)	—	—	(2)
Stock-based compensation	—	—	—	—	—	—	18,566	—	—	18,566
Net loss	—	—	—	—	—	—	—	(211,505)	—	(211,505)
Net unrealized gain on available-for-sale investments	—	—	—	—	—	—	—	—	306	306
Balance — December 31, 2018	—	$ —	$ —	121,482,671	$ 121	$ —	$ 914,265	$ (211,528)	$ 306	$ 703,164

The accompanying notes are an integral part of these financial statements.

ALLOGENE THERAPEUTICS, INC.
Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2018	Period from November 30, 2017 (Inception) to December 31, 2017
Cash flows from operating activities:		
Net loss	$ (211,505)	$ (2)
Adjustments to reconcile net loss to net cash used in operating activities:		
Acquired in-process research and development	109,436	—
Stock-based compensation	18,566	—
Amortization of other intangible assets acquired	452	—
Depreciation and amortization	1,048	—
Net amortization/accretion on investment securities	(1,036)	—
Non-cash rent expense	1,832	—
Change in fair value of convertible notes payable	21,211	—
Debt issuance costs on convertible notes payable	3,358	—
Income tax benefit	(117)	—
Other	6	—
Changes in operating assets and liabilities:		—
Prepaid expenses and other current assets	(8,598)	—
Other long-term assets	(244)	—
Accounts payable	8,800	—
Accrued and other current liabilities	12,138	2
Net cash used in operating activities	(44,653)	—
Cash flows from investing activities:		
Purchases of property and equipment	(3,234)	—
Proceeds from sales of investments	2,606	—
Proceeds from maturities of investments	19,235	—
Purchase of investments	(649,307)	—
Cash paid for acquisition of assets	(2,098)	—
Net cash used in investing activities	(632,798)	—
Cash flows from financing activities:		
Proceeds from issuance of convertible preferred stock, net of issuance costs	299,281	—
Proceeds from issuance of convertible notes, net of issuance costs	116,842	—
Proceeds from issuance of common stock and upon exercise of stock options	11,370	—
Proceeds from issuance of common stock, net of issuance costs	343,689	—
Net cash provided by financing activities	771,182	—
Net increase in cash, cash equivalents and restricted cash	93,731	—
Cash, cash equivalents and restricted cash — beginning of period	—	—
Cash, cash equivalents and restricted cash — end of period	$ 93,731	$ —
Non-cash operating, investing and financing activities:		
Common stock issued on conversion of convertible preferred stock	$ 411,052	$ —
Common stock issued on conversion of convertible notes payable	$ 141,410	$ —
Series A-1 convertible preferred stock issued in asset acquisition	$ 111,770	$ —
PP&E and other assets acquired in asset acquisition	$ 111,770	$ —
Right-of-use asset obtained in exchange for lease liability	$ 33,015	$ —
Property and equipment purchases in accounts payable and accrued liabilities	$ 3,182	$ —
Deferred offering costs included in accounts payable and accrued and other current liabilities	$ 356	$ —
Supplemental disclosure:		
Cash paid for amounts included in the measurement of lease liabilities	$ (31)	$ —

The accompanying notes are an integral part of these financial statements.

Note 1. Description of Business and Summary of Significant Accounting Policies

Allogene Therapeutics, Inc. (the Company or Allogene) was incorporated on November 30, 2017 in the State of Delaware and is headquartered in South San Francisco, California. Allogene is a clinical-stage immuno-oncology company pioneering the development and commercialization of genetically engineered allogeneic T cell therapies for the treatment of cancer. The Company is developing a pipeline of off-the-shelf T cell product candidates that are designed to target and kill cancer cells.

For the period from November 30, 2017 (inception) to December 31, 2017, the Company incurred $2,000 in start-up costs to establish the Company. Principal operations commenced in April 2018 when Allogene acquired certain assets from Pfizer Inc. (Pfizer) (see Note 6) and completed a Series A and A-1 preferred stock financing (see Note 11).

Initial Public Offering

In October 2018, the Company completed an initial public offering (IPO) of its common stock. In connection with its IPO, the Company issued and sold 20,700,000 shares of its common stock, which included 2,700,000 shares of its common stock issued pursuant to the over-allotment option granted to the underwriters, at a price to the public of $18.00 per share. As a result of the IPO, the Company received $343.3 million in net proceeds, after deducting underwriting discounts and commissions of $26.1 million and offering expenses of $3.2 million payable by the Company. At the closing of the IPO, 11,743,987 shares of outstanding convertible preferred stock were automatically converted into 61,655,922 shares of common stock and the 2018 Notes (see Note 10) were automatically converted into 7,856,176 shares of common stock. Following the IPO, there were no shares of convertible preferred stock or preferred stock outstanding.

Deferred Offering Costs

Offering costs, including legal, accounting, and filing fees related to the IPO, were deferred and were offset against the offering proceeds upon the completion of the IPO. Upon the completion of the IPO in October 2018, $3.2 million of deferred offering costs were reclassified to additional paid in capital. There were no deferred offering costs capitalized as of December 31, 2017.

Forward Stock Split

On October 1, 2018, the Company filed an amendment to the Company's amended and restated certificate of incorporation to effect a forward split of shares of the Company's common stock on a 1-for-5.25 basis (the Forward Stock Split). In connection with the Forward Stock Split, the conversion ratio for the Company's outstanding convertible preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was increased in proportion to the Forward Stock Split. The par value of the common stock was not adjusted as a result of the Forward Stock Split. All references to common stock, options to purchase common stock, early exercised options, share data, per share data, convertible preferred stock (to the extent presented on an as-converted to common stock basis) and related information contained in these financial statements have been retrospectively adjusted to reflect the effect of the Forward Stock Split for all periods presented.

Need for Additional Capital

The Company has sustained operating losses and expects to continue to generate operating losses for the foreseeable future. The Company's ultimate success depends on the outcome of its research and development activities as well as the ability to commercialize the Company's product candidates. The Company had cash and cash equivalents and investments of $721.4 million as of December 31, 2018. Since inception through December 31, 2018, the Company has incurred cumulative net losses of $211.5 million. Management expects to incur additional losses in the future to fund its operations and conduct product research and development and recognizes the need to raise additional capital to fully implement its business plan.

The Company intends to raise such additional capital through the issuance of equity securities, debt financings or other sources in order to further implement its business plan. However, if such financing is not available at adequate levels, the Company will need to reevaluate its operating plan and may be required to delay the development of its product candidates. The Company expects that its cash and cash equivalents and investments will be sufficient to fund its operations for a period of at least one year from the date the financial statements are filed with the Securities and Exchange Commission (SEC).

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates and assumptions made in the accompanying financial statements include but are not limited to the fair value of common stock, the fair value of stock options, the fair value of investments, the fair value of convertible notes payable upon conversion, income tax uncertainties, and certain accruals. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances change. Actual results could differ from those estimates.

Concentration of Credit and other Risks and Uncertainties

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and cash equivalents and investments. The primary objectives for the Company's investment portfolio are the preservation of capital and the maintenance of liquidity. The Company does not enter into any investment transaction for trading or speculative purposes.

The Company's investment policy limits investments to certain types of instruments such as certificates of deposit, money market instruments, obligations issued by the U.S. government and U.S. government agencies as well as corporate debt securities, and places restrictions on maturities and concentration by type and issuer. The Company maintains cash balances in excess of amounts insured by the FDIC and concentrated within a limited number of financial institutions. The accounts are monitored by management and management believes that the financial institutions are financially sound, and, accordingly, minimal credit risk exists with respect to these financial institutions. As of December 31, 2018, the Company has not experienced any credit losses in such accounts or investments.

The Company is subject to a number of risks common for early-stage biopharmaceutical companies industry including, but not limited to, dependency on the clinical and commercial success of its product candidates, ability to obtain regulatory approval of its product candidates, the need for substantial additional financing to achieve its goals, uncertainty of broad adoption of its approved products, if any, by physicians and patients, significant competition and untested manufacturing capabilities.

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined it operates in a single operating segment and has one reportable segment.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents consist primarily of amounts invested in money market accounts.

The Company has issued letters of credit under separate lease agreements which have been collateralized by restricted cash. This cash is classified as long-term restricted cash on the accompanying balance sheet based on the terms of the underlying leases.

Investments

Investments are available-for-sale and are carried at estimated fair value. The Company's valuations of marketable securities are generally derived from independent pricing services based upon quoted prices in active markets for similar securities, with prices adjusted for yield and number of days to maturity, or based on industry models using data inputs, such as interest rates and prices that can be directly observed or corroborated in active markets. Management determines the appropriate classification of its investments in debt securities at the time of purchase. Investments with original maturities beyond three months at the date of purchase and which mature at, or less than twelve months from the balance sheet date are classified as current.

Unrealized gains and losses are excluded from earnings and are reported as a component of comprehensive loss. The Company periodically evaluates whether declines in fair values of its available-for-sale securities below their book value are other-than-temporary. This evaluation consists of several qualitative and quantitative factors regarding the severity and duration of the unrealized loss as well as the Company's ability and intent to hold the available-for-sale security until a forecasted recovery occurs. Additionally, the Company assesses whether it has plans to sell the security or it is more likely than not it will be required to sell any available-for-sale securities before recovery of its amortized cost basis. Realized gains and losses and declines in fair value judged to be other than temporary, if any, on available-for-sale securities are included in interest and other income, net. The cost of investments sold is based on the specific-identification method. Interest income on investments is included in interest and other income, net.

Fair Value Measurement

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Maintenance and repairs are charged to operations as incurred. Upon sale or retirement of assets, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations.

The Company has determined the estimated life of assets to be as follows:

Laboratory Equipment	5 years
Computer Equipment and purchased software	3 - 5 years
Fixtures and Furniture	7 years
Leasehold improvements	Shorter of lease term or useful life

Leases

The Company early adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* on January 1, 2018. For its long-term operating leases, the Company recognizes a right-of-use asset and a lease liability on its balance sheets. The lease liability is determined as the present value of future lease payments using an estimated rate of interest that the Company would pay to borrow equivalent funds on a collateralized basis at the lease commencement date. The right-of-use asset is based on the liability adjusted for any prepaid or deferred rent. The lease term at the commencement date is determined by considering whether renewal options and termination options are reasonably assured of exercise.

Rent expense for the operating lease is recognized on a straight-line basis over the lease term and is included in operating expenses on the statements of operations and comprehensive loss. Variable lease payments include lease operating expenses.

The Company elected to exclude from its balance sheets recognition of leases having a term of 12 months or less (short-term leases) and elected to not separate lease components and non-lease components for its long-term real-estate leases.

Accrued Research and Development Costs

The Company records accrued liabilities for estimated costs of research and development activities conducted by collaboration partners and third-party service providers, which include the conduct of preclinical studies and clinical trials, and contract manufacturing activities. The Company records the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and includes these costs in accrued and other current liabilities on the balance sheets and within research and development expenses on the statements of operations and comprehensive loss.

The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its collaboration partners and third-party service providers. The Company makes significant judgments and estimates in determining the accrued liabilities balance at the end of each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The Company has not experienced any material differences between accrued costs and actual costs incurred since its inception.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Management makes an assessment of the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Due to the Company's historical operating performance the net deferred tax assets have been fully offset by a valuation allowance.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of the provision for income taxes.

Stock-Based Compensation

The Company measures its stock-based awards granted to employees, consultants and directors based on the estimated fair values of the awards and recognizes the compensation over the requisite service period. The Company uses the Black-Scholes option-pricing model to estimate the fair value of its stock-based awards. Stock-based compensation is recognized using the straight-line method. As the stock compensation expense is based on awards ultimately expected to vest, it is reduced by forfeitures. The Company accounts for forfeitures as they occur.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, without consideration for potential dilutive shares of common stock. Since the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share since the effects of potentially dilutive securities are antidilutive. Shares of common stock subject to repurchase are excluded from the weighted-average shares.

Comprehensive Loss

Comprehensive loss includes net loss and certain changes in stockholders' equity (deficit) that are excluded from net loss. For the year ended December 31, 2018 this was comprised of unrealized gains and losses, net of tax, on the Company's investments. For the period from November 30, 2017 (inception) to December 31, 2017, comprehensive net loss was equal to net loss.

Definite-Lived Intangible Assets

Identifiable intangible assets consist of in-process research and development and workforce associated with the Pfizer asset acquisition. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-line basis, generally two years. Acquired in-process research and development intangible assets with no alternative future use are charged to research and development expense when acquired. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets. Intangible assets are carried at cost less accumulated amortization. Amortization of intangible assets is included in research and development expenses.

Impairment of Long-Lived Assets

Long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount of an asset group to the future net undiscounted cash flows that the assets are expected to generate. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset. There has been no impairment of long-lived assets for any of the periods presented.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses for the year ended December 31, 2018 primarily consist of acquired intangible assets pursuant to the Asset Contribution Agreement with Pfizer (see Note 6) as, at the time of acquisition of the asset, the technology was under development; was not approved by the U.S. Food and Drug Administration or other regulatory agencies for marketing; had not reached technical feasibility; or otherwise had no foreseeable alternative future use. For the year ended December 31, 2018, the Company recognized expense of $109.4 million related to the acquired intangible in-process research and development.

Research and development expenses also include costs incurred for internal and sponsored and collaborative research and development activities. Research and development costs consist of salaries and benefits, including associated stock-based compensation, and laboratory supplies and facility costs, as well as fees paid to other entities that conduct certain research and development activities on the Company's behalf. Costs associated with co-development activities performed under the various license and collaboration agreements are included in research and development expenses.

Note 2. Recent Accounting Guidance

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (ASU 2017-01). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. This new accounting guidance is effective for public or private companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The new accounting guidance should be applied prospectively on or after the effective date. The Company adopted this guidance on January 1, 2018.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* (ASU 2018-07). ASU 2018-07 simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. Some of the areas of simplification apply only to nonpublic entities. For all entities, the amendments are effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted for any entity in any interim or annual period for which financial statements haven't been issued or made available for issuance, but not before an entity adopts ASC 606. The Company early adopted this guidance on January 1, 2018. As a result, the accounting for share-based payments to nonemployee consultants is consistent with employees.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU requires changes in restricted cash during the period to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. If cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the total in the statement of cash flows to the related captions in the balance sheet. This guidance is effective for annual and interim periods of public entities beginning after December 15, 2017, with early adoption permitted. The amendments in this ASU should be applied retrospectively to all periods presented. The Company adopted this guidance on January 1, 2018. The adoption of this ASU increased our ending cash balances within the statements of cash flows. The adoption had no other material impacts to the statements of cash flows and had no impact on the results of operations or financial position.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02), which provides revised accounting requirements for both lessees and lessors. Lessees will recognize a right-of-use asset and a lease liability for virtually all leases (other than short-term leases upon election). The liability is recognized at the present value of future lease payments. The asset is recognized based on the liability. For statements of operations purposes, ASU 2016-02 requires leases to be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018. Early adoption is permitted. The standard requires a modified-retrospective transition method and provides for certain practical expedients. The Company early adopted the new lease standard on July 1, 2018 with the adoption reflected as of January 1, 2018 in accordance with ASU No. 2018-11, *Leases (Topic 842) –Targeted Improvements*. There were no lease arrangements prior to August 2018 and consequently, the adoption of the standard did not have any impact on periods prior to August 2018.

Recent Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which provided amended guidance to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Additionally, under the new guidance, an entity will be required to provide certain disclosures regarding stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to have a material effect on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. This standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption of this standard to have a material effect on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles – Goodwill and other – Internal-Use Software (Subtopic 350-40)*, which amended its guidance for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This new standard also requires customers to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the impact of adopting this amendment to its financial statements.

Note 3. Fair Value Measurements

The Company follows authoritative accounting guidance, which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

The Company measures and reports its cash equivalents, restricted cash, investments and convertible notes payable at fair value.

Money market funds are measured at fair value on a recurring basis using quoted prices and are classified as Level 1. Investments are measured at fair value based on inputs other than quoted prices that are derived from observable market data and are classified as Level 2 inputs.

There were no Level 3 assets or liabilities at December 31, 2018.

Financial assets subject to fair value measurements on a recurring basis and the level of inputs used in such measurements by major security type as of December 31, 2018 are presented in the following table:

	December 31, 2018			
	Level 1	Level 2	Level 3	Fair Value
	(in thousands)			
Financial Assets:				
Money Market Funds (1)	$ 61,023	$ —	$ —	$ 61,023
Commercial Paper	—	4,917	—	4,917
Corporate bonds	—	244,076	—	244,076
U.S. treasury securities	342,001	—	—	342,001
U.S. agency securities	—	62,115	—	62,115
Total financial assets	$ 403,024	$ 311,108	$ —	$ 714,132

(1) Included within cash and cash equivalents on the Company's balance sheet

The carrying amounts of accounts payable and accrued liabilities approximate their fair values due to their short-term maturities. The Company's Level 2 securities are valued using third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly.

There were no transfers of assets between the fair value measurement levels during the year ended December 31, 2018.

Note 4. Investments

The fair value and amortized cost of cash equivalents and available-for-sale securities by major security type as of December 31, 2018 are presented in the following table:

	December 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 61,023	$ —	$ —	$ 61,023
Commercial Paper	4,917	—	—	4,917
Corporate bonds	244,136	220	(280)	244,076
U.S. treasury securities	341,696	342	(37)	342,001
U.S. agency securities	61,937	181	(3)	62,115
Total cash equivalents and investments	$ 713,709	$ 743	$ (320)	$ 714,132
Classified as:				
Cash equivalents				$ 85,214
Short-term investments				366,952
Long-term investments				261,966
Total cash equivalents, and investments				$ 714,132

The fair values of available-for-sale debt investments by contractual maturity as of December 31, 2018 were as follows:

	Fair Value
	(in thousands)
Due in 1 year or less	$ 375,625
Due in 1 - 2 years	240,614
Due in 3 years	36,870
Instruments not due at a single maturity date	61,023
Total cash equivalents and investments	$ 714,132

As of December 31, 2018, the remaining contractual maturities of available-for-sale securities were less than three years. There have been no significant realized losses on available-for-sale securities for the year ended December 31, 2018. Based on our review of our available-for-sale securities, we believe we had no other-than-temporary impairments on these securities as of December 31, 2018, because we do not intend to sell these securities nor do we believe that we will be required to sell these securities before the recovery of their amortized cost basis. Gross realized gains and gross realized losses were immaterial for the year ended December 31, 2018.

Note 5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

	December 31, 2018
	(in thousands)
Accrued interest on short-term marketable securities	$ 3,108
Prepaid insurance	2,376
Prepaid research and development expenses	2,356
Other prepaid and current assets	758
Total prepaid expenses and other current assets	$ 8,598

Property and Equipment, Net

	December 31, 2018
	(in thousands)
Laboratory equipment	$ 5,534
Leasehold improvements	15
Computers equipment and purchased software	1,327
Furniture and fixtures	64
Construction in progress	2,703
Total	9,643
Less: accumulated depreciation	(1,048)
Total property and equipment, net	$ 8,595

Depreciation and amortization expense for the year ended December 31, 2018 was $1.0 million.

Intangible Assets, Net

	December 31, 2018		
	Cost	Accumulated Amortization	Carrying Value
	(in thousands)		
Assembled workforce	$ 1,206	$ (452)	$ 754

As of December 31, 2018, the weighted-average remaining amortization period of the assembled workforce was 1.26 years. Amortization expense related to the assembled workforce intangible assets was $0.5 million for the year ended December 31, 2018.

Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2018	December 31, 2017
	(in thousands)	
Accrued research and development expenses	$ 7,808	$ —
Unvested shares liabilities	4,590	—
Accrued compensation and related benefits	4,111	—
Other	612	2
Total accrued and other current liabilities	$ 17,121	$ 2

Note 6. Asset Acquisition

In April 2018, the Company entered into an Asset Contribution Agreement (the Pfizer Agreement) with Pfizer pursuant to which the Company acquired certain assets, including certain contracts described in Note 7, and intellectual property for the development and administration of chimeric antigen receptor (CAR) T cells for the treatment of cancer.

As consideration for the purchased assets, the Company issued Pfizer 3,187,772 shares of its Series A-1 convertible preferred stock with an estimated fair value of $111.8 million or $35.06 per share. The Company also incurred $2.1 million of direct expenses related to the asset acquisition, bringing the total consideration to $113.9 million. The fair value of the Series A-1 convertible preferred stock was established using the price per share paid by third-party investors in the concurrent closing of the Series A and A-1 convertible preferred stock financing at $35.06 per share as well as the price per share paid by Pfizer to purchase additional shares of Series A-1 convertible preferred stock at $35.06 per share at the same time and at the same price per share as the rest of Series A and A-1 shares sold in such financing (see Note 11 for additional details). The Series A-1 convertible preferred shares issued to Pfizer had the same rights, preferences and privileges as the Series A convertible preferred shares issued to the third-party investors.

The Company accounted for the transaction as an asset acquisition as substantially all of the estimated fair value of the gross assets acquired was concentrated in a single identified asset, anti-CD19 CAR T cell therapy, thus satisfying the requirements of the screen test in ASU 2017-01. The assets acquired in the transaction were measured based on the fair value of the Series A-1 convertible preferred stock issued to Pfizer and direct transaction costs of $2.1 million, as the fair value of the equity given was more readily determinable than the fair value of the assets received. The following table summarizes the fair value of assets acquired (in thousands):

Property and equipment	$ 3,258
In-process research and development (IPR&D):	
Anti-CD19 CAR T cell therapy	103,936
Anti-BCMA CAR T cell therapy	5,500
Assembled workforce	1,206
Total assets acquired	$ 113,900

The estimated fair values of anti-CD19 CAR T cell therapy and anti-BCMA CAR T cell therapy were determined using a risk-adjusted discounted cash flow approach, which used the present value of the direct cash flows expected to be generated by anti-CD19 CAR T cell therapy and anti-BCMA CAR T cell therapy during their estimated economic lives, net of returns on contributory assets such as working capital, property and equipment, and the assembled workforce. The discount rate of 16.5% was based on rates of return available from alternative investments of similar type and quality as of the valuation date. The remaining IPR&D targets were determined to be more conceptual in nature with nominal value being attributed to them. The estimate of the fair value of the assembled workforce was determined using a replacement cost approach, based on the estimated cost of recruiting and training an equivalent workforce as of the acquisition date.

The amount allocated to intangible IPR&D assets was charged to research and development expenses as these assets had no alternative future use at the time of the acquisition transaction. The remaining intangible asset relates to the assembled workforce which was capitalized and is being amortized over its estimated economic life of two years to research and development expenses.

In addition, under the terms of the Pfizer Agreement, the Company is also required to make milestone payments to Pfizer of $30.0 million or $60.0 million per target (depending on the target, and up to $840.0 million in the aggregate for all targets) upon successful completion of certain regulatory and sales milestones for certain targets covered by the Pfizer Agreement. No milestone payments were made or became due in the year ended December 31, 2018. These contingent payments are not part of the consideration for the purchased assets.

As part of the asset acquisition, the Company also assumed licensing agreements Pfizer had entered into with two third-party entities holding certain intellectual property. Both agreements cover use of the intellectual property held by the parties and certain research collaboration activities. See Note 7 for additional details on these agreements.

Under the Pfizer Agreement, the Company is required to use commercially reasonable efforts to develop and seek regulatory approval in and for the United States and the European Union for certain products covered by the Pfizer Agreement and to commercialize each product covered by the Pfizer Agreement in the applicable royalty territory in which regulatory approval for such product has been obtained.

Note 7. License and Collaboration Agreements

Asset Contribution Agreement with Pfizer

In connection with the Pfizer Agreement (see Note 6), the Company is required to make milestone payments upon successful completion of regulatory and sales milestones on a target-by-target basis for the targets including CD19 and B-cell maturation antigen (BCMA), covered by the Pfizer Agreement. The aggregate potential milestone payments upon successful completion of various regulatory milestones in the United States and the European Union are $30.0 million or $60.0 million, depending on the target, with aggregate potential regulatory and development milestones of up to $840.0 million, provided that the Company is not obligated to pay a milestone for regulatory approval in the European Union for an anti-CD19 allogeneic CAR T cell product, to the extent Servier has commercial rights to such territory. The aggregate potential milestone payments upon reaching certain annual net sales thresholds in North America, Europe, Asia, Australia and Oceania (the Territory) for a certain number of targets covered by the Pfizer Agreement are $325.0 million per target. The sales milestones in the foregoing sentence are payable on a country-by-country basis until the last to expire of any Pfizer Royalty Term, as described below, for any product in such country in the Territory. No such payments were made in the year ended December 31, 2018.

Pfizer is also eligible to receive, on a product-by-product and country-by-country basis, royalties in single-digit percentages on annual net sales for products covered by the Pfizer Agreement or that use certain Pfizer intellectual property and for which an IND is first filed on or before April 6, 2023. The Company’s royalty obligation with respect to a given product in a given country begins upon the first sale of such product in such country and ends on the later of (i) expiration of the last claim of any applicable patent or (ii) 12 years from the first sale of such product in such country.

Research Collaboration and License Agreement with Cellectis

As part of the Pfizer Agreement (see Note 6), Pfizer assigned to the Company a Research Collaboration and License Agreement (the Original Cellectis Agreement) with Cellectis S.A. (Cellectis). Pursuant to the Original Cellectis Agreement, the Company has an exclusive, worldwide, royalty-bearing, sublicensable license, on a target-by-target basis, under certain of Cellectis’s intellectual property to make, use, sell, import, and otherwise commercialize products directed at certain targets for the treatment of cancer.

The Original Cellectis Agreement included a research collaboration to conduct discovery and pre-clinical development activities to generate CAR T cells directed at targets selected by each party. Pursuant to the terms of the Original Cellectis Agreement, the research collaboration ended in June 2018. Cellectis has a non-exclusive, worldwide, royalty-free, perpetual and irrevocable license, with sublicensing rights under certain conditions, under certain of the Company’s intellectual property to conduct research, and to make, use, sell, import and otherwise commercialize products directed at Cellectis-selected targets.

The Original Cellectis Agreement requires the Company to make payments of up to $185.0 million per product that is directed against a Company-selected target, with aggregate maximum potential pre-clinical, clinical and commercial milestone payments totaling up to $2.8 billion across all potential targets. Cellectis is also eligible to receive tiered royalties on annual worldwide net sales of any products that are commercialized by the Company that contain or incorporate, or are covered by, certain of Cellectis’s intellectual property at rates in the high single-digit percentages.

Unless earlier terminated in accordance with the agreement, the Original Cellectis Agreement will expire on a product-by-product and country-by-country basis, on the later of (i) the expiration of the last to expire of the licensed patents covering such product, (ii) the loss of regulatory exclusivity afforded such product in such country, and (iii) the tenth anniversary of the date of the first commercial sale of such product in such country; however, in no event will the term extend, with respect to a particular licensed product, past the twentieth anniversary of the first commercial sale for such product.

All costs the Company incurred in connection with this agreement were recognized as research and development expenses. For the year ended December 31, 2018, $0.4 million of costs have been incurred associated with research services performed by Cellectis.

License and Collaboration Agreement with Servier

As part of the Pfizer Agreement (see Note 6), Pfizer assigned to the Company an Exclusive License and Collaboration Agreement (the Servier Agreement), with Les Laboratoires Servier SAS and Institut de Recherches Internationales Servier SAS (collectively, Servier) to develop, manufacture and commercialize certain allogeneic anti-CD19 CAR T cell product candidates, including UCART19, in the United States with the option to obtain the rights over additional products, including other anti-CD19 product candidates.

Under the Servier Agreement, the Company has an exclusive license to develop, manufacture and commercialize UCART19 in the field of anti-tumor adoptive immunotherapy in the United States, with an exclusive option to obtain the same rights for additional product candidates in the United States and, if Servier does not elect to pursue development or commercialization of those product candidates in certain markets outside of the United States pursuant to its license, outside of the United States as well. The Company is generally not required to make any additional payments to Servier to exercise an option, except for products directed at a certain target, for which the Company is required to pay Servier an option fee in the low tens of millions of dollars range upon exercise. If the Company opts-in to another product candidate, Servier has the right to obtain rights to such product candidate outside the United States and to share development costs for such product candidate.

Under the Servier Agreement, the Company is required to use commercially reasonable efforts to develop and obtain marketing approval in the United States in the field of anti-tumor adoptive immunotherapy for at least one product directed against CD19, and Servier is required to use commercially reasonable efforts to develop and obtain marketing approval in the European Union, and one other country in a group of specified countries outside of the European Union and the United States, in the field of anti-tumor adoptive immunotherapy for at least one allogeneic adaptive T cell product directed against a certain Company-selected target.

For product candidates that the Company is co-developing with Servier, including UCART19 and ALLO-501, the Company is responsible for 60% of the specified development costs and Servier is responsible for the remaining 40% of the specified development costs under the applicable global research and development plan. Subject to certain restrictions, each party has the right to conduct activities that are specific to its territory outside the global research and development plan at such party’s sole expense. In addition, each party is solely responsible for commercialization activities in its territory at such party’s sole expense.

The Company is required to make milestone payments to Servier upon successful completion of regulatory and sales milestones on a target-by-target basis. For products directed against CD19, including UCART19, the Servier Agreement provides for aggregate potential payments by the Company to Servier of up to $137.5 million upon successful completion of various regulatory milestones, and aggregate potential payments by the Company to Servier of up to $78.0 million upon successful completion of various sales milestones. The total potential payments that the Company is obligated to make under the Servier Agreement upon successful completion of regulatory and sales milestones are $381.5 million, including the CD19-related milestone payments described above. Similarly, Servier is required to make milestone payments upon successful completion of regulatory and sales milestones for products directed at the Allogene-target covered by the Servier Agreement that achieves such milestones. The total potential payments that Servier is obligated to make to the Company under the Servier Agreement upon successful completion of regulatory and sales milestones are $42 million and €70.5 million ($81.9 million), respectively. The foregoing milestones are subject to certain adjustments if the Company obtains rights for certain products outside of the United States upon Servier’s election not to pursue such rights.

Each party is also eligible to receive tiered royalties on annual net sales in countries within the paying party’s respective territory of any licensed products that are commercialized by such party that are directed at the targets licensed by such party under the Servier Agreement. The royalty rates are in a range from the low tens to the high teen percentages. Such royalties may be reduced for interchangeable drug entry, expiration of patent rights and amounts paid pursuant to licenses of third-party patents. The royalty obligation for each party with respect to a given licensed product in a given country in each party’s respective territory (the Servier Royalty Term) begins upon the first commercial sale of such product in such country and ends after a defined number of years.

Unless earlier terminated in accordance with the Servier Agreement, the Servier Agreement will continue, on a licensed product-by-licensed product and country-by-country basis, until the Servier Royalty Term with respect to the sale of such licensed product in such country expires.

For the year ended December 31, 2018 the Company recorded development costs of $4.2 million incurred under the collaboration agreement with Servier. These costs were recognized as research and development expenses.

Note 8. Leases

In August 2018, the Company entered into an operating lease agreement for new office and laboratory space which consists of approximately 68,000 square feet located in South San Francisco, California. The lease term is 127 months beginning August 2018 through February 2029 with an option to extend the term for another seven years which is not reasonably assured of exercise. The Company has the right to make tenant improvements, including the addition of laboratory space, with a lease incentive allowance of $5.1 million. The rent payments begin on March 1, 2019 after an abatement period. In connection with the lease, the Company has maintained a letter of credit for the benefit of the landlord in the amount of $1.0 million.

In connection with the lease, the Company recognized an operating lease right-of-use asset of $24.6 million as of December 31, 2018 and an aggregate lease liability of $26.3 million in its balance sheet. The remaining lease term is 10 years and 2 months, and the estimated incremental borrowing rate is 8.0%.

In October 2018, the Company entered into an operating lease agreement for new office and laboratory space which consists of approximately 14,943 square feet located in South San Francisco, California. The lease term is 124 months beginning November 2018 through February 2029, with an option to extend the term for another seven years which is not reasonably assured of exercise. The Company has the right to make tenant improvements, including the upgrading of current office and laboratory space with a lease incentive allowance of $0.8 million. Rent payments began in November 2018. In connection with the lease, the Company has maintained a letter of credit for the benefit of the landlord in the amount of $0.2 million.

In connection with the lease, the Company recognized an operating lease right-of-use asset of $6.2 million as of December 31, 2018 and an aggregate lease liability of $6.3 million in its balance sheet. The remaining lease term is 10 years and 2 months, and the estimated incremental borrowing rate is 8.0%.

In December 2018, the Company entered into two operating leases for office space in New York and Los Angeles for approximately 4,358 and 1,293 square feet respectively. The Company recognized operating lease right-of-use assets of $2.0 million and $0.2 million as of December 31, 2018 and aggregate lease liabilities of $2.0 million and $0.2 million respectively for these leases. The lease term for the New York operating lease is 6 years and 7 months, with no option for renewal. The lease term for the Los Angeles operating lease is 3 years with an option to extend the lease term for another two years which is not reasonably assured of exercise. There were not lease incentive allowances for either location. In connection with the New York lease, the Company maintained a letter of credit for the benefit of the landlord in the amount of $0.1 million. The remaining lease terms were 6 years and 6 months and 2 years and 11 months at December 31, 2018 and the estimated incremental borrowing rates applied were 8% and 7%, respectively.

The undiscounted future non-cancellable lease payments under our operating leases as of December 31, 2018 is as follows:

Year ending December 31:	**(in thousands)**
2019	$ 3,602
2020	5,653
2021	5,834
2022	5,942
2023 and thereafter	39,791
Total undiscounted lease payments	60,822
Less: Present value adjustment	(20,107)
Less: Tenant improvement allowance	(5,942)
Total	$ 34,773

Rent expense for the Company's operating leases was $1.9 million for the year ended December 31, 2018. Rent expense for short-term leases was $2.6 million for the year ended December 31, 2018. There was a total commitment of $1.6 million at December 31, 2018 related to short-term leases. Variable lease payments for operating expenses were immaterial for the year ended December 31, 2018.

Note 9. Commitments and Contingencies

Purchase Commitments

In the normal course of business, the Company enters into various purchase commitments with third-party contract manufacturers for the manufacture and processing of our product candidates and related raw materials, and we have entered into other contracts in the normal course of business with contract research organizations for clinical trials and other vendors for other services and products for operating purposes. These agreements generally provide for termination or cancellation, other than for costs already incurred.

Contingencies

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown, because it involves claims that may be made against the Company in the future, but have not yet been made. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Indemnification

In accordance with the Company's amended and restated certificate of incorporation and amended and restated bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving in such capacity. There have been no claims to date, and the Company has a directors and officers liability insurance policy that may enable it to recover a portion of any amounts paid for future claims.

Note 10. Convertible Notes Payable (2018 Notes)

In September 2018, the Company entered into a note purchase agreement pursuant to which it sold and issued an aggregate of $120.2 million in convertible promissory notes (convertible notes payable or 2018 Notes) and received net cash proceeds of $116.8 million. On issuance, the fair value of the 2018 Notes was determined to be equal to $120.2 million, which is the principal amount of the 2018 Notes.

The 2018 Notes did not accrue interest. The 2018 Notes were settled in 7,856,176 shares of common stock in connection with the closing of the Company's IPO (see Note 1) at a settlement price equal to 85% of the IPO price per share.

On issuance, the Company elected to account for the 2018 Notes at fair value with any changes in estimated fair value being recognized through the statements of operations and comprehensive loss until the 2018 Notes settled. The fair value of the 2018 Notes was determined to be $141.4 million upon settlement. For the year ended December 31, 2018, the Company recognized $21.2 million of expense in the accompanying statements of operations and comprehensive loss for the change in fair value of the 2018 Notes. On issuance, total debt issuance costs of $3.4 million were expensed and recognized as interest expense in the accompanying statements of operations and comprehensive loss.

Note 11. Convertible Preferred Stock and Stockholders' Equity (Deficit)

Convertible Preferred Stock

As discussed in Note 6, the Company issued 3,187,772 shares of its Series A-1 convertible preferred stock to Pfizer in connection with the Pfizer Agreement entered into in April 2018.

In April 2018, the Company issued 7,557,990 shares of its Series A convertible preferred stock at a price per share of $35.06 for net cash proceeds of $264.4 million and issued 998,225 shares of Series A-1 convertible preferred stock at a price per share of $35.06 for net cash proceeds of $34.9 million. Fifty percent of the aggregate purchase price of $300.0 million was paid in April 2018. The remaining subscriptions receivable of $150.0 million was received in July and August 2018, at the election of the Company's board of directors.

On the completion of the IPO (see Note 1), all outstanding shares of convertible preferred stock were automatically converted into 61,655,922 shares of common stock.

Preferred Stock

Pursuant to the Amended and Restated Certificate of Incorporation filed on October 15, 2018, as amended, the Company is authorized to issue a total of 10,000,000 shares of preferred stock, of which no shares were issued and outstanding at December 31, 2018.

Common Stock

Pursuant to the Amended and Restated Certificate of Incorporation filed on October 15, 2018, as amended, the Company was authorized to issue a total of 200,000,000 shares of common stock, of which 121,482,671 shares were issued and outstanding at December 31, 2018.

In connection with the issuance of the Company's Series A convertible preferred stock in April 2018, the Company's founders agreed to modify their common shares outstanding to include vesting provisions that require continued service to the Company in order to vest in those shares. As such, the 26,249,993 modified shares of common stock became compensatory upon such modification. The total compensation cost resulting from the modification is approximately $59.5 million and is being recognized over the four-year vesting term.

Common stockholders are entitled to dividends if and when declared by the Company's Board of Directors subject to the prior rights of the preferred stockholders. As of December 31, 2018, no dividends on common stock had been declared by the Company's board of directors.

Note 12. Stock-Based Compensation

2018 Equity Incentive Plan

In June 2018, the Company adopted the 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan provided for the Company to sell or issue common stock or restricted common stock, or to grant incentive stock options or nonqualified stock options for the purchase of common stock, to employees, members of the Company's Board of Directors and consultants of the Company under terms and provisions established by the Company's Board of Directors. In October 2018, the Board of Directors approved an amendment and restatement of the 2018 Plan, increasing the shares of common stock issuable under the 2018 Plan as well as allowing for an automatic annual increase to the shares issuance under the 2018 Plan to the amount equal to 5% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The term of any stock option granted under the 2018 Plan cannot exceed 10 years. The Company generally grants stock-based awards with service conditions only. Options granted typically vest over a four-year period but may be granted with different vesting terms. Options shall not have an exercise price less than 100% of the fair market value of the Company's common stock on the grant date. If the individual possesses more than 10% of the combined voting power of all classes of stock of the Company, the exercise price shall not be less than 110% of the fair market value of a common share of stock on the date of grant. This requirement is applicable to incentive stock options only.

As of December 31, 2018, there were 8,176,125 shares reserved by the Company under the 2018 Plan for the future issuance of equity awards.

The following summarizes option activity under the 2018 Plan:

	Shares available for Grant under 2018 Plan	Outstanding Options			
		Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance, December 31, 2017	—	—	$ —	—	$ —
Increase in shares reserved for issuance	20,432,250	—			
Options granted	(12,336,975)	12,336,975	5.47		
Options exercised	—	(5,020,580)	2.27		123,808
Options forfeited	80,850	(80,850)	2.27		
Balance, December 31, 2018	8,176,125	7,235,545	$ 7.72	9.62	$ 139,001
Exercisable, December 31, 2018		2,657,545	$ 3.94	9.55	$ 61,096
Vested and expected to vest, December 31, 2018		7,235,545	$ 7.72	9.62	$ 139,001

The aggregate intrinsic values of options exercised, outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the closing price of the Company's common Stock on the Nasdaq Capital Market on December 31, 2018. During the year ended December 31, 2018, the estimated weighted-average grant-date fair value of employee options granted was $3.75 per share. As of December 31, 2018, there was $42.8 million of unrecognized stock-based compensation related to unvested stock options, which is expected to be recognized over a weighted-average period of 3.5 years. No options had vested during the year ended December 31, 2018.

The fair value of employee, consultant and director stock option awards was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31, 2018
Fair value of common stock	$2.27 - $26.52
Expected term in years	5.99 to 6.25
Expected volatility	74.2% - 77.0%
Expected risk-free interest rate	2.74% - 2.99%
Expected dividend	0%

The Black-Scholes option-pricing model requires the use of subjective assumptions which determine the fair value of stock-based awards. These assumptions include:

Fair value of common stock—For grants before October 2018 when the Company was private and there was no public market for the Company's common stock, the fair value of the Company's common stock underlying share-based awards was estimated on each grant date by the Company's board of directors. In order to determine the fair value of the Company's common stock underlying option grants, the Company's board of directors considered, among other things, valuations of the Company's common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. For all grants subsequent to the Company's IPO in October 2018, the fair value of common stock was determined by taking the closing price per share of common stock per NASDAQ.

Expected term— The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

Expected volatility— The Company uses an average historical stock price volatility of comparable public companies within the biotechnology and pharmaceutical industry that were deemed to be representative of future stock price trends as the Company does not have sufficient trading history for its common stock. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available.

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

Expected dividend—The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

For the year ended December 31, 2018, total stock-based compensation expense related to stock options was $3.3 million.

Employee Stock Purchase Plan

In October 2018, the shareholders approved the 2018 Employee Stock Purchase Plan (ESPP), which initially reserved 1,160,000 shares of our common stock for employee purchases under terms and provisions established by the Board of Directors. The ESPP is intended to qualify as an 'employee stock purchase plan' under Section 423 of the Internal Revenue Code. Under the current offering adopted pursuant to the ESPP, each offering period is approximately 24 months, which is generally divided into four purchase periods of approximately six months.

Employees are eligible to participate if they are employed by the Company. Under the ESPP, employees may purchase common stock through payroll deductions at a price equal to 85% of the lower of the fair market value of common stock on the first trading day of each offering period or on the purchase date. The ESPP provides for consecutive, overlapping 24-month offering periods. The offering periods are scheduled to start on the first trading day on or after March 16 or September 16 of each year, except for the first offering period which commenced on October 11, 2018, the first trading day after the effective date of the Company's registration statement. Contributions under the ESPP are limited to a maximum of 15% of an employee's eligible compensation.

The fair values of the rights granted under the ESPP were calculated using the following assumptions:

	Year Ended December 31, 2018
Expected term (in years)	0.50 – 2.00
Volatility	67.7% - 81.8%
Risk-free interest rate	2.37% - 2.83%
Dividend yield	—

For the year ended December 31, 2018, total stock-based compensation expense related to ESPP was $0.4 million.

Founders' Stock

Stock-based compensation expense is recognized for shares of founders' stock as vesting conditions are met. In relation to the modification described in Note 11, 24,230,750 shares of founders' stock remained unvested at the modification date in April 2018. For the year ended December 31, 2018, $14.9 million of stock-based compensation expense was recognized related to the vesting of 6,562,506 shares of founder stock. At December 31, 2018 there was $44.6 million of unrecognized stock-based compensation expense related to 19,687,487 shares of unvested founders' stock which is expected to be recognized over 3.2 years. The weighted-average fair value at grant date for founders' stock was $2.27 per share.

Total stock-based compensation expense related to stock options, employee stock purchase plans and vesting of the founders' common stock was as follows:

	Year Ended December 31, 2018 (in thousands)
Research and development	$ 1,657
General and administrative	16,909
Total stock-based compensation expense	$ 18,566

Early Exercised Options

The Company allows certain of its employees and its directors to exercise options granted under the 2018 Plan prior to vesting. The shares related to early exercised stock options are subject to the Company's lapsing repurchase right upon termination of employment or service on the Company's Board of Directors at the lesser of the original purchase price or fair market value at the time of repurchase. In order to vest, the holders are required to provide continued service to the Company. The proceeds are initially recorded in accrued and other liabilities and other long-term liabilities for the noncurrent portion. The proceeds are reclassified to paid-in capital as the repurchase right lapses. During the year ended December 31, 2018 5,020,580 options were early exercised. As of December 31, 2018, there was $4.6 million recorded in accrued and other liabilities and $6.8 million recorded in other long-term liabilities related to shares held by employees and directors that were subject to repurchase. The underlying shares are shown as outstanding in the financial statements since the exercise date.

Note 13. Related Party Transactions

As of December 31, 2018, Pfizer held 21,976,484 shares of Common Stock and had appointed one member to the Company's Board of Directors.

In April 2018, the Company and Pfizer entered into a transition services agreement (the Pfizer TSA) for Pfizer to provide professional services to the Company related to research and development, project management, and other administrative functions. For the year ended December 31, 2018 the costs incurred under the Pfizer TSA were $10.1 million, with $4.9 million recorded in general and administrative expense and $5.2 million recorded in research and development expense.

The Company also purchased certain lab supplies and services from Pfizer in connection with its research and development activities. For the year ended December 31, 2018 the total lab supplies and services purchased from Pfizer was $10.4 million, which were recorded as research and development expense.

As of December 31, 2018, the Company had amounts payable to Pfizer of $5.7 million, which were recorded in the accompanying balance sheet.

Consulting Agreements

In June 2018, the Company entered into a services agreement with Two River Consulting LLC (Two River) a firm affiliated with the Company's President and Chief Executive Officer, the Company's Executive Chairman of the board of directors, and a director of the Company to provide various managerial, administrative, accounting and financial services to the Company. The costs incurred for services provided under this agreement was $0.6 million for the year ended December 31, 2018 and was included in general and administrative expenses.

In June 2018 the Company entered into a consulting services agreement with TPG Capital – FO LLC (TPG FO) a firm affiliated with a beneficial owner of more than 5% of the Company's capital stock. The costs incurred for services performed under this agreement was $0.3 million for the year ended December 31, 2018 and was included in general and administrative expenses.

In August 2018, the Company entered into a consulting agreement with Bellco Capital LLC (Bellco). The Company's executive chairman, Arie Belldegrun, M.D., FACS, is the Chairman and an owner of Bellco. Pursuant to the consulting agreement, Bellco provides certain services for the Company, which are performed by Dr. Belldegrun and include without limitation, providing advice and analysis with respect to the Company's business, business strategy and potential opportunities in the field of allogeneic CAR T cell therapy and any other aspect of the CAR T cell therapy business as the Company may agree. In consideration for these services, the Company pays Bellco $26,250 per month in arrears commencing June 2018 and, at the Company's discretion, may pay Bellco an annual performance award in an amount up to 60% of the aggregate compensation payable to Bellco in a calendar year. The Company also reimburses Bellco for out of pocket expenses incurred in performing the services. The cost incurred for services provided, bonus and out-of-pocket expenses incurred under this consulting agreement were $0.5 million for the year ended December 31, 2018 and were included in general and administrative expenses.

Leases

In December 2018, the Company entered into a sublease with Bellco for 1,293 square feet of office space in Los Angeles California for a three-year term. The total right of use asset and associated liability recorded related to this related party lease was $0.2 million at December 31, 2018.

Note 14. 401(k) Plan

In April 2018, the Company began to sponsor a 401(k) retirement savings plan for the benefit of its employees. All employees are eligible to participate, provided they meet the requirements of the plan. The Company made contributions to the plan for eligible participants, and recorded contribution expenses of $0.4 million related to matched contributions for the year ended December 31, 2018.

Note 15. Income Taxes

For the period from November 30, 2017 (inception) to December 31, 2017, the Company recorded no income tax expense. For the year ended December 31, 2018, the Company recorded income tax benefit due to the intraperiod tax allocation of deferred income taxes on unrealized gains on available for sale securities recorded in other comprehensive income. The Company has incurred net operating losses for all the periods presented. The Company has not reflected any benefit of such net operating loss carryforwards in the accompanying financial statements.

The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets.

	Year Ended December 31, 2018	Period from November 30, (Inception) to December 31, 2017
Current:	(in thousands)	
Federal	$ —	$ —
State	2	—
	2	—
Deferred:		
Federal	(89)	—
State	(30)	—
	(119)	—
Benefit for income taxes	$ (117)	$ —

Reconciliation of the benefit for income taxes calculated at the statutory rate to our benefit for income taxes is as follows:

	Year Ended December 31, 2018	Period from November 30, (Inception) to December 31, 2017
	(in thousands)	
Tax benefit at federal statutory rate	$ (44,441)	$ —
State taxes, net of federal benefit	(10,652)	—
Stock-based compensation	3,629	—
Research tax credits	(708)	—
Write-off of in-process R&D	5,247	—
Change in fair value of convertible notes	4,454	—
Change in valuation allowance	41,916	—
Other	438	—
Benefit for incomes taxes	$ (117)	$ —

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.

Significant components of our deferred tax assets and liabilities are as follows:

	Year Ended December 31, 2018	Period from November 30, (Inception) to December 31, 2017
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 16,437	$ —
Tax credit carryforwards	1,239	—
Intangibles	23,086	—
Accrued expenses	952	—
Lease liabilities	9,730	—
Stock based compensation	360	—
Other	—	—
Total deferred tax assets	51,804	—
Deferred tax liabilities:		
Fixed assets	(531)	—
Right of use leased assets	(9,239)	—
Investments	(118)	—
Other	—	—
Total deferred tax liabilities	(9,888)	—
Net deferred tax assets	41,916	—
Valuation allowance	(41,916)	—
Net deferred tax assets	$ —	$ —

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Due to the lack of earnings history, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by approximately $41.9 million during the year ended December 31, 2018.

The following table sets forth our federal and state NOL carryforwards and federal research and development tax credits as of December 31, 2018:

	Amount	Expiration
	(in thousands)	
Net operating losses, federal	$ 59,014	Indefinite
Net operating losses, federal	$ 2	2037
Net operating losses, state	$ 57,895	2037 - 2038
Tax credits, federal	$ 1,180	2037 - 2038
Tax credits, state	$ 1,120	Indefinite

Current federal and California tax laws include substantial restrictions on the utilization of NOLs and tax credit carryforwards in the event of an ownership change of a corporation. Accordingly, the Company's ability to utilize NOLs and tax credit carryforwards may be limited as a result of such ownership changes. Such a limitation could result in the expiration of carryforwards before they are utilized.

Income tax expense or benefit from continuing operations is generally determined without regard to other categories of earnings, such as discontinued operations and other comprehensive income. An exception is provided in ASC 740 when there is aggregate income from categories other than continuing operations and a loss from continuing operations in the current year. In this case, the tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the tax expenses recorded with respect to the other categories of earnings, even when a valuation allowance has been established against the deferred tax assets. In instances where a valuation allowance is established against current year losses, income from other sources, including gain from available-for-sale investments recorded as a component of other comprehensive income, is considered when determining whether sufficient future taxable income exists to realize the deferred tax assets. For the year ended December 31, 2018, the Company recorded a tax benefit of $0.1 million in other comprehensive income, related to available-for-sale securities.

We apply the provisions of ASC Topic 740 to account for uncertain income tax positions. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31, 2018	December 31, 2017
	(in thousands)	
Balance at beginning of the year:		
Additions based on tax positions related to current year	$ 920	$ —
Additions to tax position of prior year	—	—
Balance at end of the year	$ 920	$ —

It is the Company’s policy to include penalties and interest expense related to income taxes as a component of interest and other income, net, as necessary. As of December 31, 2018, there were no accrued interest and penalties related to uncertain tax positions. The reversal of the uncertain tax benefits would not affect the effective tax rate to the extent that the Company continues to maintain a full valuation allowance against its deferred tax assets. Unrecognized tax benefits may change during the next 12 months for items that arise in the ordinary course of business. We are subject to examination by U.S. federal or state tax authorities for all years from inception.

Note 16. Net Loss and Net Loss Per Share

The following table sets forth the computation of the basic and diluted net loss per share (in thousands, except share and per share data):

	Year Ended December 31, 2018	Period from November 30, (Inception) to December 31, 2017
Numerator:		
Net loss	$ (211,505)	$ (2)
Denominator:		
Weighted average common shares outstanding	28,948,386	26,249,993
Net loss per share, basic and diluted	$ (7.31)	$ (0.00)

Since the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential dilutive securities would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	Year Ended December 31, 2018	Period from November 30, (Inception) to December 31, 2017
Stock options to purchase common stock	7,235,545	—
Founder shares subject to future vesting	19,687,487	—
Early exercised stock options subject to future vesting	5,020,580	—
Total	31,943,612	—

Note 17. Subsequent Events

In February 2019, the Company entered into a lease agreement for approximately 118,000 square feet of space to develop a cell therapy manufacturing facility in Newark, California. The lease has a term of fifteen years and eight months, and is expected to commence in March 2020. Upon certain conditions, the Company has two ten-year options to extend the lease. Subject to rent abatement for the second through nine months of the lease, the Company will be required to pay $159,150 per month for rent for the first twelve months of the lease term which will increase at a rate of 3% per year. The Company will be entitled to a tenant improvement allowance of $2.9 million for costs related to the design and construction of certain Company improvements. In connection with the lease, the Company will maintain a letter of credit for the benefit of the landlord in the amount of $3.0 million.

On March 8, 2019, the Company entered into a License Agreement (the Cellectis Agreement) with Cellectis. In connection with the execution of the Cellectis Agreement, on March 8, 2019, the Company and Cellectis also entered into a letter agreement, pursuant to which the Company and Cellectis agreed to terminate the Original Cellectis Agreement. The Original Cellectis Agreement included a research collaboration to conduct discovery and pre-clinical development activities to generate CAR T cells directed at targets selected by each party, which was completed in June 2018.

The material rights and obligations of the parties under the Cellectis Agreement are otherwise consistent with the material rights and obligations of the parties under the Original Cellectis Agreement.

Note 18. Selected Quarterly Financial Data (unaudited)

The following table provides the selected quarterly financial data for the year ended December 31, 2018 (in thousands, except per share amounts):

	Quarter Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Loss from operations	$ 2,597	$ 135,012	$ 22,187	$ 33,046
Net loss	(2,597)	(134,902)	(43,497)	(30,509)
Net loss per share, basic and diluted	$ (0.10)	$ (43.82)	$ (10.71)	$ (0.37)

Our loss from operations, net loss, and net loss per share, basic and diluted, for the period from November 30, 2017 (inception) to December 31, 2017, are contained in our accompanying Statements of Operations and Comprehensive Loss for the period from November 30, 2017 (inception) to December 31, 2017.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2018, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, the design and operation of our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. During the year ended December 31, 2018, we implemented an equity management system as well as hired additional experienced staff in an effort to strengthen our overall control environment. Other than these changes mentioned, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Item 9B. Other Information.

On March 8, 2019, we entered into a License Agreement (the Cellectis Agreement) with Cellectis. In connection with the execution of the Cellectis Agreement, on March 8, 2019, we and Cellectis also entered into a letter agreement (the Letter Agreement), pursuant to which we and Cellectis agreed to terminate the Original Cellectis Agreement. The Original Cellectis Agreement included a research collaboration to conduct discovery and pre-clinical development activities to generate CAR T cells directed at targets selected by each party, which was completed in June 2018.

The material rights and obligations of the parties under the Cellectis Agreement are otherwise consistent with the material rights and obligations of the parties under the Original Cellectis Agreement.

Pursuant to the Cellectis Agreement, Cellectis granted to us an exclusive, worldwide, royalty-bearing, license, on a target-by-target basis, with sublicensing rights under certain conditions, under certain of Cellectis's intellectual property, including its TALEN and electroporation technology, to make, use, sell, import, and otherwise exploit and commercialize CAR T products directed at certain targets, including BCMA, FLT3, DLL3 and CD70 (the "Allogene Targets"), for human oncologic therapeutic, diagnostic, prophylactic and prognostic purposes. In addition, certain Cellectis intellectual property rights granted by Cellectis to us and to Servier pursuant to the Exclusive License and Collaboration Agreement by and between Servier and Pfizer, dated October 30, 2016, which Pfizer assigned to us in April 2018, will survive the termination of the Original Cellectis Agreement.

Pursuant to the Cellectis Agreement, we granted Cellectis a non-exclusive, worldwide, royalty-free, perpetual and irrevocable license, with sublicensing rights under certain conditions, under certain of our intellectual property, to make, use, sell, import and otherwise commercialize CAR T products directed at certain targets (the Cellectis Targets).

The Cellectis Agreement provides for development and sales milestone payments by us of up to $185.0 million per product that is directed against an Allogene Target, with aggregate potential development and sales milestone payments totaling up to $2.8 billion. We expect to pay Cellectis $5.0 million upon the dosing of the first patient in its Phase 1 clinical trial of ALLO-715. Cellectis is also eligible to receive tiered royalties on annual worldwide net sales of any products that are commercialized by us that contain or incorporate, are made using or are claimed or covered by, Cellectis intellectual property licensed to us under the Cellectis Agreement (the Allogene Products), at rates in the high single-digit percentages. Such royalties may be reduced, on a licensed product-by-licensed product and country-by-country basis, for generic entry and for payments due under licenses of third party patents. Pursuant to the Cellectis Agreement, and subject to certain exceptions, we are required to indemnify Cellectis against all third party claims related to the development, manufacturing, commercialization or use of any Allogene Product or arising out of our material breach of the representations, warranties or covenants set forth in the Cellectis Agreement, and Cellectis is required, subject to certain exceptions, to indemnify us against all third party claims related to the development, manufacturing, commercialization or use of CAR T products directed at Cellectis Targets or arising out of Cellectis's material breach of the representations, warranties or covenants set forth in the Cellectis Agreement.

The royalties are payable, on a licensed product-by-licensed product and country-by-country basis, until the later of (i) the expiration of the last to expire of the licensed patents covering such product; (ii) the loss of regulatory exclusivity afforded such product in such country, and (iii) the tenth anniversary of the date of the first commercial sale of such product in such country; however, in no event shall such royalties be payable, with respect to a particular licensed product, past the twentieth anniversary of the first commercial sale for such product.

Depending on the Cellectis Target, we have a right of first refusal or right of first negotiation to purchase or license from Cellectis rights to develop and commercialize products against such Cellectis Targets.

Under the Cellectis Agreement, we have certain diligence obligations to progress the development of CAR T product candidates and to commercialize one CAR T product per Allogene Target in one major market country where we have received regulatory approval. If we materially breach any of our diligence obligations and fails to cure within 90 days, then with respect to certain targets, such target will cease to be an Allogene Target and instead will become a Cellectis Target.

Unless earlier terminated in accordance with its terms, the Cellectis Agreement will expire on a product-by-product and country-by-country basis, upon expiration of all royalty payment obligations with respect to such licensed product in such country. We have the right to terminate the Cellectis Agreement at will upon 60 days' prior written notice, either in its entirety or on a target-by-target basis. Either party may terminate the Cellectis Agreement, in its entirety or on a target-by-target basis, upon 90 days' prior written notice in the event of the other party's uncured material breach. The Cellectis Agreement may also be terminated by us upon written notice at any time in the event that Cellectis becomes bankrupt or insolvent or upon written notice within 60 days of a consummation of a change of control of Cellectis.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item and not set forth below will be set forth in the section headed "—Election of Directors" and "Information Regarding the Board of Directors and Corporate Governance" in our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC by April 30, 2019 (our "Proxy Statement") and is incorporated in this Annual Report by reference.

We have adopted a code of ethics for directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is available on our website at *http://www.allogene.com* under the Governance section of our Investors page. We will promptly disclose on our website (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver. Shareholders may request a free copy of the Code of Business Conduct and Ethics from our Compliance Officer, c/o Allogene Therapeutics, Inc., 210 E. Grand Ave, South San Francisco, CA 94080.

Item 11. Executive Compensation.

The information required by this Item will be set forth in the section headed "Executive Compensation" in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be set forth in the section headed "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated in this Annual Report by reference.

Information regarding our equity compensation plans will be set forth in the section headed "Executive Compensation" in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be set forth in the section headed "Transactions With Related Persons" in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be set forth in the section headed "—Ratification of Selection of Independent Registered Public Accounting Firm" in our Proxy Statement and is incorporated in this Annual Report by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements.

The response to this portion of Item 15 is set forth under Part II, Item 8 above.

(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the Financial Statements or Notes thereto set forth under Item 8 above.

(a)(3) Exhibits.

The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report.

Item 16. Form 10-K Summary

None.

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38693), filed with the SEC on October 15, 2018).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38693), filed with the SEC on October 15, 2018).
4.1	Reference is made to Exhibits 3.1 and 3.2
4.2	Form of Common Stock Certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018.
4.3	Investors' Rights Agreement, dated April 6, 2018, by and among the Registrant and certain of its securityholders, as amended September 5, 2018, (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018)
10.1+	Form of Indemnity Agreement by and between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018).
10.2+	Indemnification Agreement, dated April 6, 2018, by and between the Registrant and John DeYoung (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018).
10.3+	Allogene Therapeutics, Inc. Amended and Restated 2018 Equity Incentive Plan (Prior Plan) and Forms of Stock Option Grant Notice, Option Agreement, Notice of Exercise and Early Exercise Stock Purchase Agreement thereunder, as amended (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.4+	Allogene Therapeutics, Inc. Amended and Restated 2018 Equity Incentive Plan and Forms of Stock Option Grant Notice, Option Agreement, Notice of Exercise, Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement thereunder (incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 (File No. 333-227965), filed with the SEC on October 24, 2018).
10.5+	Allogene Therapeutics, Inc. 2018 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.3 to the Registrant's Registration Statement on Form S-8 (File No. 333-227965), filed with the SEC on October 24, 2018).
10.6+	Allogene Therapeutics, Inc. 2018 Change in Control Plan and Severance Benefit Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018).
10.7+	Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on October 2, 2018).
10.8†	Research Collaboration and License Agreement, dated June 17, 2014, by and between the Registrant (assignee of Pfizer Inc.) and Cellectis SA, as amended (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed on with the SEC September 14, 2018).
10.9†	Exclusive License and Collaboration Agreement, dated October 30, 2015, by and between the Registrant (assignee of Pfizer Inc.) and Les Laboratoires Servier and Institut de Recherches Internationales Servier (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 17, 2018).
10.10†	Asset Contribution Agreement, dated April 2, 2018, by and between the Registrant and Pfizer Inc. (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.11†	Transition Services Agreement, dated April 6, 2018, by and between the Registrant and Pfizer Inc. (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.12†	Option for Rights to Retained Territory Letter Agreement, dated April 2, 2018, by and between the Registrant and Pfizer Inc. (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.13	Lease, dated August 1, 2018, by and between the Registrant and Britannia Pointe Grand Limited Partnership. (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), originally filed with the SEC on September 14, 2018).
10.14+	Employment Agreement by and between the Registrant and David Chang, M.D., Ph.D. (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).

10.15+	Employment Agreement by and between the Registrant and Eric Schmidt, Ph.D. (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.16+	Employment Agreement by and between the Registrant and Alison Moore, Ph.D. (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-227333), filed with the SEC on September 14, 2018).
10.17	Lease Agreement, dated October 25, 2018, by and between the Registrant and HCP, Inc.
10.18	Lease Agreement, dated February 19, 2019, by and between the Registrant and Silicon Valley Gateway Technology Center, LLC.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney. Reference is made to the signature page hereto.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

+ Indicates management contract or compensatory plan.

† Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in South San Francisco, California, on March 8, 2019.

Allogene Therapeutics, Inc.

By: /s/ David Chang, M.D., Ph.D.
David Chang, M.D., Ph.D.
President, Chief Executive Officer and Member of the Board of Directors
(*Principal Executive Officer*)

By: /s/ Eric Schmidt, Ph.D.
Eric Schmidt, Ph.D.
Chief Financial Officer
(*Principal Financial and Accounting Officer*)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Chang, M.D., Ph.D. and Eric Schmidt, Ph.D., and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David Chang, M.D., Ph.D. David Chang, M.D., Ph.D.	President, Chief Executive Officer and Member of the Board of Directors (*Principal Executive Officer*)	March 8, 2019
/s/ Eric Schmidt, Ph.D. Eric Schmidt, Ph.D.	Chief Financial Officer (*Principal Financial and Accounting Officer*)	March 8, 2019
/s/ Arie Belldegrun, M.D., FACS Arie Belldegrun, M.D., FACS	Executive Chairman of the Board of Directors	March 8, 2019
/s/ David Bonderman David Bonderman	Member of the Board of Directors	March 8, 2019
/s/ John DeYoung John DeYoung	Member of the Board of Directors	March 8, 2019
/s/ Franz Humer, Ph.D. Franz Humer, Ph.D.	Member of the Board of Directors	March 8, 2019
/s/ Joshua Kazam Joshua Kazam	Member of the Board of Directors	March 8, 2019
/s/ Deborah M. Messemer Deborah M. Messemer	Member of the Board of Directors	March 8, 2019
/s/ Todd Sisitsky Todd Sisitsky	Member of the Board of Directors	March 8, 2019
/s/ Owen Witte, M.D. Owen Witte, M.D.	Member of the Board of Directors	March 8, 2019

EDGEWATER BUSINESS PARK

LEASE

This Lease (the "**Lease**"), dated as of the Execution Date set forth in Section 1 of the Summary of Basic Lease Information (the "**Summary**"), below, is made by and between **EDGEWATER LIMITED PARTNERSHIP**, a Delaware limited partnership ("**Landlord**"), and **ALLOGENE THERAPEUTICS, INC.**, a Delaware corporation ("**Tenant**"). Landlord and Tenant may each be referred to in this Lease individually as a "**Party**" and collectively as the "**Parties**."

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE		DESCRIPTION
1.	Execution Date:	October 25, 2018
2.	Premises (Article 1).	
2.1	Building:	That certain building containing approximately 39,487 rentable square feet of space ("**RSF**") located at: 310 Utah Avenue South San Francisco, California 94080
2.2	Premises:	Approximately 14,943 rentable square feet of space comprising a portion of the Building, as further set forth in **Exhibit A** to the Lease.
3.	Lease Term (Article 2).	
3.1	Length of Term:	Ten (10) years and four (4) months, commencing on the Rent Commencement Date.
3.2	Rent Commencement Date:	November 1, 2018.
3.3	Lease Expiration Date:	February 28, 2029.
4.	Base Rent (Article 3):	

Lease Year	Annualized Base Rent	Monthly Installment of Base Rent	Approximate Monthly Base Rent per Rentable Square Foot
1 (months 1 through 7)	$452,803.20	$37,733.60	$5.05
1 (months 8 through 12)	$905,545.80	$75,462.15	$5.05
2	$937,822.68	$78,151.89	$5.23
3	$970,646.47	$80,887.21	$5.41
4	$1,004,619.10	$83,718.26	$5.60
5	$1,039,780.77	$86,648.40	$5.80
6	$1,076,173.10	$89,681.09	$6.00
7	$1,113,839.15	$92,819.93	$6.21
8	$1,152,823.52	$96,068.63	$6.43
9	$1,193,172.35	$99,431.03	$6.65
10	$1,234,933.38	$102,911.12	$6.89
11 (through Lease Expiration Date)	$1,278,156.05	$106,513.00	$7.13

*Note that for the first seven (7) months of the Lease Term, Tenant's Base Rent obligation has been calculated as if the Premises contained only 7,472 rentable square feet. Such calculation shall not affect Tenant's right to use the entire Premises, or Tenant's obligations under this Lease with respect to the entire Premises, including without limitation, Tenant's obligation to pay Tenant's Share of Direct Expenses with respect to the Premises which shall be as provided in Section 6 of this Summary, all in accordance with the terms and conditions of this Lease.

5. Tenant Improvement Allowance (**Exhibit B**): An amount equal to $56.00 per rentable square foot of the Premises (*i.e.*, $836, 808.00).

6. Tenant's Share (Article 4): 37.84%.

7.	Permitted Use (Article 5):	The Premises shall be used only for general office, biotechnology and pharmaceutical research and development, engineering, manufacturing of company products, lab scale manufacturing and laboratory and vivarium uses, including administrative offices and other lawful uses reasonably related to or incidental to such specified uses, all (i) consistent with first class life sciences and pharmaceutical projects in South San Francisco, 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):	$213,026.00.
9.	Parking (Article 28):	2.6 unreserved parking spaces for every 1,000 rentable square feet of the Premises, subject to the terms of Article 28 of the Lease.
10.	Address of Tenant (Section 29.18):	Allogene Therapeutics, Inc. Attn: General Counsel 270 Littlefield Avenue South San Francisco, CA 94080 notices@allogene.com and Advisors LLP 11911 San Vicente Boulevard Suite 265 Los Angeles, California 90049 Attention: Jordan Fishman
11.	Address of Landlord (Section 29.18):	See Section 29.18 of the Lease.
12.	Brokers (Section 29.24):	Kidder Mathews and CBRE, 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, are further depicted on the Site Plan attached hereto as **Exhibit A**. The Parties 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 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. Landlord shall deliver the Premises to Tenant fully decommissioned, in good, vacant, broom clean condition, and otherwise in substantially the same condition as of the date of this Lease, in compliance with all laws, with the roof water-tight and in good working condition and with the plumbing, electrical systems, fire sprinkler system, elevator system, lighting, air conditioning, heating, and all other building systems serving the Premises in good operating condition and repair, and with all required occupancy permits (or equivalent final permit signoffs) relating to the Base Building (and not any specific Tenant Improvements) on or before the Rent Commencement Date. The laboratory systems serving the laboratory portion of the Premises and the “Emergency Generator” (as that term is defined in Section 6.5 below) shall be delivered in their presently existing, as-is condition. Notwithstanding anything in this Lease to the contrary, in connection with the foregoing Landlord shall, at Landlord's sole cost and expense (which shall not be deemed an "Operating Expense," as that term is defined in Section 4.2.4), repair or replace any failed or inoperable portion of the Building systems serving the Premises during the first two (2) years of the initial Lease term ("**Warranty Period**"), provided that the need to repair or replace was not caused by the misuse, misconduct, damage, destruction, omissions, and/or negligence of Tenant, its subtenants and/or assignees, if any, or any company which is acquired, sold or merged with Tenant (collectively, "**Tenant Damage**"), or by any modifications, Alterations or improvements constructed by or on behalf of Tenant. Landlord shall coordinate such work with Tenant and shall utilize commercially reasonable efforts to perform the same in a manner designed to minimize interference with Tenant's use of the Premises. To the extent repairs which Landlord is required to make pursuant to this Section 1.1.1 are necessitated in part by Tenant Damage, then Tenant shall reimburse Landlord for an equitable proportion of the cost of such repair. 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, 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 a portion of the building set forth in Section 2.1 of the Summary (the "**Building**"). The Building is part of an office/laboratory project currently known as "Edgewater Business Park." 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 Edgewater Business Park, 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, 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 (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 such closures, alterations, additions or changes shall not unreasonably interfere with Tenant's use of such Common Areas and provided, further, that in connection therewith Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's use of and access to the Premises and parking areas.

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 Offer**. Subject to the terms and conditions of this Section 1.3, Landlord hereby grants to the named Tenant in this Lease (the "**Original Tenant**") and its "Permitted Assignees", as that term is defined in Section 14.8, below, a one-time right of first offer, during the initial Lease Term only, with respect to the remaining rentable space in the Building not located within the Premises (the "**First Offer Space**"). Notwithstanding the foregoing, such first offer right of Tenant shall commence only following the expiration or earlier termination of the existing leases of the First Offer 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 offer shall be subordinate to all rights of other tenants of the Project, which rights relate to the First Offer 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**"). Notwithstanding any contrary provision in the lease of any Superior Right Holder, such rights of any Superior Right Holder shall continue to be Superior Rights in the event that such Superior Right Holder's lease is renewed or otherwise modified (and 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). All such tenants of the First Offer Space, and all such third party tenants in the Project holding Superior Rights, are collectively referred to as the "**Superior Right Holders**". Tenant's right of first offer shall be on the terms and conditions set forth in this Section 1.3.

1.3.1 **Procedure for Offer**. Subject to the terms of this Section 1.3, Landlord shall notify Tenant (the "**First Offer Notice**") from time to time when the First Offer Space or any portion thereof will become available for lease to third parties, subject to the rights of any Superior Right Holder. Pursuant to such First Offer Notice, Landlord shall offer to lease to Tenant the then available First Offer Space, and such First Offer Notice shall include the base rent, allowance amounts if any, length of term, and other economic terms on which Landlord would be willing to lease the First Offer Space to Tenant (the "**Fundamental Terms**"). The First Offer Notice shall describe the space so offered to Tenant and the base rent, and other fundamental material economic terms upon which Landlord is willing to lease such space to Tenant.

1.3.2 **Procedure for Acceptance**. If Tenant wishes to exercise Tenant's right of first offer with respect to the space described in the First Offer Notice, then within seven (7) business days of delivery of the First Offer Notice to Tenant, Tenant shall deliver notice to Landlord (the "**First Offer Exercise Notice**") of Tenant's election to exercise its right of first offer with respect to the entire space described in the First Offer Notice on the terms contained in such notice. If Tenant does not so notify Landlord within such seven (7) business day period, then Landlord shall be free to lease the space described in the First Offer Notice to anyone to whom Landlord desires on any terms Landlord desires; provided, that prior to entering a lease with a third party tenant on economic terms which, on a net effective, present value basis, are more than 7% more favorable to the tenant than the terms contained in the First Offer Notice, Landlord shall first deliver a revised First Offer Notice to Tenant on such more favorable terms in accordance with the procedure set forth above. Notwithstanding anything to the contrary contained herein, Tenant must elect to exercise its right of first offer, if at all, with respect to all of the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion thereof.

1.3.3 **Construction In First Offer Space**. Unless the Fundamental Terms provided to Tenant for the First Offer Space otherwise specify, Tenant shall take the First Offer Space in its "as is" condition, and the construction of improvements in the First Offer Space shall comply with the terms of Article 8 of this Lease. For the avoidance of doubt, if the Fundamental Terms include a tenant improvement allowance or a turn-key build out, Tenant shall receive the same allowance or turn-key build out, as applicable.

1.3.4 **Amendment to Lease**. If Tenant timely exercises Tenant's right to lease the First Offer Space as set forth herein, then Landlord and Tenant shall within thirty (30) days thereafter execute an amendment to the Lease for such First Offer Space upon the terms and conditions as set forth in the First Offer Notice and this Section 1.3. The rentable square footage of any First Offer Space leased by Tenant shall be determined by Landlord in accordance with Landlord's then current standard of measurement for the Building. Tenant shall commence payment of rent for the First Offer Space, and the term of Tenant's lease of the First Offer Space shall commence, upon the date set forth in the First Offer Notice (taking into consideration any applicable construction period) (the "**First Offer Commencement Date**") and shall terminate on the date set forth in the First Offer Notice.

1.3.5 **Termination of Right of First Offer**. Tenant's rights under this Section 1.3 shall be personal to the Original Tenant or a Permitted Assignee and may only be exercised by the Original Tenant (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in the Lease) if the Original Tenant or a Permitted Assignee occupies not less than sixty-six percent (66%) of the Premises. The right of first offer granted herein shall terminate as to particular First Offer Space upon Tenant's failure to timely exercise its right of first offer with respect to such particular First Offer Space. Tenant shall not have the right to lease First Offer Space, as provided in this Section 1.3, if, as of the date of the attempted exercise of any right of first offer by Tenant, or, at Landlord's option, as of the scheduled date of delivery of such First Offer Space to Tenant, Tenant is in default under the Lease**,** or Tenant has previously been in default under the Lease more than twice during the Lease Term (beyond the expiration of any applicable notice and cure period set forth in the Lease).

1.4 **Delivery of the Premises**. Landlord shall deliver the Premises to Tenant in the condition required hereunder on or before November 1, 2018. Following the full execution and delivery of this Lease by Landlord and Tenant and prior to November 1, 2018, Landlord shall allow Tenant access to the Premises for the purpose of Tenant installing equipment or fixtures (including Tenant's data and telephone equipment) in the Premises. 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 1.4.

1.5 **Use of Existing IT Racks**. Tenant shall have the right, at no additional cost, to utilize the existing IT racks in the Premises and Landlord agrees that Landlord shall not remove the same prior to delivery of the Premises to Tenant (the "**Existing IT Racks**"). Landlord hereby makes no representations or warranties regarding the condition of such Existing IT Racks, and Tenant accepts such Existing IT Racks in their currently existing, "as-is" condition. Landlord shall have no obligation to maintain or repair such Existing IT Racks. Tenant hereby agrees that Tenant shall maintain and repair such Existing IT Racks in good condition and repair throughout the term of the Lease, as hereby amended, at Tenant's sole cost and expense. With respect to the insurance which Tenant is obligated to maintain on its personal property during the term of the Lease pursuant to the terms and conditions of Section 10.3.2, Tenant shall cause such insurance to also cover the Existing IT Racks. Tenant shall not (i) remove any of the Existing IT Racks from the Premises, (ii) assign the Existing IT Racks as collateral or otherwise, (iii) sell any of the Existing IT Racks, or (iv) give any third party a security interest or any other interest in such Existing IT Racks. Upon the expiration or earlier termination of the Lease, as hereby amended, Tenant shall promptly surrender such Existing IT Racks to Landlord in good condition and repair, normal wear and tear excepted, at the Premises. .

2. LEASE TERM; OPTION TERM

2.1 **Lease Term**. The terms and provisions of this Lease shall be effective as of the Execution Date. 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 "**Rent 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 ten (10) business days of receipt thereof.

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, or any other assignee approved by Landlord pursuant to the terms of Section 14 below (any such Permitted Assignee or assignee approved by Landlord is referred to as an "**Approved Assignee**"), one (1) option to extend the Lease Term for a period of seven (7) years (the "**Option Term**"), which option 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 initial 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 seven (7) years. The rights contained in this Section 2.2 shall be personal to Original Tenant and any Approved Assignees, and may be exercised by Original Tenant or such Approved Assignees (and not by any other assignee, sublessee or other "Transferee," as that term is defined in Section 14.1 of this Lease, of Tenant's interest in this Lease).

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 that 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 this 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 (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. 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 that 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 South San Francisco, 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 following Landlord's receipt of Tenant's exercise notice. If Tenant, on or before the date which is ten (10) business days following Landlord's receipt of Tenant's exercise notice, fails to accept or object to Landlord's determination of the Option Rent, Tenant's right to extend this Lease pursuant to this Section 2.2 shall be of no further force or effect. If Tenant, on or before the date that is ten (10) business days following the date upon which Tenant receives Landlord's determination of the Option Rent, 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) business 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) business days thereafter, in which event Tenant's right to extend this 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) business 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.

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 South San Francisco 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, 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 San Mateo County to appoint such Advocate Arbitrator subject to the criteria in Section 2.2.3.1, 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 San Mateo County to appoint the Neutral Arbitrator, subject to criteria in Section 2.2.3.1, 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 within thirty (30) days thereafter.

3. BASE RENT Tenant shall pay, without prior notice or demand, to Landlord at the at such place as Landlord may from time to time designate in writing, by a check for currency that, 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, commencing on the Rent Commencement Date,

without any setoff or deduction whatsoever. The Base Rent for the first full month of the Lease Term shall be paid promptly after Parties' full execution and delivery of this Lease. If any Rent payment date (including the Rent 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 that 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 that 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, respectively, allocable to the Building as described in Section 4.3. Such payments by Tenant, 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, provided that Landlord, upon notice to Tenant, 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 with respect to 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 utilities (to the extent not separately metered), the cost of operating, repairing and maintaining the utility, 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 reasonable cost of contesting any governmental enactments that 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; (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) subject to clause (xiii) below, 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 capital expenditures incurred in connection with the Project including in connection with the repair or replacement of all systems and equipment and components thereof of the Project) that are (A) 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) required to comply with present or anticipated conservation programs, (C) replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, (D) required under any governmental law or regulation which become effective after the Rent Commencement Date, or (E) for replacement of Building Systems as permitted under Section 7.4 below; 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 the amount includible in Operating Expenses shall be limited to the monthly amortized cost thereof; 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 that do not constitute "Tax Expenses" as that term is defined in Section 4.2.5, (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building, including 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 Rent 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 that 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 that 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 vis-a-vis time spent on matters unrelated to 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 that, 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 that if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project that 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;

(n) costs arising from the gross negligence or willful misconduct of Landlord in connection with this Lease; and

(o) costs incurred to comply with laws relating to the removal or remediation of hazardous material (as defined under applicable law) from the Building or Project, and any costs of fines or penalties relating to the presence of hazardous material in, on, under or about the Building or Project, 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 Rent 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;

(t) costs incurred in connection with the construction of any additional buildings in the Project; and

(u) self-insurance retentions.

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), that Landlord shall pay or accrue 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 any: (i) tax on the rent, right to rent or other income from the Project, or any portion thereof, or as against the business of leasing the Project, or any portion thereof; (ii) 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) assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including 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 reasonable costs and expenses (including 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. If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of any such increased Tax Expenses. Notwithstanding anything to the contrary contained in this Section 4.2.5, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, transfer taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, (iii) any items paid by Tenant under Section 4.5, (iv) assessments in excess of the amount that would be payable if such assessment expense were paid in installments over the longest permitted term; (v) taxes imposed on land and improvements other than the Project; (vi) tax increases resulting from the improvement of any of the Project for the sole use of other occupants; and (vii) any penalties or interest thereon due to Landlord’s late or non-payment of any taxes.

4.2.5.4 At Tenant's request, and provided that it is then deemed advisable by Landlord in the exercise of Landlord’s reasonable business judgment (i.e., Landlord has a reasonable expectation of success of such appeal), Landlord shall bring or cause to be brought an application or proceeding for reduction of the assessed valuation of the Building or Project, as applicable, in order to reduce Tax Expenses.

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, 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**. Commencing on the Rent Commencement Date, Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, and as Additional Rent, Tenant's Share of Direct Expenses for each Expense Year during the Lease Term.

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**") that shall reasonably itemize the Direct Expenses incurred or accrued for such preceding Expense Year, and that 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 pay to Landlord such amount within thirty (30) days, 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 that is 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 that is 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 "**Estimate Statement**") that 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 that 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.

4.6 **Landlord's Books and Records**. Within one hundred eighty (180) days after receipt by Tenant of a Statement, if Tenant disputes the amount of Additional Rent set forth in the Statement, a member of Tenant's finance department, or an independent certified public accountant (which accountant is a member of a nationally recognized accounting firm and is not working on a contingency fee basis) ("**Tenant's Accountant**"), designated and paid for by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records with respect to the Statement at Landlord's offices, provided that there is no existing Event of Default and Tenant has paid all amounts required to be paid under the applicable Estimate Statement and Statement, as the case may be. In connection with such inspection, Tenant and Tenant's agents must agree in advance to follow Landlord's reasonable rules and procedures regarding inspections of Landlord's records, and shall execute a commercially reasonable confidentiality agreement regarding such inspection. Tenant's failure to dispute the amount of Additional Rent set forth in any Statement within one hundred eighty (180) days of Tenant's receipt of such Statement shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. If after such inspection, Tenant still disputes such Additional Rent, a determination as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant (the "**Accountant**") selected by Landlord and subject to Tenant's reasonable approval; provided that if such Accountant determines that Direct Expenses were overstated by more than five percent (5%), then the cost of the Accountant and the cost of such determination shall be paid for by Landlord, and Landlord shall reimburse Tenant for the cost of Tenant's Accountant (provided that such cost shall be a reasonable market cost for such services). Tenant hereby acknowledges that Tenant's sole right to inspect Landlord's books and records and to contest the amount of Direct Expenses payable by Tenant shall be as set forth in this Section 4.6, and (except as set forth in the next succeeding sentence) Tenant hereby waives any and all other rights pursuant to applicable law to inspect such books and records and/or to contest the amount of Direct Expenses payable by Tenant.

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 Project that do not unreasonably interfere with Tenant’s use of the Premises, as reasonably deemed necessary by Landlord with respect to the orderly operation of the Project, and Tenant shall comply with such reasonable rules and regulations. Tenant shall not do or permit anything to be done in or about the Premises that will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them or use or allow the Premises to be used for any unlawful 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 approximate quantities listed on the Environmental Questionnaire (as the same may be updated from time to time as provided below) or any similar chemicals or materials used for substantially the same purposes in substitution thereof in compliance with applicable law, 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 (but no more than once each Lease Year), 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. Tenant shall notify Landlord prior to using any Hazardous Materials in the Premises not described on the initial Environmental Questionnaire, and such use shall be subject to all of the provisions of this Lease. 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, that 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, spilling, 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, about or 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, about or 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 decree 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 that are binding on Landlord or the Premises without Landlord's prior written consent. Landlord shall have the right to appear at and participate in, any and 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 (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. Environmental Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC § 9601, et seq., the Hazardous Materials Transportation Authorization Act of 1994, 49 USC § 5101, et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, and Hazardous and Solid Waste Amendments of 1984, 42 USC § 6901, et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC § 1251, et seq., the Clean Air Act of 1966, 42 USC § 7401, et seq., the Toxic Substances Control Act of 1976, 15 USC § 2601, et seq., the Safe Drinking Water Act of 1974, 42 USC §§ 300f through 300j, the Occupational Safety and Health Act of 1970, as amended, 29 USC § 651 et seq., the Oil Pollution Act of 1990, 33 USC § 2701 et seq., the Emergency Planning and Community Right-To-Know Act of 1986, 42 USC § 11001 et seq., the National Environmental Policy Act of 1969, 42 USC § 4321 et seq., the Federal Insecticide, Fungicide and Rodenticide Act of 1947, 7 USC § 136 et seq., California Carpenter-Presley-Tanner Hazardous Substance Account Act, California Health & Safety Code §§ 25300 et seq., Hazardous Materials Release Response Plans and Inventory Act, California Health & Safety Code, §§ 25500 et seq., Underground Storage of Hazardous Substances provisions, California Health & Safety Code, §§ 25280 et seq., California Hazardous Waste Control Law, California Health & Safety Code, §§ 25100 et seq., and any other state or local law counterparts, as amended, as such applicable laws, are in effect as of the Rent Commencement Date, or thereafter adopted, published, or promulgated.

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 Term caused by Tenant or Tenant's Agents, in addition to notifying Landlord as specified above, Tenant, at its own sole cost and expense, shall (i) promptly and timely 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 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 third party claims, judgments, losses, damages, costs, expenses, penalties, enforcement actions, taxes, fines, remedial actions, liabilities (including 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, to the contrary, Tenant's indemnity of Landlord as set forth 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, protect and hold harmless Tenant and Tenant's Agents from and against, all third party 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 or Project that Landlord has in its possession, or control. 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.

5.3.1.5 **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 (but no more than once every Lease Year, unless Landlord shall have reasonable grounds to believe that Tenant is not in compliance with its covenants under this Section 5.3), Tenant shall deliver to Landlord a narrative description explaining the nature and scope of Tenant's activities involving Hazardous Materials and certifying to Tenant's compliance with all Environmental Laws and the terms of this Lease.

5.3.2 **Assurance of Performance**.

5.3.2.1 **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.

5.3.2.2 **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.

5.3.3 **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 Execution Date; 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.

5.3.4 **Clean-up**.

5.3.4.1 **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 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, promptly 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 thirty (30) 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, valid order of a court or judicial or administrative process, 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 third party (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, valid order of a court or judicial or administrative process, it shall, to the extent legally permitted, 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 **Landlord's Obligations**. Unless compelled to do so by applicable law, valid order of a court or judicial or administrative process, Landlord agrees that Landlord shall not disclose, discuss, disseminate or copy any information, data, findings, communications, conclusions or reports regarding the environmental condition of the Premises (including any information, data, findings, communications or conclusions included in any Environmental Questionnaire) to any third party (other than Landlord's consultants, attorneys, property managers, employees, shareholders and potential and actual investors, lenders, business and merger partners, that have a need to know such information), including any governmental authority, without the prior written consent of Tenant. In the event Landlord reasonably believes that disclosure is compelled by applicable law, valid order of a court or judicial or administrative process, it shall, to the extent legally permitted, provide Tenant ten (10) days' advance notice of disclosure of confidential information so that Tenant may attempt to obtain a protective order. Landlord 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.

5.3.7 **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, unless doing so would result in a breach of any contractual obligation of Tenant to a third party.

5.3.8 **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.

5.3.9 **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.

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 making heating, ventilation and air-conditioning, electricity, and water available to the Premises. It is the Parties' expectation that all utilities to the Premises will be separately metered at the Premises and shall be paid directly by Tenant. Landlord shall not provide janitorial, telephone services or interior security 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 provides and maintains and keeps in continuous service utility connections to the Project, including electricity, gas, water and sewage connections, Landlord shall have no obligation to provide any services or utilities to the Building, including heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and interior Building security services, except as set forth in this Section 6.1.

6.2 **Tenant Payment of Utilities Costs**. It is the Parties' expectation that all utilities (including electricity, gas, sewer and water) will be separately metered or sub-metered to the Premises and will be paid directly by Tenant. After the Rent Commencement Date such utilities shall either be contracted for and paid directly by Tenant to the applicable utility provider or, if, after the Rent Commencement Date, any utilities 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. In connection with the foregoing, Landlord shall install separate meters on the Building Systems as a part of Landlord's construction of the Base Building, and Tenant shall install separate meters on the systems installed in the Premises as part of the Tenant Improvements pursuant to the Work Letter.

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 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, except as set forth below. Notwithstanding the foregoing, Landlord shall 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 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 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 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 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**. Landlord and Tenant hereby acknowledge that there is an existing generator currently serving the Premises ("**Emergency Generator**"), and Tenant shall have the right to connect to the Emergency Generator for up to Tenant's Share of the electrical capacity which is available for use by tenants and provided by such Emergency Generator. Tenant's use of the Emergency Generator shall be at Tenant's sole risk, and Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the Emergency Generator. Except to the extent caused by the gross negligence or willful misconduct of Landlord, or any Landlord Parties, Tenant hereby waives any claims against Landlord or any Landlord Parties resulting from Tenant's use of the Emergency Generator, or any failure of the Emergency Generator to operate as designed, and agrees that Landlord shall not be liable for any damages resulting from any failure in operation of the Emergency Generator, including, without limitation any 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, or loss to equipment, 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 acknowledges that Operating Expenses shall include Landlord's costs incurred in maintaining and operating the Emergency Generator (including all permit costs and fees).

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; and 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 throughout the Term, as a part of Operating Expenses, maintain, repair or replace as required, the Project in a good standard of maintenance, repair and replacement as required, and in good and sanitary condition, all in accordance with the standards of a First Class Life Sciences Project, 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 (including all those servicing 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 (including rebalancing thereof to the extent deemed reasonably necessary by Landlord) (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.

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, conditioned or delayed by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration that 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 $100,000.00 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; provided, however, that Landlord may not require Tenant to remove any Alterations which are otherwise consistent with typical tenant improvements in the biotechnology or pharmaceutical industries. 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, 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 San Mateo 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 that 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, 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 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. 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 that 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; provided, however, that Landlord may not require Tenant to remove any Tenant Improvements shown in the Final Working Drawings or any Alternations consistent with the improvements shown in the Final Working Drawings, or any Alterations which are otherwise consistent with typical tenant improvements in the biotechnology or pharmaceutical industries. 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 G** attached hereto (the "**Tenant's Property**") shall at all times be and remain Tenant's property. **Exhibit G** 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 third party claims, liabilities, judgments or costs (including 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 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, its agents and employees, from, all losses, damages, liabilities, demands, claims, actions, attorneys' fees, costs and expenses arising from the 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.

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 on a full replacement cost basis, with commercially reasonable deductibles. 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 Tenant 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. Landlord shall also keep in full force and effect a policy of Commercial General Liability Insurance protecting Landlord against claims for bodily injury and property damage arising out of Landlord's ownership, use, occupancy or maintenance of the Building and the Common Areas. Such insurance shall be on an occurrence basis and shall include limits of liability not less than those required of Tenant under Section 10.3.

10.3 **Tenant's Insurance**. Tenant shall maintain the following coverages in the following amounts during the Lease Term (except Tenant shall carry the insurance described in Section 10.3.1 during any period in which it enters the Premises).

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 each occurrence $4,000,000 annual aggregate
Personal Injury Liability	$3,000,000 each occurrence $3,000,000 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 that 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 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 note 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 Rent 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 use reasonable efforts to notify Tenant within sixty (60) days after the date of discovery of the damage whether Landlord will restore the Premises and Common Areas and, in Landlord's reasonable judgment, the time period within which the restoration can be completed. If Landlord elects to restore Premises and Common Areas, 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 and Landlord's repair shall include the Tenant Improvements and Tenant's Alterations installed in the Premises. 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, 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.

11.3 **Tenant's Option to Terminate.** Notwithstanding anything to the contrary in Section 11.1 or 11.2, if (a) the damage occurs during the last twelve (12) months of the Lease Term, and will take more than sixty (60) days to restore, or (b) in the reasonable judgment of Landlord, the repairs cannot 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 elect, 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.

11.4 **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, 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 unless expressly waived in a writing signed thereby. The waiver by either Party 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. If more than twenty percent (20%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant 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.

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 "**Transfers**" 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 that 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 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, condition 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), 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, 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). 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 loss of profits, however occurring) or declaratory judgment and an injunction for the relief sought, and Tenant hereby waives all other remedies, including 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.

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) free rent or rent abatement provided in connection with such Transfer, (iii) brokerage commissions paid in connection with such Transfer, and (iv) reasonable legal fees incurred in connection with such Transfer, in each case amortized over the remaining Term of this Lease. "**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 that, 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 that 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, and this Lease shall remain in effect with respect to the balance of the Premises not so recaptured. 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 this Lease from any liability under this Lease, including in connection with the Subject Space. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than five percent (5%), Tenant shall pay Landlord's costs of such audit.

14.6 **Additional Transfers**. For purposes of this Lease, the term "**Transfer**" shall also include if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners, or transfer of fifty percent (50%) or more of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof.

14.7 **Occurrence of Default**. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in default under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such default is cured. Such Transferee shall rely on any representation by Landlord that Tenant is in default hereunder, without any need for confirmation thereof by Tenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.8 **Non-Transfers**. Notwithstanding anything to the contrary contained in this Article 14, (i) an assignment or subletting of all or a portion of the Premises to an affiliate of Tenant (an entity that is controlled by, controls, or is under common control with, Tenant), (ii) an assignment of the Premises to an entity that acquires all or substantially all of the assets or interests (partnership, stock or other) of Tenant, or (iii) an assignment of the Premises to an entity that is the resulting entity of a merger or consolidation of Tenant with another entity (collectively, a "**Permitted Transferee**"), shall not be deemed a Transfer under this Article 14 (and for the avoidance of doubt, Sections 14.2, 14.3 and 14.4. shall not apply to such Transfer), provided that (A) Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such affiliate, (B) such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease, (C) such Permitted Transferee shall be of a character and reputation consistent with the quality of the Building, and (D) such Permitted Transferee described in subpart (ii) or (iii) above shall have a tangible net worth (not including goodwill as an asset) computed in accordance with generally accepted accounting principles ("**Net Worth**") at least equal to the Net Worth of Tenant on the day immediately preceding the effective date of such assignment or sublease. An assignee of Tenant's entire interest that is also a Permitted Transferee may also be known as a "**Permitted Assignee**". "**Control**," as used in this Section 14.8, shall mean the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person or entity. No such permitted assignment or subletting shall serve to release Tenant from any of its obligations under this Lease.

14.9 **Allowed Subleases.** Notwithstanding any contrary provision of this Article 14, Tenant shall have the right without the payment of a Transfer Premium, and without the receipt of Landlord's consent, but on prior notice to Landlord, to permit the occupancy of up to 3,000 square feet of the Premises, to any individual(s) or entities with an ongoing business relationship with Tenant (collectively, "**Tenant's Occupants**") on and subject to the following conditions: (i) all such individuals or entities shall be of a character and reputation consistent with the quality of the Building and Project; (ii) no individual or entity shall occupy a separately demised portion of the Premises or which contains an entrance to such portion of the Premises other than the primary entrance to the Premises; and (iii) such occupancy shall not be a subterfuge by Tenant to avoid its obligations under this Lease or the restrictions on Transfers pursuant to this Article 14. Tenant shall promptly supply Landlord with any documents or information reasonably requested by Landlord regarding any such individuals or entities. Any occupancy permitted under this Section 14.9 shall not be deemed a Transfer under this Article 14. Notwithstanding the foregoing, no such occupancy shall relieve Tenant from any obligations or liability under this Lease.

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 subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

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 that 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 articles 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 engineer or engineering firm reasonably satisfactory to Landlord (pursuant to a contract approved by Landlord and providing that Landlord can rely on the Environmental Assessment). If such Environmental Assessment reveals that remediation or Clean-up is required under any Environmental Laws that Tenant is responsible for under this Lease, Tenant shall submit a remediation plan prepared by a recognized environmental consultant and shall be responsible for all costs of remediation and Clean-up, as more particularly provided in Section 5.3.

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. In the event that the Building and Premises shall be surrendered in a condition that does not comply with the terms of this Section 15.4, because Tenant failed to comply with its obligations set forth in 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 promptly 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 and that it 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.

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 other 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, if Tenant is not at the time of Landlord’s request publicly listed on a nationally-recognized stock exchange or market. 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 written 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 this 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 four (4) business days after notice from Landlord.

19.2 **Remedies Upon Default**. Upon the occurrence and during the continuance 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 that 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 that 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 that 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 that in the ordinary course of things would be likely to result therefrom, specifically including, 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), the "worth at the time of award" shall be computed by allowing interest at the rate set forth in Article 25, but in no case greater than the maximum amount of such interest permitted by law. As used in Section 19.2.1(iii), 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, 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.

19.5 **Landlord Default**.

19.5.1 **General**. Notwithstanding anything to the contrary set forth in this Lease, Landlord shall not be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease unless Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursue the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity.

19.5.2 **Abatement of Rent**. In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord, or which Landlord failed to perform, after the Rent Commencement Date and required by this Lease, or (ii) any failure to provide services, utilities or access to the Premises as required by this Lease, each as a direct result of Landlord's, negligence or willful misconduct or breach of this Lease (and except to the extent such failure is caused in whole or in part by the action or inaction of Tenant) (any such set of circumstances as set forth in items (i) or (ii), above, to be known as an "**Abatement Event**"), then Tenant shall give Landlord notice of such Abatement Event, and if such Abatement Event continues for five (5) consecutive business days after Landlord's receipt of any such notice (the "**Eligibility Period**"), then the Base Rent, Tenant's Share of Direct Expenses, and Tenant's obligation, if any, to pay for parking (to the extent not utilized by Tenant) shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use for the normal conduct of Tenant's business, the Premises or a portion thereof, in the proportion that the rentable area of the portion

of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, a portion of the Premises for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not effectively conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Base Rent and Tenant's Share of Direct Expenses for the entire Premises and Tenant's obligation to pay for parking shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. To the extent an Abatement Event is caused by an event covered by Articles 5, 11 or 13 of this Lease, then Tenant's right to abate rent shall be governed by the terms of such Article 5, 11 or 13, as applicable, and the Eligibility Period shall not be applicable thereto. Except as provided in this Section 19.5.2, nothing contained herein shall be interpreted to mean that Tenant is excused from paying Rent due hereunder.

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, within the notice and cure periods provided for in this Lease, 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 that accepts deposits, maintains accounts, has a local San Francisco Bay Area office that 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 Poors Corporation of A- or better (or any equivalent rating thereto from any successor or substitute rating service selected by Landlord) 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 a form reasonably approved by Landlord. 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 Execution Date 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 shall have the right to draw down an amount up 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 this Lease, plus applicable cure periods, assuming that notice is deemed delivered on the first business day following the expiration of the period for payment set forth in this 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) this 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 the filing of an involuntary petition against 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 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 the requirements placed on the issuing Bank more particularly set forth in this Section 21.1), in the amount of the applicable L-C Amount, within ten (10) business 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) business 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) business 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 this 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 thirty (30) 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)), 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 that Landlord reasonably estimates that it will sustain resulting from Tenant's default of this 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 ten (10) business 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 substantially the same terms as the expiring L-C or such other terms as may be acceptable to Landlord in its reasonable discretion. If Tenant exercises its option to extend the Lease Term pursuant to Section 2.2 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 shall 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 to 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) its entire interest in and to the L-C to another party, person or entity, provided such transfer is in connection with 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 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) business days after Tenant's receipt of an invoice from Landlord therefor.

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 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 relevancy 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, that (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 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 use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of Articles 7 and 8. Tenant shall pay all costs in connection therewith. Tenant shall not be obligated to remove any Lines located in or serving the Premises upon 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 identification signage at the exterior entrance to the Building, as well as internal directional, suite entry and lobby identification signage and directory (collectively, "**Tenant Signage**"); provided, however, in no event shall Tenant's Signage include an "Objectionable 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 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. If Landlord elects to install a multi-tenant identification sign at the entrance to the Project, Tenant shall be entitled to install its name on such sign (subject to availability on a pro-rata basis based on the relative square footages leased by the tenants of the Project), at Tenant's sole cost and expense.

23.2 **Objectionable Name**. Tenant's Signage shall not include a name or logo that relates to an entity that is of a character or reputation, or is associated with a political faction or orientation, that is inconsistent with the quality of the Project, or that would otherwise reasonably offend a landlord of the Comparable Buildings (an "**Objectionable Name**"). The parties hereby agree that the following name, or any reasonable derivation thereof, shall be deemed not to constitute an Objectionable Name: "Allogene Therapeutics, Inc.."

23.3 **Prohibited Signage and Other Items**. Any signs, notices, logos, pictures, names or advertisements that are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Landlord may in its reasonable discretion require the removal of any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items reasonably visible from the exterior of the Premises or Building.

24. COMPLIANCE WITH LAW Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project that will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or that may hereafter be enacted or promulgated. At its sole cost and expense, Tenant shall promptly comply with all such governmental measures pertaining to Tenant's use of the Premises. 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 pertaining to Tenant's use of the Premises. 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. 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) Tenant shall be responsible, at Tenant's sole cost and expense, to make any modifications to the Premises that it deems to be required as a result of any such CASp inspection.

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 that are not paid within ten (10) business 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, 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; 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 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 upon twenty four (24) hours' prior notice to Tenant (except in the case of an emergency) to enter the Premises at all reasonable times 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 non-responsibility (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 this 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. Without limiting the foregoing, except in an emergency, Landlord shall not enter into any portion of the Premises identified to Landlord as an area containing sensitive business information unless accompanied by a representative of Tenant. Landlord shall hold confidential any information regarding Tenant's business that it may learn as a result of any 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), commencing on the Rent Commencement Date, to use the amount of parking set forth in Section 9 of the Summary, in the on-site parking lot and garage that serves the Building. Tenant shall abide by all reasonable rules and regulations that 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 for the dedicated parking spaces, 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 and dedicated parking spaces 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 **Interpretation**. 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. In this Lease, unless otherwise specified: (a) the words "include" and "including" shall be construed to be followed by the words "without limitation"; (b) the word "or" shall not be deemed to be used in the exclusive sense and shall instead be used in the inclusive sense to mean "and/or"; (c) words such as "herein", "hereof", and "hereunder" refer to this Lease as a whole and not merely to the particular provision in which such words appear; and (d) except as otherwise indicated, all references in this Lease to "Articles," "Sections" and "Exhibits" are intended to refer to Articles of this Lease, Sections of this Lease and Exhibits to this Lease.

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 shall have 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, 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 the interest of Landlord in the Project, 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 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 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 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.

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 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.

29.17 **Waiver of Redemption by Tenant**. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

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 Execution Date, any Notices to Landlord must be sent, transmitted, or delivered, as the case may be, to the following addresses:

HCP, Inc.
1920 Main Street, Suite 1200
Irvine, CA 92614
Attn: Legal Department

HCP Life Science Estates
950 Tower Lane, Suite 1650
Foster City, CA 94404

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 to the prevailing Party 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 and all claims relating to or arising out of this Lease or the breach thereof shall be governed by and construed in accordance with the laws of the State of California without reference to its conflict of laws principles. 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 LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

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 and hold the other Party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including 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. Landlord shall pay the commission owned to the Brokers in connection with this Lease pursuant to a separate written agreement. 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 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 that could have an adverse effect on the Building Structure or the Building Systems, or that could affect the exterior appearance of the Building, or (iii) matters covered by Article 4 (Additional Rent), or Article 19 (Defaults; Remedies) (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. that are in excess of that present in a fully constructed project. Landlord shall use commercially reasonable efforts to minimize the impact of such construction. Tenant hereby waives any and all rent offsets or claims of constructive eviction that 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 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.

[signatures contained on following page]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:

HCP, INC.,
a Maryland corporation

By: /s/ Scott Bohn

Name: Scott Bohn

Its: Vice President

TENANT:

ALLOGENE THERAPEUTICS, INC.,
a Delaware corporation

By: /s/ David Chang

David Chang
Print Name

Its: Chief Executive Officer

By: /s/ Eric Schmidt

Eric Schmidt
Print Name

Its: Chief Financial Officer

EXHIBIT A

EDGEWATER BUSINESS PARK

OUTLINE OF PREMISES

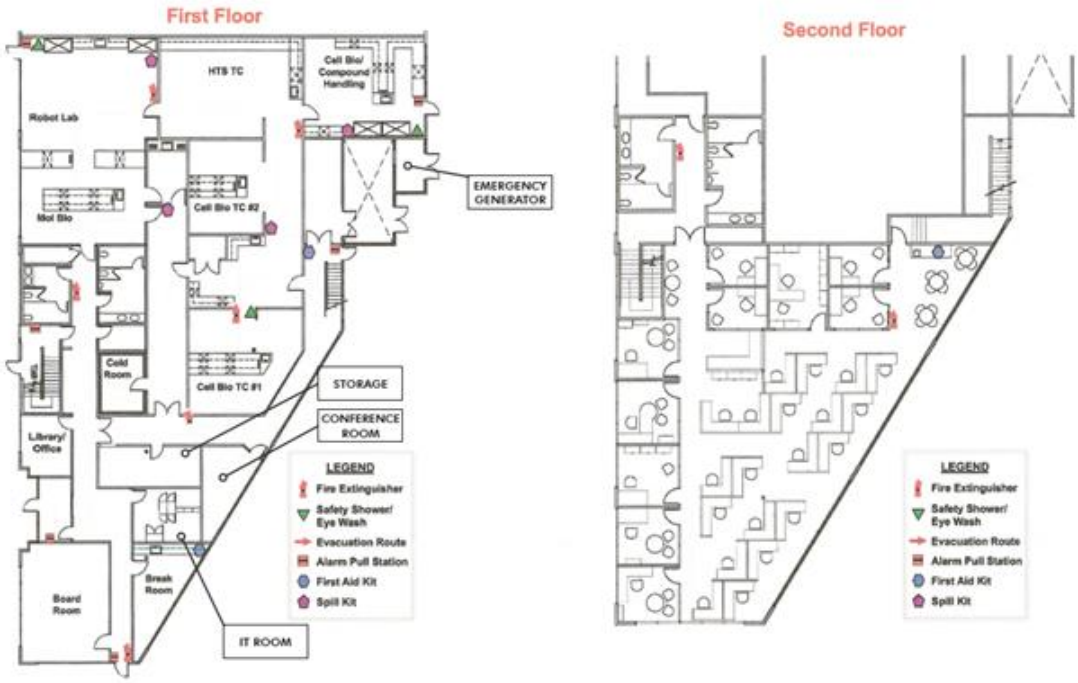

EXHIBIT A-1

EDGEWATER BUSINESS PARK

PROJECT SITE PLAN

EXHIBIT B

EDGEWATER BUSINESS PARK

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the initial improvement of the Premises for Tenant following the date of this Lease. 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 Premises.

SECTION 1

CONDITION OF PREMISES

Tenant acknowledges that Tenant shall accept the Premises in their existing, "as-is" condition on the date of delivery thereof to Tenant, subject to Section 1.1.1 of the Lease. Except for the payment of the Tenant Improvement Allowance as provided in Section 2, below, Landlord shall have no obligation to make or pay for any improvements to the Premises.

SECTION 2

TENANT IMPROVEMENTS

2.1 **Tenant Improvement Allowance**. Commencing as of the Execution Date, Tenant shall be entitled to use the "Tenant Improvement Allowance", as defined in Section 5 of the Summary to this Lease, for the costs relating to the initial design and construction of Tenant's improvements, which are permanently affixed to the Premises or which are "Tenant Improvement Allowance Items," as that term is defined in Section 2.2.1, below (collectively, the "**Tenant Improvements**"). 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 for which the Tenant Improvement Allowance has been made available shall be deemed Landlord's property under the terms of the Lease; provided, however, 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 this Lease, at Tenant's expense, to remove any Tenant Improvements and to repair any damage to the Premises and Building caused by such removal and return the affected portion of the Premises to a Building standard general office condition, provided, however, that Landlord may not require Tenant to remove any Alterations which are otherwise consistent with typical tenant improvements in the biotechnology or pharmaceutical industries. Landlord hereby acknowledges and agrees that the following do not need to be removed if installed: clean suites, and any office space. Any portion of the Tenant Improvement Allowance that is not disbursed or allocated for 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 Improvement 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 and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.2 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 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 Premises, hoisting and trash removal costs, costs to purchase and install in the 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 Construction 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;

2.2.1.6 The cost of any changes to the Construction Drawings or Tenant Improvements required by all applicable building codes (the "**Code**");

2.2.1.7 Sales and use taxes;

2.2.1.8 Subject to Section 2.2, above, all other actual out-of-pocket costs expended by Landlord in connection with the construction of the Tenant Improvements, including, without limitation, 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 Improvement 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 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 Premises; (iii) executed 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 only, 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 (or, subject to the terms of Section 4.2.1, below, a percentage thereof), and (B) the balance of any remaining available portion of the Tenant Improvement Allowance and Additional Improvement 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 3.5 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 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.

2.2.2.3 **Other Terms**. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance and Additional Improvement Allowance, if applicable, to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items. All Tenant Improvement Allowance Items for which the Tenant Improvement Allowance and Additional Improvement Allowance have been made available shall be deemed Landlord's property under the terms of this Lease.

2.4 **Building Standards**. The quality of Tenant Improvements shall be in keeping with the existing improvements in the Premises.

2.5 **Additional Tenant Improvement Allowance**. In addition to the Tenant Improvement Allowance, Tenant shall have the right, by written notice to Landlord given on or before December 31, 2020, to use up to $25.00 per rentable square foot of the Premises (i.e., up to $373,575.00) (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 Rent Commencement Date (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 Lease Term as the number of payments, (iii) a monthly interest factor equal to seventy-five one-hundredths percent (0.75%), which is equal to nine percent (9%) 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 that is not disbursed or allocated for disbursement by December 31, 2020, shall revert to Landlord and Tenant shall have no further rights with respect thereto.

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 Section 3.2 and 3.3, below. Rios Clemente Hale Studios is hereby approved as Architect if selected by Tenant. Tenant shall retain the engineering consultants or design/build subcontractors designated by Tenant and reasonably approved in advance by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work in the Premises, which work is not part of the Base Building. CRB is hereby approved as Tenant's laboratory process engineer and laboratory consultant. All such plans and drawings shall comply with the reasonable industry standard drawing format and specifications, and shall be subject to Landlord's reasonable approval. 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 Premises 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 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. If Landlord fails to respond to the Final Space Plan within the five (5) business day period set forth above, Tenant may send Landlord a notice setting forth such failure and warning that a continuing failure to respond may result in a "deemed approval" (the "**Final Space Plan Reminder Notice**"). If Landlord fails to respond to the Final Space Plan within two (2) business days after receipt of the Final Space Plan Reminder Notice, such portion of the Final Space Plan shall be deemed approved by Landlord.

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 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 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 ten (10) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same is unsatisfactory or incomplete in any respect. 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 the Final Construction Documents within the ten (10) business day period set forth above, Tenant may send Landlord a notice setting forth such failure and warning that a continuing failure to respond may result in a "deemed approval" (the "**Final Construction Documents Reminder Notice**"). If Landlord fails to respond to the Final Construction Documents within five (5) business days after receipt of the Final Construction Documents Reminder Notice, such portion of the Final Construction Documents shall be deemed approved by Landlord.

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 Premises by Tenant. Concurrently with Tenant's delivery of the Final Working Drawings to Landlord for Landlord's approval, Tenant may submit the same to the appropriate municipal authorities for all applicable building permits, provided that Tenant shall have the right to submit to the City a coordinated set of drawings, complete to the extent required to commence the plan check, the first phase in the permitting process (the "**Permit Set**"), prior to approval of the Final Construction Documents by Landlord (and Tenant acknowledges that Landlord shall not be responsible for any delays or costs incurred by Tenant in the event that Landlord requires revisions to the Final Working Drawings after the date of such submission of plans to the City by Tenant). Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned, or delayed.

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**"). Hathaway, Landmark, Novo, The Core Group, and XL are hereby approved as Contractor if one of these firms is selected by Tenant. 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 $1.58 per rentable square foot of the Premises. The PMA fee shall be a Tenant Improvement Allowance Item payable by Landlord from the Tenant Improvement Allowance.

4.1.2 **Tenant's Agents**. All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, and the Contractor to 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. If Landlord does not approve any of Tenant's proposed subcontractors, Tenant shall submit other proposed subcontractors for Landlord's written approval.

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 (collectively, the "**Contract**"). Prior to the commencement of the construction of any phase 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 in connection with the design and construction of the relevant phase 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 relevant phase of the Tenant Improvements (each, a "**Final Budget**"). Any costs of design and construction of the Tenant Improvements in excess of the Tenant Improvement Allowance shall be paid by Tenant out of its own funds once the Tenant Improvement Allowance is exhausted, 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.

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 adhere to such corrected schedule.

4.2.2.2 **Indemnity**. The indemnities of each of the parties that are set forth in Section 10 of the Lease shall apply to the activities of the parties under this Tenant Work Letter

4.2.2.2 **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**. The Contractor and major subcontractors 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 the Contractor's or major subcontractor's respective employees with a waiver of subrogation in favor of Landlord and the property manager, (ii) 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. Other Tenant's Agents shall carry reasonable amounts of insurance as reasonably approved by Landlord.

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 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 ten (10) 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.

4.2.2 **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 Landlord determines that a defect or deviation exists that might adversely affect 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 execution of this Lease, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction 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.

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 this 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 issuance of a certificate of occupancy for the Premises, 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 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

INTENTIONALLY OMITTED

SECTION 6

MISCELLANEOUS

6.1 **Intentionally Omitted**.

6.2 **Tenant's Representative**. Tenant has designated Laura Whelan with Savills Studley as its sole representatives with respect to the matters set forth in this Tenant Work Letter, who shall each have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.3 **Landlord's Representative**. Landlord has designated Jeff Marcowitz with PMA, as its sole representatives 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.

6.4 **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.

6.5 **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 until such time as such default is cured and/or Landlord may, without any liability whatsoever, cause the cessation of construction of the Tenant Improvements until such time as such default is cured (in which case, Tenant shall be responsible for any delay in the substantial completion of the Tenant Improvements and any costs occasioned thereby).

6.6 **Miscellaneous Charges**. Neither Tenant nor Tenant's Agents nor the Contractor or subcontractors shall be charged for the use of parking at the Building, HVAC, electricity, water, or, during normal construction hours, freight elevator and/or loading docks during the construction of the Tenant Improvements (until the Rent Commencement Date), and Tenant's initial move-in over a weekend.

EXHIBIT C

EDGEWATER BUSINESS PARK

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 Rent 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 of the Building is 100%, subject to Section 6 of the Summary of Basic Lease Information.

"Landlord":

_____,
a _____

By: _____
Its: _____

Agreed to and Accepted as
of _____, 200_.

"Tenant":

_____

a _____

By: _____

Its: _____

EXHIBIT D

EDGEWATER BUSINESS PARK

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 the entire office 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. Intentionally deleted.

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 compliance with all federal, state and local laws, ordinances, rules and regulations affecting its use of the Premises, including those laws, ordinances, rules or regulations relating to hazardous or toxic materials. Tenant has never knowingly 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 actual 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. To Tenant's actual knowledge, 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 E

EDGEWATER BUSINESS PARK

ENVIRONMENTAL QUESTIONNAIRE

ENVIRONMENTAL QUESTIONNAIRE
FOR COMMERCIAL AND INDUSTRIAL PROPERTIES

Tenant Name: _____
Lease Address: _____

Lease Type (check correct box – *right click to properties*):

☐ **Primary Lease/Lessee**
☐ **Sublease from:** _____

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 site use, including a brief description of manufacturing processes and/or pilot plants planned for this site, if any.

_____
_____
_____

2.0 HAZARDOUS MATERIALS – OTHER THAN WASTE

Will (or are) non-waste hazardous materials be/being used or stored at this site? 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? ☐ Yes ☐ No

[*A material is handled if it is used, generated, processed, produced, packaged, treated, stored, emitted, discharged, or disposed.]* If YES, check *(right click to properties)* the applicable correct Fire Code hazard categories below.

☐	Combustible dusts/fibers	☐	Explosives	☐	Flammable liquids
☐	Combustible liquids (e.g., oils)	☐	Compressed gas - inert	☐	Flammable solids/pyrophorics
☐	Cryogenic liquids - inert	☐	Compressed gas - flammable/pyrophoric	☐	Organic peroxides
☐	Cryogenic liquids - flammable	☐	Compressed gas - oxidizing	☐	Oxidizers - solid or liquid
☐	Cryogenic liquids - oxidizing	☐	Compressed gas - toxic	☐	Reactives - unstable or water reactive
☐	Corrosives - solid or liquid	☐	Compressed gas - corrosive	☐	Toxics - solid or liquid

2-2. For all materials checked in Section 2.1 above, please list the specific material(s), use(s), and quantities of each used or stored on the site in the table below; or attach a separate inventory. *NOTE: If proprietary, the constituents need not be named but the hazard information and volumes are required.*

Material/ Chemical	Physical State (Solid, Liquid, or Gas)	Container Size	Number of Containers Used & Stored	Total Quantity	Units (pounds for solids, gallons or liters for liquids, & cubic feet for gases)

2-3. Describe the planned storage area location(s) for the materials in Section 2-2 above. Include site maps and drawings as appropriate.

2-4. Other hazardous materials. Check below (*right click to properties)* if applicable. *NOTE: If either of the latter two are checked (BSL-3 and/or radioisotope/radiation), be advised that not all lease locations/cities or lease agreements allow these hazards; and if either of these hazards are planned, additional information will be required with copies of oversight agency authorizations/licenses as they become available.*

☐	Risk Group 2/Biosafety Level-2 Biohazards	☐	Risk Group 3/Biosafety Level-3 Biohazards	☐	Radioisotopes/Radiation

3.0 HAZARDOUS WASTE (i.e., REGULATED CHEMICAL WASTE)

Are (or will) hazardous wastes (be) generated? ☐ Yes ☐ No

If YES, continue with the next question. If not, skip this section and go to section 4.0.

3.1 Are or will any of the following hazardous (CHEMICAL) wastes generated, handled, or disposed of (where applicable and allowed) on the property?

☐	Liquids	☐	Process sludges	☐	PCBs
☐	Solids	☐	Metals	☐	wastewater

3-2. List and estimate the quantities of hazardous waste identified in Question 3-1 above.

HAZRDOUS (CHEMICAL) WASTE GENERATED	SOURCE	WASTE TYPE		APPROX. MONTHLY QUANTITY with units	DISPOSITION [e.g., off-site landfill, incineration, fuel blending scrap metal; wastewater neutralization (onsite or off-site)]
		RCRA listed (federal)	Non-RCRA (Calif-ornia ONLY or recycle)		
		☐	☐		
		☐	☐		
		☐	☐		
		☐	☐		
		☐	☐		

3-3. Waste characterization by: Process knowledge ☐ EPA lab analysis ☐ Both ☐

3-4. Please include name, location, and permit number (e.g. EPA ID No.) for transporter and disposal facility if applicable. Attach separate pages as necessary. *If not yet known, write "TBD."*

Hazardous Waste Transporter/Disposal Facility Name	Facility Location	Transporter (T) or Disposal (D) Facility	Permit Number

3-5. Are pollution controls or monitoring employed in the process to prevent or minimize the release of wastes into the environment? *NOTE: This does NOT mean fume hoods; examples include air scrubbers, cyclones, carbon or HEPA filters at building exhaust fans, sedimentation tanks, pH*

neutralization systems for wastewater, etc.

☐ Yes ☐ No

If YES, please list/describe:

4.0 OTHER REGULATED WASTE (i.e., REGULATED BIOLOGICAL WASTE, referred to as "Medical Waste" in California)

4-1. Will (or do) you generate medical waste? ☐ Yes ☐ No If NO, skip to Section 5.0.

4-2. Check the types of waste that will be generated, all of which fall under the California Medical Waste Act:

☐	Contaminated sharps (i.e., if contaminated with ≥ Risk Group 2 materials)	☐	Animal carcasses	☐	Pathology waste known or suspected to be contaminated with ≥ Risk Group 2 pathogens)
☐	Red bag biohazardous waste (i.e., with ≥ Risk Group 2 materials) for autoclaving	☐	Human or non-human primate blood, tissues, etc. (e.g., clinical specimens)	☐	Trace Chemotherapeutic Waste and/or Pharmaceutical waste NOT otherwise regulated as RCRA chemical waste

4-3. What vendor will be used for off-site autoclaving and/or incineration?

4-5. Do you have a Medical Waste Permit for this site? ☐ Yes ☐ No, not required.
☐ No, but an application will be submitted.

5.0 UNDERGROUND STORAGE TANKS (USTS) & ABOVEGROUND STORAGE TANKS (ASTS)

5-1. 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

NOTE: If you will have your own diesel emergency power generator, then you will have at least one AST! [NOTE: If a backup generator services multiple tenants, then the landlord usually handles the permits.]

If NO, skip to section 6.0. 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.

UST or AST	Capacity (gallons)	Contents	Year Installed	Type (Steel, Fiberglass, etc.)	Associated Leak Detection / Spill Prevention Measures*

*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.

5-2. Please provide copies of written tank integrity test results and/or monitoring documentation, if available.

5-3. Is the UST/AST registered and permitted with the appropriate regulatory agencies? ☐ Yes ☐ No, not yet

If YES, please attach a copy of the required permit(s). *See Section 7-1 for the oversight agencies that issue permits, with the exception of those for diesel emergency power generators which are permitted by the local Air Quality District (Bay Area Air Quality Management District = BAAQMD; or San Diego Air Pollution Control District = San Diego APCD).*

5-4. 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.

5-5. 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.).

5-6. 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 in this section 5-6, please describe.

6.0 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.

7.0 OTHER REGULATORY PERMITS/REQUIREMENTS

7-1. Does the operation have or require an industrial wastewater permit to discharge into the local National Pollutant Discharge Elimination System (NPDES)? *[Example: This applies when wastewater from equipment cleaning is routed through a pH neutralization system prior to discharge into the sanitary or lab sewer for certain pharmaceutical manufacturing wastewater; etc.]* Permits are obtained from the regional sanitation district that is treating wastewater.

☐ Yes ☐ No ☐ No, but one will be prepared and submitted to the Landlord property management company.

If so, please attach a copy of this permit or provide it later when it has been prepared.

7-2. Has a Hazardous Materials Business Plan (HMBP) been developed for the site and submitted via the State of California Electronic Reporting System (CERS)? *[NOTE: The trigger limits for having to do this are ≥ 200 cubic feet if any one type of compressed gas(except for carbon dioxide and inert simple asphyxiant gases, which have a higher trigger limit of ≥ 1,000 cubic feet); ≥ 55 gallons if any one type of hazardous chemical liquid; and ≥500 pounds of any one type of hazardous chemical solid. So a full-sixe gas cylinder and a 260-liter of liquid nitrogen are triggers! Don't forget the diesel fuel in a backup emergency generator if the diesel tank size is ≥ 55 gallons and it is permitted under the tenant (rather than under the landlord).]* NOTE: Each local Certified Unified Program Agency (CUPA) in California governs the HMBP process so start there. Examples: the CUPA for cities in San Mateo County is the County Environmental Health Department; the CUPA for the City of Hayward, CA is the Hayward Fire Department; the CUPA for Mountain View is the Mountain View Fire Department; and, the CUPA for San Diego is the County of San Diego Hazardous Materials Division (HMD),

☐ Yes ☐ No, not required. ☐ No, but one will be prepared and submitted, and a copy will be provided to the landlord property management company.

If one has been completed, please attach a copy. Continue to provide updated versions as they are completed. This is a legal requirement in that State law requires that the owner/operator of a business located on leased or rented real property shall notify, in writing, the owner of the property that the business is subject to and is in compliance with the Hazardous Materials Business Plan requirements (Health and Safety Code Chapter 6.95 Section 25505.1).

7-3. NOTE: Please be advised that if you are involved in any tenant improvements that require a construction permit, you will be asked to provide the local city with a Hazardous Materials Inventory Statement (HMIS) to ensure that your hazardous chemicals fall within the applicable Fire Code fire control area limits for the applicable construction occupancy of the particular building. The HMIS will include much of the information listed in Section 2-2. Neither the landlord nor the landlord's property management company expressly warrants that the inventory provided in Section 2-2 will necessarily meet the applicable California Fire Code fire control area limits for building occupancy, especially in shared tenant occupancy situations. It is the responsibility of the tenant to ensure that a facility and site can legally handle the intended operations and hazardous materials desired/ needed for its operations, but the landlord is happy to assist in this determination when possible.

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 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: _____

EXHIBIT F

FORM OF LETTER OF CREDIT

(Letterhead of a money center bank acceptable to the Landlord)

FAX NO. [(___) ___-____] [Insert Bank Name And Address]
SWIFT: [Insert No., if any]

DATE OF ISSUE: _____

BENEFICIARY:
[Insert Beneficiary Name And Address]

APPLICANT:
[Insert Applicant Name And Address]

LETTER OF CREDIT NO.

EXPIRATION DATE: _____ AT OUR COUNTERS

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."

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 FILING OF A VOLUNTARY PETITION UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE BY 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 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 ___ (60 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: _____

EXHIBIT G

TENANT'S PROPERTY

The following items, to the extent (i) not purchased with the Tenant Improvement Allowance or Additional Improvement Allowance, and (ii) not tied into the Base Building systems, 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.
5. Portable fume hoods.
6. Biosafety cabinets.
7. Glass Washes.

LEASE

EDGEWATER BUSINESS PARK

HCP, INC.,

a Maryland corporation,

as Landlord,

and

ALLOGENE THERAPEUTICS, INC.,

a Delaware corporation,

as Tenant.

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Exhibit 10.18

-LEASE AGREEMENT BETWEEN

SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC,
a Delaware limited liability company

AS LANDLORD,

AND

ALLOGENE THERAPEUTICS, INC.
a Delaware corporation

AS TENANT

7400 GATEWAY BOULEVARD,
NEWARK, CALIFORNIA

LEASE AGREEMENT
(California Net Lease)

THIS LEASE AGREEMENT ("**Lease**") is dated as of February 19, 2019 (the "**Effective Date**"), between SILICON VALLEY GATEWAY TECHNOLOGY CENTER, LLC, a Delaware limited liability company ("**Landlord**"), and ALLOGENE THERAPEUTICS, INC., a Delaware corporation ("**Tenant**").

BASIC LEASE PROVISIONS

Premises:	Approximately 117,889 rentable square feet of space (inclusive of approximately 4,325 rentable square feet of mezzanine area) comprising the entire interior of the Building (as hereinafter defined), as shown on Exhibit A attached hereto (the "**Premises**").
Project:	The Building, together with the other two (2) adjacent buildings (i.e. Building 2 and Building 3), together with the legal parcels on which the buildings are situated, and the other improvements and common areas located on such legal parcel as shown on Exhibit A-1 attached hereto (collectively, the "**Project**").
Building:	That certain building containing approximately 117,889 rentable square feet of space (inclusive of approximately 4,325 rentable square feet of mezzanine area) to be constructed within the Project and located at 7400 Gateway Boulevard, Newark, California (the "**Building**").
Tenant's Proportionate Share of the Building:	100%
Tenant's Proportionate Share of the Project:	28.77% (based on approximately 117,889 square feet of the Premises divided by approximately 409,782 square feet of the Project).
Lease Term:	Beginning on the Commencement Date (as defined below) and ending on the last day of the one hundred eighty-eighth (188th) full calendar month thereafter.
Commencement Date:	The earlier of (a) the date Tenant occupies any portion of the Premises and begins conducting business therein, or (b) one hundred thirty-five (135) days (the "**Buildout Period**") following the date of "Substantial Completion" of the "Landlord Work" in the Premises (as such terms are defined in Exhibit B attached hereto), or such earlier date that Substantial Completion of the Landlord Work would have occurred but for any "Tenant Delay" (as defined in Exhibit B attached hereto) (the "**Commencement Date**"). Landlord estimates that the date of Substantial Completion will occur on or before November 1, 2019, as the same may be extended for Force Majeure and/or any Tenant Delays (the "**Estimated Delivery Date**"). The Buildout Period shall be extended one (1) day for each day of "Landlord Delay" (as defined in Exhibit B attached hereto) or event of "Force Majeure" (as defined in Section 33 below) to the extent that any such Landlord Delay or event of Force Majeure (as applicable) actually delays Tenant in completing the Tenant Improvements by the expiration of the then applicable Buildout Period; provided, however, notwithstanding the foregoing, in no event shall Tenant be permitted to claim more than thirty (30) days of delay (in the aggregate) as a result of Force Majeure.

Base Rent: The Base Rent shall be as follows:

Month of Lease Term:	Base Rent:
1 – 12*	$159,150.15 per month
13 – 24	$163,924.65 per month
25 – 36	$168,842.39 per month
37 – 48	$173,907.67 per month
49 – 60	$179,124.90 per month
61 – 72	$184,498.64 per month
73 – 84	$190,033.60 per month
85 – 96	$195,734.61 per month
97 – 108	$201,606.65 per month
109 – 120	$207,654.85 per month
121 – 132	$213,884.49 per month
133 – 144	$220,301.03 per month
145 – 156	$226,910.06 per month
157 – 168	$233,717.36 per month
169 – 180	$240,728.88 per month
181 – 188	$247,950.75 per month

*Subject to the Base Rent Credit (as defined in Paragraph 4(b) below).

Initial Estimated Monthly Operating Expense Payments (estimate only and subject to adjustment to actual costs and expenses according to the provisions of this Lease): $33,794.85 per month (does not include utilities, which are to be paid separately in accordance with Paragraph 7 herein).

Prepaid Rent: $192,945.00

Letter of Credit: $3,000,000.00

Permitted Use: Subject to compliance with all Legal Requirements and Private Restrictions (as defined in Paragraph 3(b) below), and the terms and conditions contained in this Lease, the Premises shall be used only for uses permitted under BTP Business Technology Park Zoning Regulations, as the same may be updated from time-to-time (the "**Permitted Use**").

Tenant's Notice Address:	Allogene Therapeutics, Inc. Attn: General Counsel 210 East Grand Avenue South San Francisco, CA 94080 notices@allogene.com and Advisors LLP 11911 San Vicente Boulevard Suite 265 Los Angeles, California 90049 Attention: Jordan Fishman
Landlord's Notice Address:	c/o Clarion Partners 1717 McKinney Avenue, Suite 1900 Dallas, TX 75202 Attention: Stacey Magee with a copy to: Elkins Kalt Weintraub Reuben Gartside LLP 2049 Century Park East, Suite 2700 Los Angeles, CA 90067 Attention: Keith D. Elkins With a copy to: Panattoni Development Company, Inc. 8775 Folsom Blvd Suite 200 Sacramento, CA 95826 Attention: Timothy Schaedler
Broker(s):	Jones Lang LaSalle (Jason Ovadia) (representing Landlord) Kidder Matthews and CBRE Inc. (representing Tenant).
Addenda:	Rules and Regulations; Exhibit A (Premises); Exhibit A-1 (Site Plan of the Project); Exhibit B (Tenant Work Letter); Exhibit C (Environmental Questionnaire); Exhibit D (Tenant's Signage); Exhibit E (Tenant's Exclusive Parking Area); Exhibit F (Tenant Improvements Not Required To Be Removed).

LEASE

1. **Granting Clause; Lease Term**.

(a) In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease. After the Commencement Date, each of Landlord and Tenant shall, within a reasonable period of time (not to exceed 30 days) following the other party's written request therefor, execute and deliver to each other a Confirmation of the Commencement Date in a form reasonably approved by Landlord and Tenant; provided, however, that failure by either party to execute such Confirmation of the Commencement Date shall not affect the actual Commencement Date under this Lease. The term of this Lease shall commence on the "Commencement Date" specified in or established above, and except as otherwise provided herein, shall continue in full force and effect through the number of months as provided above in the Basic Lease Provisions (the "**Lease Term**"); provided, however, that if the Commencement Date is a date other than the first day of a calendar month, then the Lease Term shall consist of the Commencement Date and the remainder of the calendar month including and following the Commencement Date, plus said number of full calendar months in the Lease Term. Subject to compliance with Legal Requirements and Private Restrictions, Tenant shall have the right to access the Premises twenty-four (24) hours per day, seven (7) days per week throughout the Lease Term.

(b) If Landlord cannot, for any reason, deliver the Premises to Tenant by the Estimated Delivery Date set forth in the Basic Lease Provisions above, then this Lease shall not be deemed void or voidable nor shall Landlord be deemed to be in default hereunder, nor shall Landlord be liable for any loss or damage directly or indirectly arising out of such delay. Subject to extension for any delay caused by Force Majeure (as defined in Paragraph 33 below) and/or any Tenant Delays (as defined in Exhibit B attached hereto), if Substantial Completion of the Landlord Work fails to occur by the date which is thirty (30) days following the Estimated Delivery Date (as extended by Force Majeure and/or any Tenant Delays) (the "**First Outside Date**"), then, as Tenant's sole and exclusive remedy, commencing on the day following the First Outside Date, Tenant shall receive a day-for-day credit of Base Rent for each day following such Outside Date until the earlier of (i) the Commencement Date, or (ii) the Second Outside Date (as defined below), which credit shall be applicable to Base Rent first otherwise coming due during the Lease Term after the application of the Base Rent Credit (as defined in Paragraph 4(b) below), provided that Tenant shall remain liable for the payment of any other charges under this Lease, including, without limitation, Operating Expenses, as otherwise required under this Lease during such period when Base Rent is abated pursuant hereto. Tenant shall commence the regular payment of Base Rent (at the then applicable rates), computed in the way and manner as provided by this Lease, upon the Commencement Date, subject to such credit right (and the Base Rent Credit, as defined in Paragraph 4(b) below) in the event that Substantial Completion of the Landlord Work occurs after the First Outside Date. Notwithstanding any provision to the contrary contained herein, but subject to extension for any delay caused by Force Majeure and/or any Tenant Delays, if Substantial Completion of the Landlord Work has not occurred by the date which is ninety (90) days following the First Outside Date (as extended by Force Majeure and/or any Tenant Delay, the "**Second Outside Date**"), then Tenant shall thereafter, prior to the Substantial Completion of the Landlord Work, have the right (as Tenant's sole and exclusive remedy) to terminate this Lease by delivery of written notice of such election to Landlord, which notice must be given, if at all, within thirty (30) days following the Second Outside Date, and this Lease shall terminate thirty (30) days after receipt of such termination notice by Landlord; provided, however, that if Substantial Completion of the Landlord Work occurs during the 30-day period following receipt of Tenant's notice of termination, Tenant's termination notice shall automatically be deemed null and void. In the event Tenant does not terminate this Lease pursuant to this Paragraph 1(b), then this Lease shall continue in full force and effect; provided, however, that no further credits against Base Rent shall accrue hereunder from and after the Second Outside Date. If this Lease is terminated pursuant to the terms of this paragraph, then Tenant shall remove any and all Tenant Improvements, furniture, fixtures and equipment that were installed by Tenant (or on behalf of Tenant) prior to such termination (whether in accordance with Paragraph 1(c) below or otherwise), and repair any damage caused by such removal, and this Lease and the rights and obligations of the parties pursuant to this Lease shall cease and terminate following which neither party shall have any further rights or obligations arising out of this Lease or the termination of this Lease, except those rights and obligations expressly surviving expiration or earlier termination of this Lease. For avoidance of doubt, (a) Tenant shall no longer receive any credit against Base Rent following the Second Outside Date, and (b) if Tenant elects to terminate this Lease pursuant to this Paragraph, (I) Tenant shall not receive any compensation from Landlord whatsoever except for a refund of the Prepaid Rent (with

Tenant agreeing and acknowledging that any credits accrued by Tenant shall only be applicable if the Commencement Date actually occurs), and (II) Landlord may require Tenant to remove, in Landlord's sole and absolute discretion, any and all Tenant Improvements, furniture, fixtures and equipment that were installed by Tenant (or on behalf of Tenant) prior to such termination (whether in accordance with Paragraph 1(c) below or otherwise), and repair any damage caused by such removal, which obligations shall expressly survive the termination of the Lease. The remedies of Tenant set forth in this Paragraph 1(b) shall be Tenant's sole and exclusive remedies for failure of Landlord to timely cause Substantial Completion of the Landlord Work.

(c) Subject to all Legal Requirements and Private Restrictions, Tenant may enter the Premises approximately ninety (90) days prior to Substantial Completion of the Landlord Work for the sole purposes of constructing the Tenant Improvements, installing Tenant's furniture, fixtures and equipment in accordance with the terms and conditions contained in Exhibit B attached hereto, and taking other preparatory measures; provided, however, that Tenant shall not unreasonably interfere with the completion of any of the Landlord Work and/or any Punchlist Items (as defined in Exhibit B attached hereto). Landlord and Tenant shall reasonably cooperate (and shall cause their respective contractors, subcontractors and agents to cooperate) with each other in good faith to reasonably accommodate the construction scheduling of each party and in order that the work being performed by each party may be completed without material interference with the completion of the work being completed by the other party and without increase in cost to the other party; provided, however, notwithstanding the foregoing or anything herein to the contrary, Tenant acknowledges and agrees that in the event there is any conflict between the construction scheduling or activities for completion of Tenant's work and the Landlord Work, the completion of the Landlord Work shall take priority over the completion any Tenant's work and Tenant shall not interfere with (and Tenant shall cause its contractors, subcontractor and agents to not interfere with) the completion of the Landlord Work. In the interest of clarity, Tenant acknowledges and agrees that the date of Substantial Completion may be deemed to have occurred prior to the actual date of Substantial Completion due to the occurrence of one or more Tenant Delays, which may result in Tenant not having access to the Premises for the full duration of the Buildout Period. As a condition to Tenant's right to such early entry, Tenant shall be required to comply with all of the provisions of this Lease including, without limitation, the insurance and indemnity provisions contained in this Lease and with the provisions of this Lease governing the Tenant Improvements, but excluding only the obligation to pay Base Rent and Operating Expenses. Notwithstanding the foregoing, in no event shall Tenant access or enter into the Premises until such time as Tenant has delivered to Landlord written evidence that Tenant has fulfilled its obligation to provide insurance pursuant to the provisions of this Lease. Such early entry in and of itself will not advance the Commencement Date. Tenant shall have no obligation to pay any Base Rent, utilities, or Operating Expenses until the Commencement Date has occurred, whereupon, subject to the Base Rent Credit, Base Rent, utilities, and Operating Expenses shall immediately commence. During any such early entry, Landlord shall not be responsible for any loss, including theft, damage or destruction to any work or material installed or stored by Tenant at the Premises or for any injury to Tenant or its agents, employees, contractors, subcontractors, representatives, consultants, subtenants, assigns, licensees or invitees (each, a "**Tenant Party**" and collectively, the "**Tenant Parties**"). Landlord shall have the right to post appropriate notices of non-responsibility in connection with any early entry by Tenant.

(d) All references in this Lease to "square feet" or "square footage" shall refer to rentable square feet as measured in accordance with the American National Standard Method of Measuring Floor Area in Industrial Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.2-2012) using drip line methodology (Method B), modified, if necessary, to include any mezzanine areas in the references to "square feet" and/or "square footage".

2. **Acceptance of Premises**. Subject to Landlord's obligations expressly set forth in this Lease, including Exhibit B attached hereto (and Landlord's Construction Warranty [as defined and described therein]), Tenant shall accept the Premises in its "as-is" condition as of the date of Substantial Completion of the Landlord Work. EXCEPT FOR LANDLORD'S EXPRESS WARRANTIES SET FORTH IN THIS LEASE, LANDLORD HAS MADE NO REPRESENTATION OR WARRANTY AS TO THE SUITABILITY OF THE PREMISES OR PROJECT FOR THE CONDUCT OF TENANT'S BUSINESS, AND TENANT WAIVES ANY IMPLIED WARRANTY THAT THE PREMISES OR PROJECT ARE SUITABLE FOR TENANT'S INTENDED PURPOSES.

3. **Use; Compliance with Legal Requirements; Tenant Management Period**.

(a) Subject to Tenant's compliance with all zoning ordinances and Legal Requirements (as hereinafter defined) and Private Restrictions, the Premises shall be used only for the Permitted Use. Tenant hereby acknowledges and agrees that warehouse distribution use under the current BTP Business Technology Park Zoning Regulations is limited to no more than thirty-three percent (33%) of the square footage of the Premises. Notwithstanding the foregoing, Landlord acknowledges and agrees that Tenant may seek one or more conditional use permits, variances or other authorizations from the applicable Governmental Authorities to increase the amount of square footage of the Premises that can be used for warehouse distribution, or, subject to receipt of Landlord's prior written approval, to allow for different and/or additional uses than those currently permitted under the BTP Business Technology Park Zoning Regulations in the Premises. Without limiting the foregoing, Landlord may object to (and prohibit Tenant from proceeding with obtaining) any proposed conditional use permit, variance or other authorization if the same would materially and unreasonably impact any other premises in the Project and/or the use, occupancy or enjoyment of any other occupant or potential occupant of other premises in the Project, or the same would violate any Private Restrictions. Tenant shall not conduct or give notice of any auction, liquidation, or going out of business sale on the Premises or Project. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises or subject the Premises to use that would damage the Premises. Tenant shall not permit any unreasonably objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would unreasonably disturb, interfere with, or endanger Landlord or any tenants of the Project. Notwithstanding anything to the contrary contained in this Lease, promptly following receipt of written notice from Landlord that another tenant or occupant of the Project or any neighboring property is experiencing in their premises an unreasonable or excessive infiltration of objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations from the Premises, Landlord may investigate same. Following such investigation, to the extent it is determined that reasonably objectionable odors, smoke, dust, gas, noise, or vibrations have been found to be infiltrating such other tenant's premises as a result of Tenant's use of (or operations in) the Premises, Tenant shall use all commercially reasonable, good faith efforts to remediate and/or minimize the ability of such odors, smoke, dust, gas, noise, or vibrations from having the ability to enter the adjacent premises. In addition, Tenant agrees to take all commercially reasonable measures, at Tenant's sole cost and expense, in accordance with plans and specifications reviewed and approved in advance by Landlord, including, without limitation, installing alterations and/or additional equipment at the Premises to remediate the subject issues to the reasonable satisfaction of Landlord. Except as otherwise expressly permitted by this Lease, outside storage, including without limitation, storage of products, inventory or other personal property (other than the parking of operable trucks, vehicles, and trailers in compliance with Legal Requirements and the Private Restrictions) is prohibited without Landlord's prior written consent.

(b) Subject to Paragraphs 15 and 16 of this Lease and Landlord's express obligations under this Lease, including, without limitation, (i) Landlord's Construction Warranty, (ii) Landlord's obligations expressly set forth in Paragraph 10 below, and (iii) Landlord's obligations under the Work Letter attached hereto as Exhibit B, Tenant, at its sole expense, shall comply with (A) all laws, including, without limitation, the Americans With Disabilities Act (and any similar statute), orders, judgments, ordinances, regulations, codes, directives, permits, licenses (collectively, "**Legal Requirements**") and Tenant shall, at its expense, make any alterations or modifications within the Premises that are required by any Legal Requirements as a result of Tenant's specific use of the Premises [i.e., other than Legal Requirements that apply generally to warehouse projects in the area] or any alterations [including, without limitation, any Tenant-Made Alterations], improvements [including, without limitation, the Tenant Improvements] or other work performed by or on behalf of Tenant [exclusive of the Landlord Work], and (B) all declarations, covenants and restrictions (including, without limitation, [I] that certain Declaration of Easements, Covenants, Conditions and Restrictions recorded on June 10, 1997, as Instrument No. 97141983 in the Official Records of Alameda County, and [II] that certain Gateway Technology Centre Declaration of Covenants, Conditions and Restrictions recorded on June 10, 1997, as Instrument No. 97141984 in the Official Records of Alameda County, as either of the foregoing may be modified, amended, and/or supplemented from time-to-time in accordance herewith), plats, and other matters of record applicable to the Premises (collectively, the "**Private Restrictions**"). Tenant will not use or permit any of the Tenant Parties to use the Premises for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler credits. If any increase in the cost of any insurance on the Premises or the Project is caused by Tenant's use or occupation of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such increase to Landlord.

(c) Landlord hereby discloses to Tenant, in accordance with California Civil Code Section 1938, and Tenant hereby acknowledges that the Premises have not undergone an inspection by a Certified Access Specialist (CASp) to determine whether the Premises meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. 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, and notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant hereby agree as follows: (i) any CASp inspection requested by Tenant shall be conducted, at Tenant's sole cost and expense, by a CASp approved in advance by Landlord, subject to Landlord's rules and requirements; and (ii) Landlord shall have no obligation to perform any work or repairs identified in any such CASp inspection.

(d) Tenant and its employees and invitees shall have the non-exclusive right to use, in common with others, those areas outside of the Building within the Project that are intended for the use and enjoyment of all tenants and occupants of the Project (the "**Common Areas**"), subject to modification from time-to-time and subject to such reasonable rules and regulations as Landlord may promulgate from time to time upon receipt of written notice of the same from Landlord, so long as all such rules and regulations are enforced in a non-discriminatory manner. Subject to compliance with Legal Requirements, Tenant and the Tenant Party's shall have non-exclusive access to the Common Areas on a twenty-four (24) hour, seven (7) day per week basis throughout the Lease Term; provided, however, Landlord shall at all times during the Lease Term have exclusive control of the Common Areas, and may restrain or permit any use or occupancy of the Common Areas and/or may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations, to prevent a public dedication or the accrual of prescriptive rights, or for any other reasonable purpose. Landlord may also change the shape and size of the Common Areas, add, eliminate or change the location of improvements to the Common Areas, including, without limitation, buildings, parking areas, roadways and curb cuts. Landlord shall maintain and operate the Common Areas in a manner consistent other institutional quality research and development projects in the market area.

4. **Base Rent**.

(a) Commencing on the Commencement Date, but subject to the Base Rent Credit (as defined in Paragraph 4(b) below), and any credit under Paragraph 1(b) above, Tenant shall pay Base Rent in the amounts set forth in the Basic Lease Provisions, in advance, without demand, deduction or set-off, except as otherwise expressly set forth in this Lease, on or before the first day of each calendar month. The Prepaid Rent (as set forth in the Basic Lease Provisions above) shall be due and payable on the date hereof (and shall be applied against Base Rent and Operating Expenses first due under this Lease). Payments of Base Rent and Operating Expenses for any fractional calendar month shall be prorated. All payments required to be made by Tenant to Landlord hereunder shall be payable at such address as Landlord may specify from time to time by written notice delivered in accordance herewith. The obligation of Tenant to pay Base Rent and other sums to Landlord shall constitute rent and shall be independent obligations from the obligations of Landlord under this Lease. Tenant shall have no right at any time to abate, reduce, or set-off any rent due hereunder except where expressly provided to the contrary in this Lease. Tenant acknowledges that late payment by Tenant to Landlord of any rent due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to determine. Therefore, if Tenant is delinquent in any monthly installment of Base Rent or any monthly estimated Operating Expenses or any other sums due and payable hereunder for more than five (5) business days after the date such amount is due, Tenant shall pay to Landlord on demand a late charge equal to five percent (5%) of such delinquent sum; provided, that for the first such instance of delinquency in any calendar year, such late charge shall not be due unless the same shall be delinquent for at least five (5) business days after receipt by Tenant of written notice of delinquency from Landlord. The parties agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of such late payment by Tenant. The late charge shall be deemed to be rent, and the right to require it shall be in addition to all of Landlord's other rights and remedies for a payment failure of Tenant, including without limitation the right to charge interest on the past due amount.

(b) Subject to the terms and conditions of this Paragraph 4(b), provided that no Event of Default then exists under this Lease, Tenant shall be credited with the payment of Base Rent with respect to the Premises for the second (2nd) through ninth (9th) full calendar months of Lease Term only (collectively, the "**Base Rent Credit**"), in each case as and when the same becomes due and payable, for a total Base Rent Credit equal to One Million Two Hundred Seventy-Three Thousand Two Hundred One and 20/100 Dollars ($1,273,201.20) in the aggregate. Such Base Rent Credit shall not reduce or limit any other amounts which are otherwise payable by Tenant under this Lease (including, without limitation, Operating Expenses). If an Event of Default then exists under this Lease at the time Tenant would otherwise be entitled to the Base Rent Credit, then the Base Rent Credit shall be suspended during such period when the Event of Default is occurring (the aggregate amount of such suspended Base Rent Credit is referred to herein as the "**Suspended Base Rent Credit**"), but if Tenant subsequently cures such Event of Default, then Landlord shall credit the aggregate amount of such Suspended Base Rent Credit against the Base Rent next due and payable by Tenant under this Lease after the date of such cure.

5. **Letter of Credit**.

(a) As security for the full and faithful payment of all sums due under this Lease and the full and faithful performance of every covenant and condition of this Lease to be performed by Tenant, concurrently with Tenant's execution of this Lease, Tenant shall deliver to Landlord a letter of credit in the amount of Three Million Dollars ($3,000,000.00) (the "**LC Amount**") in favor of Landlord and effective immediately upon issuance (the "**Letter of Credit**"). The Letter of Credit initially delivered pursuant to this paragraph and all substitutions, replacements and renewals of it, must be consistent with and shall satisfy all the following requirements: (i) the Letter of Credit shall be clean, irrevocable and unconditional; (ii) the Letter of Credit must be issued by a national bank which is a member of the New York Clearing House, which bank must be reasonably satisfactory to Landlord; (iii) the Letter of Credit shall have an expiration date no earlier than the first anniversary of the date of its issuance and shall provide for its automatic renewal from year to year unless terminated by the issuing bank by notice to Landlord given not less than sixty (60) days prior to its expiration date by registered or certified mail (and the final expiration date of the Letter of Credit and all renewals of it shall be no earlier than sixty (60) days following the end of the Term); (iv) the Letter of Credit may be drawn by facsimile, courier, or at the applicable banking office of the issuer and must allow for draws to be made pursuant to a form of draw request which has been approved by Landlord; (v) the Letter of Credit must allow for one draw in the whole amount or multiple partial draws (and Landlord shall not, as a condition to any draw, be required to deliver any certificate, affidavit or other writing to the issuer expressing the basis for the draw; nor shall the issuer have the right to inquire as to the basis for the draw or require instruction or authorization from any party other than Landlord; nor shall issuer be permitted to withhold a draw, when requested by Landlord, as a result of any instruction from any other party); (vi) the Letter of Credit shall be freely transferable by Landlord; (vii) the Letter of Credit shall be governed by (A) the International Standby Practices (SP 98 published by the International Chamber of Commerce and (B) the United Nations Convention on Independent Guarantees and Standby Letters of Credit; and (viii) the Letter of Credit shall otherwise be in such form and shall be subject to such requirements as Landlord may require. Landlord hereby approves First Republic Bank as the issuer of the Letter of Credit should Tenant select such issuer. Without limiting the generality of the foregoing, the Letter of Credit must be issued by a bank or financial institution acceptable to Landlord (x) that is chartered under the laws of the United States, any state thereof or the District of Columbia, and which is insured by the Federal Deposit Insurance Corporation, and (y) whose long-term debt ratings on bank level senior debt obligations are rated by Fitch Ratings Ltd. ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Ratings Services ("**S&P**") or their respective successors (the "**Rating Agencies**") not less than A- from Fitch, Baa1 from Moody's or A- from S&P.

(b) Landlord may draw on the Letter of Credit, in whole or in part at Landlord's election, without advance notice to Tenant at any time or from time to time on or after (i) the occurrence of any Event of Default, or (ii) if Tenant, or anyone in possession of the Premises (or any portion thereof) through Tenant, holds over after the expiration or earlier termination of this Lease, or (iii) Landlord is given notice by the issuer of the Letter of Credit that it is terminating the Letter of Credit and Tenant has not provided a replacement Letter of Credit that satisfies the requirements of this Lease at least thirty (30) days prior to such termination, or (iv) the Letter of Credit expires on a specified date by its terms and is not renewed or replaced at least thirty (30) days in advance of its expiration date, or (iv) to the extent permitted by law, in the event any bankruptcy, insolvency, reorganization or any other debtor creditor proceeding is instituted by or against Tenant. Tenant hereby waives the provisions of any law, now or hereafter in effect, which limits the manner in which Landlord may apply sums drawn from the Letter of Credit, it being agreed that Landlord may apply such amounts towards any sums reasonably necessary to compensate Landlord

for any other loss or damage, foreseeable or unforeseeable, caused by the acts or omissions of Tenant or any officer, employee, agent, contractor or invitee of Tenant. Tenant agrees and acknowledges that: (i) the Letter of Credit constitutes a separate and independent contract between Landlord and the issuing bank; (ii) Tenant is not a third party beneficiary of such contract; and (iii) Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof and that, if Tenant becomes a debtor under any chapter of the Federal Bankruptcy Code, 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 Letter of Credit and/or the proceeds thereof by application of Section 502(b)(6) of the Federal Bankruptcy Code.

(c) In addition, if at any time the bank or financial institution that issues the Letter of Credit is declared insolvent, or is placed into receivership by the Federal Deposit Insurance Corporation or any other governmental or quasi-governmental institution, or if there is a material adverse change in the financial or business condition of the bank or financial institution from the date of this Lease, as reasonably determined by Landlord, then following written notice from Landlord, Tenant shall have ten (10) days to replace the Letter of Credit with a new letter of credit from a bank or financial institution reasonably acceptable to Landlord. If Tenant does not replace the Letter of Credit with a new letter of credit from a bank or financial institution reasonably acceptable to Landlord within such ten (10) day period, then notwithstanding anything to the contrary herein, Landlord may treat the same as Event of Default after the expiration of the applicable notice and cure period provided in this Lease, and Landlord shall have the right to draw upon the Letter of Credit for the full amount of the Letter of Credit, and such amount shall be held by Landlord for application, at Landlord's election, to future sums owing to Landlord under the Lease, in such order and priority as Landlord elects in its absolute discretion.

(d) Landlord may apply any sum drawn on the Letter of Credit to amounts owing to Landlord under this Lease in such order and priority as Landlord elects in its absolute discretion. If any of the proceeds drawn on the Letter of Credit are not applied immediately to sums owing to Landlord under this Lease, Landlord may retain any such excess proceeds for application, at Landlord's election, to future sums owing to Landlord under this Lease, in such order and priority as Landlord elects in its absolute discretion. Any unused proceeds need not be segregated from Landlord's other assets. Tenant shall, within ten (10) days after Landlord's demand, restore the amount of the Letter of Credit drawn so that the Letter of Credit is restored to the original amount of the Letter of Credit. If Tenant does not restore the Letter of Credit to its original amount within the required time period, such non-restoration shall be considered an Event of Default. If Tenant restores the Letter of Credit to its original amount in accordance with the terms and conditions contained herein, then Landlord shall promptly return to Tenant the amounts previously drawn and not yet applied by Landlord.

(e) Additionally, Landlord's draw and application of all or any portion of the proceeds of the Letter of Credit shall not impair any other rights or remedies provided under this Lease or under applicable law and shall not be construed as a payment of liquidated damages. If no Event of Default exists under this Lease, the Letter of Credit shall be returned to Tenant or, if Landlord has drawn on the Letter of Credit, the remaining proceeds of the Letter of Credit which are in excess of sums due the Landlord shall be repaid to Tenant, without interest, within thirty (30) days after the expiration or termination of the Lease Term, delivery of possession of the Premises by Tenant to Landlord in accordance with this Lease, and the satisfaction by Tenant of all of its obligations under the Lease. On any request by Landlord made during the Lease Term, Tenant shall cooperate in accomplishing any reasonable modification of the Letter of Credit requested by Landlord, at Landlord's cost. If the Letter of Credit should be lost, mutilated, stolen or destroyed, Tenant shall cooperate in obtaining the issuance of a replacement.

(f) Notwithstanding anything to the contrary contained herein, Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or any proceeds thereof be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("**Security Deposit Laws**") shall have no applicability or relevancy thereto, and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

(g) Tenant shall not assign or grant any security interest in the Letter of Credit and any attempt to do so shall be void and of no effect.

(h) In the event of a sale or transfer of Landlord's estate or interest in the Premises, Landlord shall have the right to transfer the Letter of Credit to the vendee or the transferee, Landlord shall be responsible for paying the first $5,000.00 of any transfer fees charged by the issuing bank, and Tenant shall pay any transfer fees charged by the issuing bank in excess of $5,000.00, and upon the transferee's receipt of the Letter of Credit Landlord shall thereafter be considered released by Tenant from all liability for the return of the Letter of Credit. Tenant shall cooperate in effecting such transfer.

(i) No mortgagee or purchaser of any or all of the Premises at any foreclosure proceeding brought under the provisions of any mortgage shall (regardless of whether the Lease is at the time in question subordinated to the lien of any mortgage) be liable to Tenant or any other person for any or all amounts drawn against the Letter of Credit or any other payment made by Tenant under the provisions of this Lease), unless Landlord has actually delivered it in cash to such mortgagee or purchaser, as the case may be.

(j) Notwithstanding anything to the contrary contained in this Lease, provided that (i) no Event of Default occurs or exists, and (ii) Tenant is able to adequately prove to Landlord that Tenant's operations for the calendar year prior to the applicable "Reduction Date" (as specified below) have yielded at least Seventy-Five Million Dollars ($75,000,000.00) in cash, as reported in Tenant's 10-K, or if a 10-K is not available, financial statements prepared in accordance with generally accepted accounting principles and certified by a responsible officer of Tenant (collectively, the "**Reduction Conditions**"), then the LC Amount shall be reduced in accordance with the following schedule (which reductions shall not be effectuated, and shall not be effective, unless and until Landlord has confirmed in writing that the Reduction Conditions have been satisfied, which confirmation shall not be unreasonably withheld, conditioned or delayed). Any reduction of the LC Amount may be effectuated either via an amendment to the existing Letter of Credit or a replacement Letter of Credit.

Reduction Date	Reduction Amount	LC Amount after Reduction
Last day of the 24th full calendar month of the initial Lease Term	$200,000.00	$2,800,000.00
Last day of the 36th full calendar month of the initial Lease Term	$200,000.00	$2,600,000.00
Last day of the 48th full calendar month of the initial Lease Term	$200,000.00	$2,400,000.00
Last day of the 60th full calendar month of the initial Lease Term	$200,000.00	$2,200,000.00
Last day of the 72nd full calendar month of the initial Lease Term	$200,000.00	$2,000,000.00
Last day of the 84th full calendar month of the initial Lease Term	$200,000.00	$1,800,000.00
Last day of the 96th full calendar month of the initial Lease Term	$200,000.00	$1,600,000.00
Last day of the 108th full calendar month of the initial Lease Term	$200,000.00	$1,400,000.00
Last day of the 120th full calendar month of the initial Lease Term	$200,000.00	$1,200,000.00
Last day of the 132nd full calendar month of the initial Lease Term	$200,000.00	$1,000,000.00

Tenant agrees and acknowledges that the foregoing LC Amount reduction schedule is conditioned upon the Reduction Conditions being satisfied as of each applicable Reduction Date. If the Reduction Conditions are not satisfied as of a particular Reduction Date, then the LC Amount shall not be reduced on such Reduction Date; provided, however, Tenant shall have the ability to "catch-up" on the LC Amount reduction schedule during the Lease Term provided the Reduction Conditions are satisfied on the subsequent Reduction Date. By way of example and not of limitation, if at the end of the thirty-sixth (36th) full calendar month of the initial Lease Term the Reduction Conditions are not

satisfied, then, without limiting any of Landlord's other rights and remedies under this Lease and/or at law and/or in equity in connection with same, the LC Amount shall not be reduced and shall remain at $2,800,000.00. However, if at the end of the forty-eighth (48th) full calendar month of the initial Lease Term, the Reduction Conditions are satisfied, then the LC Amount shall be reduced to $2,400,000.00 in accordance with the above schedule. The LC Amount shall continue to be reduced in accordance with the foregoing schedule until the LC Amount equals $1,000,000.00, at which point the LC Amount shall no longer be reduced and shall remain at such amount until the expiration or earlier termination of the Lease Term. Tenant further agrees and acknowledges that no reduction of the LC Amount shall be effective until Landlord has confirmed in writing that the Reduction Conditions have been satisfied as of the applicable Reduction Date, which confirmation Landlord shall not be unreasonably withhold, condition or delay. If the LC Amount gets reduced in accordance with the terms and conditions contained herein and the reduction schedule above, it shall not be subject to increase thereafter. Tenant shall not be entitled to reduce the LC Amount except as expressly set forth in this Paragraph 5(j).

Notwithstanding the foregoing to the contrary, provide no Event of Default exists, in the event that Tenant maintains a reasonably verifiable tangible net worth exceeding One Billion Dollars ($1,000,000,000.00) (the "**Net Worth Requirement**"), then Tenant may reduce the LC Amount to $247,950.75 not earlier than the thirtieth (30th) day following delivery of written notice to Landlord that Tenant has satisfied the Net Worth Requirement together with financial statements evidencing the fact that such Net Worth Requirement has been satisfied. If Tenant is a corporation with publicly traded securities or is otherwise required to file financial statements with the Securities and Exchange Commission, the public filing of such financial statements shall be deemed to satisfy the requirement to provide evidence of Tenant's net worth. Alternatively, Tenant shall provide Landlord with a copy of Tenant's most current quarterly and annual financial reports, certified by an officer of the company. Tenant agrees and acknowledges that no reduction of the LC Amount pursuant to this paragraph shall be effective until Landlord has confirmed in writing that the Net Worth Requirement has been satisfied, which confirmation Landlord shall not be unreasonably withhold, condition or delay. Landlord shall have the right to disallow Tenant's option to reduce the LC Amount as permitted in this subparagraph, and to require Tenant to increase the LC Amount to the applicable amounts required by the schedule above if, at any time during the Lease Term, Tenant cannot reasonably demonstrate that it satisfies the Net Worth Requirement.

6. **Operating Expense Payments**.

(a) Commencing on the Commencement Date, during each month of the Lease Term, on the same date that Base Rent is due (and on the first day of each month during the Base Rent Credit period), Tenant shall pay Landlord an amount equal to 1/12th of the annual cost, as estimated by Landlord from time-to-time, of Tenant's Proportionate Share (as defined in the Basic Lease Provisions) of the amount of Operating Expenses for the Premises and/or the Project. Payments thereof for any fractional calendar month shall be prorated. Subject to the terms of this Lease, Tenant's obligation to pay for Operating Expenses arising or pertaining to periods during the Lease Term shall survive the expiration or earlier termination of the Lease.

(b) The term "**Operating Expenses**" means all costs and expenses incurred by Landlord in connection with the ownership, maintenance, and/or operation of the Premises and/or the Project, including, but not limited to costs of: utilities (other than those paid for directly to utility providers by Tenant or by other tenants of the Project); maintenance repair and replacement of all portions of the Premises and/or the Project, including without limitation, paving and parking areas, roads, roofs (excluding the portions comprising the Building Structural Elements, as defined in Paragraph 10 below), roof membranes, alleys, and driveways; mowing, snow removal, landscaping, and exterior painting; the cost of maintaining utility lines and equipment, fire sprinklers and fire protection systems, exterior lighting and mechanical and building systems serving the Building or Project; amounts paid to contractors and subcontractors for work or services performed in connection with any of the foregoing; the cost of any insurance premium and deductible for insurance maintained by Landlord with respect to the Premises and Project, which deductibles shall be commercially reasonable based on the deductibles of institutional owners of commercial properties similar to the Project in the market in which the Project is located, Tenant's Proportionate Share of which shall not exceed $50,000.00 per occurrence in "Current Dollars" (as defined in Paragraph 37(p) below) (provided, however, such $50,000.00 cap shall not apply to any deductible for earthquake insurance [which is addressed separately in Paragraph 6(c) below]); charges or assessments of any association to which the Premises and/or the Project is subject; costs incurred in connection with any declarations, covenants, conditions or restrictions affecting

the Project; fees payable to tax consultants and attorneys for consultation and contesting taxes (not to exceed the amount of tax benefit Landlord reasonably expected to achieve in connection with any such contest); environmental audits; property management and accounting fees payable to a property manager, including any affiliate of Landlord, provided that Tenant's Proportionate Share of the property management fees shall equal one and fifty one hundredths percent (1.50%) of the gross revenue of the Premises (which gross revenues shall include Base Rent [without regard to any credit or abatement of Base Rent, including, without limitation, the Base Rent Credit, as if Base Rent was payable during such period] and all Operating Expenses); security services, if any; trash collection, sweeping and removal; and Includable Capital Expenditures (as defined below), provided that the cost of such Includable Capital Expenditures that are required to be capitalized for federal income tax purposes shall be amortized on a straight line basis over the useful life thereof (as determined in accordance with customary and/or generally accepted real estate management accounting practices and principles), together with interest thereon, and the amortized portion of the costs shall be included in Operating Expenses only to the extent of the amortized amount applicable to the respective calendar year. In addition, Operating Expenses shall include (1) Taxes (hereinafter defined) assessed or pertaining to each calendar year (or portion thereof) during the Lease Term, and (2) the cost of insurance maintained by Landlord for the Premises and/or the Project for each calendar year during the Lease Term. If less than one hundred percent (100%) of the net rentable area of the Project is occupied by tenants at all times during any calendar year, then Operating Expenses that vary with occupancy or use for such year shall include all additional costs and expenses that Landlord reasonably determines would have been incurred had one hundred percent (100%) of the Project been occupied at all times during such year by tenants. For purposes of this Lease, "**Includable Capital Expenditures**" means the costs of capital repairs, replacements, alterations, improvements to the extent such expenses are: (a) reasonably intended to effect economies in the operation or maintenance of the Building and/or the Project, and/or are anticipated to reduce current or future Operating Expenses, in each case to the extent of reasonably anticipated by Landlord; (b) required to comply with Legal Requirements or Private Restrictions that are first enacted after the date of Substantial Completion of the Landlord Work or to comply with existing Legal Requirements or Private Restrictions that are modified, amended, or subject to new or different interpretation(s) after the date of Substantial Completion of the Landlord Work; and/or (c) commercially reasonable in connection with Landlord's maintaining and repairing the Building in accordance with the provisions of this Lease (subject to the terms and conditions of Paragraph 10 below with respect to Building Structural Elements which are to be maintained and repaired by Landlord) and/or the Common Areas of the Project in a manner consistent with other institutional quality research and development projects in the market area.

(c) Notwithstanding the foregoing, Operating Expenses shall not include: (1) debt service (including interest, depreciation and principal payments) on any indebtedness, any financing or refinancing costs, or ground rent under ground leases; (2) costs of restoration and costs incurred in connection with any casualty or condemnation action (provided, however, Tenant shall be responsible for its Proportionate Share of any deductible under insurance policies maintained by Landlord, which Proportionate Share of such deductible(s) shall not exceed $50,000.00 per occurrence in Current Dollars; provided, however, such $50,000.00 cap shall not apply to any deductible for earthquake insurance [which is addressed separately below]), in each case to the extent Landlord is reimbursed by insurance or condemnation proceeds (or to the extent Landlord would have been reimbursed had Landlord carried the insurance required to be carried by Landlord pursuant to this Lease); (3) leasing commissions, advertising and promotional expenses, or the costs of renovating space, for other tenants; (4) any "tenant allowances," "tenant concessions" and other costs or expenses incurred in fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for other tenants or other occupants of the Project, except in connection with general maintenance and repairs to the Project in general; (5) fines, penalties, and interest due to Landlord's failure to make timely payments of its obligations (unless resulting from Tenant's failure to timely perform any of its obligations under this Lease, in which case Tenant shall be responsible for such fines, penalties and interest); (6) costs associated with the operation of the business of the entity which constitutes "Landlord" (as distinguished from the costs of operating, maintaining, repairing and managing the Building and the Project) including, but not limited to, Landlord's or Landlord's managing agent's general corporate overhead and general administrative expense (including corporate organizational expenses and accounting fees) and costs, including interest, of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Building and/or the Project; (7) overhead and profit paid to subsidiaries or affiliates of Landlord for management or other services for supplies or other materials to the extent the amounts incurred are in excess of those which would have been reasonably incurred if such supplies or services were obtained from unrelated third parties (but this provision does not prevent the payment of a management fee as permitted in Paragraph 6(b) of the Lease); (8) costs to the extent Landlord is reimbursed by Landlord's insurance carrier or any other tenant's insurance carrier, by warranty proceeds, or from any third parties; (9) reserves for future

expenses beyond expenses anticipated for the then current year; (10) any bad debt loss, rent loss, or reserves for bad debts or rent loss; (11) 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 vis-à-vis time spent on matters unrelated to operating and managing the Project; (12) utilities for which Tenant directly contracts with the local public service company to the extent the same would result in a duplication in charges to Tenant; (13) Landlord's political or charitable contributions; (14) costs incurred to remove and/or remediate Pre-existing Hazardous Materials and/or Landlord Caused Hazardous Materials (as defined in Paragraph 30 below) from the Premises, Building or Project; (15) costs of repair, maintenance or replacement of the "Building Structural Elements" (as defined in Paragraph 10 below) that are expressly required in Paragraph 10 to be performed at Landlord's sole cost and expense; (16) the expense of service provided to other tenants in the Project for which Landlord is entitled to be reimbursed by such tenants as an additional charge in excess of minimum rental other than reimbursement of such tenant's share of Operating Expenses; and (17) the cost of any premiums or deductibles for earthquake insurance coverage to the extent materially in excess of the cost of premiums or deductibles for earthquake insurance coverage carried by other institutional owners of commercial properties similar to the Project in the market in which the Project is located.

(d) By April 30th of each year (and as soon as reasonably practical after the expiration or termination of this Lease), Landlord shall provide Tenant with a reasonably detailed statement of actual Operating Expenses for the preceding calendar year or part thereof (the "**Actual Statement**"). If Tenant's total payments of estimated Operating Expenses for any year are less than Tenant's Proportionate Share of actual Operating Expenses for such year, then Tenant shall pay the difference to Landlord within thirty (30) days after written demand, and if more, Landlord shall credit to Tenant the difference to Operating Expenses next becoming due under this Lease, or if Tenant provides a written notice to Landlord requesting same, refund the difference to Tenant within thirty (30) days of such request. For purposes of calculating Tenant's Proportionate Share of Operating Expenses, a year shall mean a calendar year except the first year, which shall begin on the Commencement Date, and the last year, which shall end on the expiration of this Lease. Landlord shall not have any obligation to credit or pay to Tenant any amounts under this subsection (d) during any period that an Event of Default exists. Tenant's and Landlord's payment obligations under this subparagraph (d) shall survive the expiration or any termination of this Lease. Notwithstanding the immediately preceding sentence, if Landlord fails to charge Tenant for any particular item of Operating Expenses within two (2) years after the end of any calendar year for which such Operating Expense is applicable, Landlord shall be deemed to have forfeited the right to bill Tenant for such particular item of Operating Expense with respect to such calendar year (except to the extent of any Operating Expenses relate to supplemental taxes or assessments attributable to such calendar year which were not reasonably known to Landlord during the calendar year in question, for which no such limitation shall apply).

(e) With respect to Operating Expenses which Landlord allocates to the entire Project, Tenant's "**Proportionate Share**" shall be the percentage set forth on the first page of this Lease as Tenant's Proportionate Share of the Project as reasonably adjusted by Landlord in the future for changes in the physical size of the Premises or the Project; and, with respect to Operating Expenses which Landlord allocates only to the Building, Tenant's "Proportionate Share" shall be the percentage set forth on the first page of this Lease as Tenant's Proportionate Share of the Building as reasonably adjusted by Landlord in the future for changes in the physical size of the Premises or the Building. Provided that Landlord does the same on a commercially reasonable basis, Landlord may equitably increase Tenant's Proportionate Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project or Building that includes the Premises or that varies with occupancy or use. The estimated Operating Expenses for the Project set forth on the first page of this Lease are estimates only, and Landlord makes no guaranty or warranty that such estimates will be accurate.

(f) Tenant may, within one hundred eighty (180) days after any Actual Statement is delivered, request a copy of the relevant supporting data related to the Operating Expenses and the Actual Statement. Landlord shall make all pertinent books and records available for inspection that are reasonably necessary for Tenant to conduct its review. Tenant shall have the right, not more than once per each period covered by each Actual Statement, to cause a Qualified Person (as defined below) to review and audit the relevant supporting data for any portion of an Actual Statement delivered by Landlord, in accordance with the following procedure:

(1) Tenant shall, within one hundred eighty (180) days after any Actual Statement is delivered, deliver a written notice to Landlord indicating that Tenant desires to audit the Actual Statement. Tenant shall promptly provide to Landlord a copy of its review. If Tenant's review determines that actual Operating Expenses for the subject calendar year are less than reported, Landlord shall, unless Landlord disagrees (in which case the process described in clause (3) below shall be followed) provide to Tenant a credit against Operating Expenses then coming due under this Lease (or refund such amount if Tenant provides a written notice to Landlord requesting such a refund) the amount of the overpayment by Tenant. Likewise, if Tenant's review determines that Operating Expenses for the subject calendar year are greater than reported, Tenant shall pay Landlord the amount of any underpayment within thirty (30) days after such determination. In no event shall Tenant be entitled to withhold, deduct, or offset any monetary obligation of Tenant to Landlord under the Lease (including without limitation, Tenant's obligation to make all payments of rent and all payments of Tenant's Operating Expenses) pending the completion of and regardless of the results of any review of records under this Paragraph. The right of Tenant under this Paragraph may only be exercised once for any Actual Statement, and if Tenant fails to meet any of the above conditions as a prerequisite to the exercise of such right, the right of Tenant under this Paragraph for a particular Actual Statement shall be deemed waived.

(2) Any review of records under this Paragraph shall be at the sole expense of Tenant (except as otherwise expressly provided herein) and shall be conducted by a Qualified Person. Tenant acknowledges and agrees that any records reviewed under this Paragraph constitute confidential information of Landlord, which shall not be disclosed to anyone other than the Qualified Person performing the review, the principals of Tenant who receive the results of the review, and Tenant's attorneys and accounting employees. The disclosure of such information to any other person, whether or not caused by the conduct of Tenant, shall constitute a material breach of this Lease

(3) Any errors disclosed by the review shall be promptly corrected by Landlord, provided, however, that if Landlord disagrees with any such claimed errors, Landlord shall have the right to cause another review to be made by a Qualified Person at Landlord's cost. In the event of a disagreement between the two (2) reviews, the two (2) Qualified Persons who conducted Landlord's and Tenant's reviews shall jointly designate a third (3rd) Qualified Person, at Tenant's sole cost and expense (except as otherwise indicated in this Lease), to conduct a review of Landlord's records. The review of such third (3rd) Qualified Person shall be deemed correct and binding upon the parties. In the event that the final results of such review of Landlord's records reveal that Tenant has overpaid by more than five percent (5%), then Landlord shall pay, up to a maximum of $10,000.00 in the aggregate, the reasonable out-of-pocket cost of the review of Landlord's records by Tenant's Qualified Person and the reasonable out-of-pocket cost of the review of Landlord's records by the third (3rd) Qualified Person. In the event that the final results of such review of Landlord's records reveal that Tenant has overpaid by five percent (5%) or less, then Tenant shall pay, up to a maximum of $10,000.00 in the aggregate, the reasonable out-of-pocket cost of the review of Landlord's records by Landlord's Qualified Person and the reasonable out-of-pocket cost of the review of Landlord's records by the third (3rd) Qualified Person. In the event that such results show that Tenant has underpaid or overpaid its obligations for a preceding period, the amount of such underpayment or overpayment shall be paid by Tenant or Landlord, as applicable, as provided in Paragraph 6(f)(1) above. A "**Qualified Person**" means an accountant or other person (including, without limitation, an employee of Tenant) experienced in accounting for income and expenses of industrial projects engaged solely on terms which do not entail any compensation based or measured in any way upon any savings in rent or reduction in Operating Expenses achieved through the inspection process.

(g) Notwithstanding the foregoing, for purposes of determining Operating Expenses payable by Tenant under this Lease during the Lease Term only, Controllable Operating Expenses (defined below) for the second full calendar year of the Lease Term, and each subsequent calendar year of the Lease Term shall not exceed the Controllable Operating Expense Cap (defined below) for such calendar year. The term "**Controllable Operating Expense Cap**" shall mean, with respect to the second full calendar year of the initial Lease Term, one hundred six percent (106%) of the amount of Controllable Operating Expenses with respect to the first full calendar year of the initial Lease Term, and with respect to each subsequent calendar year during the initial Lease Term, the Controllable Operating Expense Cap shall increase by six percent (6%) over the applicable Controllable Operating Expense Cap for the immediately preceding calendar year (irrespective of whether the actual Controllable Operating Expenses for

the preceding calendar year was less than the amount of the applicable Controllable Operating Expense Cap for such preceding calendar year), such increase to be cumulative and compounded annually. For illustrative purposes only, if the amount of Controllable Operating Expenses during the first full calendar year of the initial Lease Term was $100 per month, then the Controllable Operating Expense Cap for the second full calendar year of the initial Lease Term would be $106.00 per month, the Controllable Operating Expense Cap for the third full calendar year of the initial Lease Term would be $112.36 per month, and so on, and such increases in the Controllable Operating Expense Cap shall occur irrespective of whether the actual Controllable Operating Expenses in any calendar year are less than the Controllable Operating Expense Cap. For purposes of this Lease, "**Controllable Operating Expenses**" shall mean and refer to all Operating Expenses set forth in this Paragraph 6, except for the following: (i) Taxes; (ii) insurances costs and charges; (iii) the cost of all charges for electricity, gas, water and other utilities; (iv) snow and ice removal costs; (v) increased or additional costs resulting from events of Force Majeure; (vi) charges or assessments of any association to which the Premises is subject; and (vii) any costs resulting from the expiration of a warranty; provided that, notwithstanding anything to the contrary contained herein, the foregoing shall not limit Tenant's obligations to (I) pay to Landlord the amortized payments of any capital expenditures and repairs made by Landlord pursuant to this Lease, (II) reimburse Landlord for the costs incurred by Landlord under any maintenance service contracts, if Landlord elects to maintain and repair the HVAC systems and other mechanical and building systems as set forth in Paragraph 11 of this Lease, or (III) reimburse Landlord for costs associated with the removal and/or remediation of Hazardous Materials to the extent of Tenant's payment obligations under Paragraph 30 of this Lease (i.e., each of (I), (II) and (III) shall not be subject to the Controllable Operating Expense Cap).

7. **Utilities**.

(a) Tenant shall contract with and timely pay during the Lease Term for all water, gas, electricity, heat, light, power, telephone, sewer, sprinkler services, refuse and trash collection, and other utilities and services used on the Premises, all maintenance charges for utilities, and any storm sewer charges or other similar charges for utilities imposed by any governmental entity or utility provider, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Landlord shall have no responsibilities whatsoever in connection with the foregoing. Tenant acknowledges and agrees that Landlord may not be able to obtain separate meters for certain utilities including, without limitation, irrigation and storm water. Tenant shall pay its share of all charges for jointly metered utilities based upon consumption, as reasonably determined by Landlord. Tenant agrees to limit use of water and sewer for normal restroom use or other uses consistent with the Permitted Use of the Premises. No interruption or failure of utilities or other essential services shall result in the termination of this Lease or the abatement of rent; provided, however, if (I) Tenant is prevented from using, and does not use, the Premises or a portion thereof, as a result of any interruption in utilities or other essential services that Landlord is obligated to provide pursuant to the express terms of this Lease, and (II) such interruption is caused by Landlord's negligence or breach of its express obligations under this Lease, and (III) the cure of such interruption is within Landlord's reasonable control (such interruption that satisfies (I), (II) and (III) above shall be referred to herein as an "**Abatement Event**"), then Tenant shall give written notice of such Abatement Event to Landlord. If, and only if, the Abatement Event persists for more than five (5) consecutive business days after Landlord's receipt of Tenant's written notice of such Abatement Event, then Base Rent and Tenant's Proportionate Share of Operating Expenses shall be abated (proportionally if the Abatement Event only prevents Tenant from using a portion of the Premises) commencing on the sixth (6th) consecutive business day following Landlord's receipt of notice of the Abatement Event for such period of time that Tenant continues (as a result of the Abatement Event) to be so prevented from using, and does not use, the Premises or a portion thereof, in proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises.

(b) Tenant shall, at its sole cost and expense, contract directly with a janitorial service and shall pay for all janitorial services used on or for the Premises. Landlord shall have no obligations whatsoever in connection therewith.

(c) Notwithstanding anything to the contrary contained in this Lease, Tenant agrees that Landlord, at its election, may contact any utility company providing utility services to the Premises in order to obtain data on the energy being consumed by the occupant of the Premises. Furthermore, Tenant agrees to provide Landlord with Tenant's energy consumption data within thirty (30) days after Landlord's request for the same. Tenant acknowledges that pursuant to applicable Legal Requirements, Landlord may be required to disclose information concerning Tenant's energy usage at the Building 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. Tenant agrees to take such further actions as are reasonably necessary in order to further the purpose of this paragraph, including, without limitation, providing to Landlord the names and contact information for all utility providers serving the Premises, copies of utility bills, written authorization from Tenant to any such utility company to release information to Landlord, and any other relevant information reasonably requested by Landlord or the applicable utility company.

8. **Taxes**. Landlord shall pay all taxes, assessments, special assessments, improvement districts, and governmental charges that are payable with respect to the Project (including, without limitation, Tenant's Proportionate Share of any Common Areas within the Project) and applicable to any period during the Lease Term (collectively referred to as "**Taxes**"), including without limitation (i) any license fee, rental tax, levy charge, assessment, or penalty imposed by any taxing authority against the Project (but only to the extent such penalties are attributable to Tenant's failure to timely pay Taxes hereunder); (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Project or against Landlord's business of leasing the Project or in connection with Landlord's business of owning and/or leasing space in the Project which are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision, public corporation, district or other political or public entity; (iii) water and sewer charges, any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to (or for the benefit of) the Project by any governmental agency; (iv) any tax imposed upon this transaction or based upon a re-assessment of the Project due to a change of ownership, as defined by applicable law, or based upon a re-assessment of the Project due to any other transfer of all or part of Landlord's interest in the Project; (v) gross receipt taxes; (vi) any fees, taxes or assessments against, or as a result of, any tenant improvements installed on the Premises by or for the benefit of Tenant, and (vii) any charge or fee replacing any tax previously included within the definition of Taxes. Taxes that are applicable to any period during the Lease Term shall be included as part of the Operating Expenses charged to Tenant pursuant to Paragraph 6 hereof, based upon Landlord's reasonable estimate of the amount of Taxes, and shall be subject to the terms and conditions of Paragraph 6, above, including, without limitation, the reconciliation and adjustment procedures thereof once the actual amount of Taxes is known. Taxes shall include, without limitation, any increase in any of the foregoing based upon construction of improvements on the Project or changes in ownership (as defined in the California and Revenue Taxation Code). Tenant's Proportionate Share of Taxes may be equitably increased if Landlord determines in its reasonable discretion that Tenant's improvements and/or alterations increases Taxes for the Project in excess of Tenant's Proportionate Share of the Project; provided, however, that Landlord shall provide Tenant with prior written notice and reasonable supporting documentation of such basis for such increase. Further, Taxes shall not include: (I) taxes and assessments attributable to Landlord's federal, state or local income taxes; (II) penalties or interest other than those attributable to Tenant's failure to timely pay Taxes or to otherwise comply with its obligations under this Paragraph 8; and (III) inheritance, gift, transfer, franchise or estate taxes. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens thereof and any costs incurred in such contest may be included as part of Taxes (but not to exceed the amount of savings reasonably expected to be achieved by Landlord). If any such tax or excise is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall be liable for, and pay on or before the date due, all taxes levied or assessed against any personal property or fixtures placed in the Premises, whether levied or assessed against Landlord or Tenant, and if any such taxes are levied or assessed against Landlord or Landlord's property and (a) Landlord pays them or (b) the assessed value of Landlord's property is increased thereby and Landlord pays the increased taxes, then Tenant shall pay to Landlord such taxes within ten (10) days after Landlord's request therefor. At Tenant's request, and provided that it is then deemed advisable by Landlord in the exercise of Landlord's reasonable business judgment, Landlord shall bring or cause to be brought an application or proceeding for reduction of the assessed valuation of the Building or parcel on which the Premises is situated, as applicable, in order to reduce Taxes. All costs and expenses arising from any such contest shall be paid for by Tenant. In the event that Taxes are increased as a result of any such contest, then Tenant shall be responsible for its Proportionate Share of such increase in Taxes during the Lease Term. Notwithstanding the foregoing, Landlord shall have no obligation to contest any Taxes, if, in the reasonable business judgment of Landlord, any such contest could adversely impact the Premises and/or the Project. To the extent that Landlord is actually granted a reduction in Taxes, then Tenant shall receive its Proportionate Share of the benefit of any actual reduction in Taxes that are payable by Tenant hereunder, less any costs and expenses incurred by Landlord in obtaining such reduction.

9. **Insurance**.

(a) Tenant Insurance Requirements.

(i) Effective as of the earlier of: (x) the date Tenant enters or occupies the Premises; (y) the Buildout Period, or (z) the Commencement Date, and continuing during the Lease Term, Tenant, at its expense, shall obtain and maintain in full force the following insurance coverages (subject to increases in amounts and additional types of coverage as industry standards change, as reasonably determined by Landlord from time):

(1) Commercial general liability insurance that insures against claims for bodily injury, personal injury, advertising injury, and property damage based upon, involving, or arising out of the use, occupancy, or maintenance of the Premises and the Project. Such insurance shall afford, at a minimum, the following limits:

Each Occurrence	$1,000,000
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$1,000,000
Personal and Advertising Injury Liability	$1,000,000
Fire Damage Legal Liability	$100,000
Medical Payments	$5,000

Any general aggregate limit shall apply on a per location basis. Tenant's commercial general liability insurance shall include Landlord, its trustees, officers, directors, members, agents, and employees, Landlord's mortgagees, and Landlord's representatives as Landlord may reasonably request from time to time, Landlord's property manager and Clarion Partners as additional insureds. This coverage shall be written on the most current ISO CGL form, shall include contractual liability, premises-operations and products-completed operations and shall contain an exception to any pollution exclusion that insures damage or injury arising out of heat, smoke, or fumes from a hostile fire. Such insurance shall be written on an occurrence basis with the exception of Products/Completed Operations coverage, which can be written on a claims-made basis, and contain a standard separation of insureds provision.

(2) Business automobile liability insurance covering owned, hired and non-owned vehicles with limits of $1,000,000 combined single limit per occurrence.

(3) Workers' compensation insurance in accordance with the laws of the state in which the Premises are located with employer's liability insurance in an amount not less than $1,000,000.

(4) Umbrella/excess liability insurance, on an occurrence basis, that applies excess of the required commercial general liability, business automobile liability, and employer's liability policies with the following minimum limits:

Each Occurrence	$5,000,000
Annual Aggregate	$5,000,000

All limits in (1) – (3) above may be met through a combination of primary and umbrella/excess policies. Umbrella/Excess liability policies shall be following form and the limits of the Umbrella/Excess liability policies shall be in addition to and not including those stated for the underlying commercial general liability, business automobile liability, and employers liability insurance required herein.

(5) Property insurance "the equivalent of causes of loss – special form" including windstorm, theft, sprinkler leakage and boiler and machinery coverage on all of Tenant's trade fixtures, furniture, inventory and other personal property in the Premises, and on any alterations, additions, or improvements (including, without limitation the Tenant Improvements and any Tenant-Made Alterations) made by Tenant upon the Premises all for the full replacement cost thereof. Subject to Paragraph 15, Tenant shall use the proceeds from such insurance for the replacement of trade fixtures, furniture, inventory and other personal property and for the restoration of Tenant's improvements, alterations, and additions to the Premises. Landlord shall be named as loss payee with respect to alterations, additions, or improvements of the Premises which the Tenant cannot remove at the end of the Lease Term wherein ownership then reverts to the Landlord.

(6) Business income and extra expense insurance with limits not less than one hundred percent (100%) of all income and charges payable by Tenant under this lease for a period of twelve (12) months.

(ii) All policies required to be carried by Tenant hereunder shall be issued by an insurance company licensed or authorized to do business in the state in which the Project is located with a rating of at least "A-: X" or better as set forth in the most current issue of Best's Insurance Reports, unless otherwise approved by Landlord. Tenant shall not do or permit anything to be done that would invalidate the insurance policies required herein. Liability insurance maintained by Tenant shall be primary coverage on behalf of Landlord, its trustees, officers, directors, members, agents, and employees, Landlord's mortgagees, and Landlord's representatives and any policies of Landlord, its trustees, officers, directors, members, agents, and employees, Landlord's mortgagees, and Landlord's representatives shall be non-contributory. Certificates of insurance, acceptable to Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord prior to delivery or possession of the Premises and ten (10) days following each renewal date. Certificates of insurance shall evidence that Landlord, its trustees, officers, directors, members, agents, and employees, Landlord's mortgagees, and Landlord's representatives as Landlord may reasonably request from time to time, are included as additional insureds on liability policies and that Landlord is included as loss payee on the property insurance as stated in Paragraph 9(a)(i)(5) above. Further, each policy shall contain provisions giving Landlord and each of the other additional insureds at least thirty (30) days prior written notice of cancellation, non-renewal or material change in coverage provided that for cancellation for non-payment of premium, ten (10) days prior notice will be provided. In the event of such cancellation or nonrenewal, Tenant shall replace such insurance so that no loss in coverage occurs, and Tenant shall provide Landlord with a revised certificate of insurance evidencing same.

(iii) In the event that Tenant fails to provide evidence of insurance required to be provided by Tenant in this Lease (as and when required by this Lease) and such failure continues for more than five (5) business days after written notice from Landlord, then Landlord shall be authorized (but not required) to procure such coverage in the amount stated with all costs thereof to be chargeable to Tenant and payable upon written invoice thereof.

(iv) The limits of insurance required by this Lease, or as carried by Tenant, shall not limit the liability of Tenant or relieve Tenant of any obligation under this Lease. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

(v) The Tenant insurance requirements stipulated in Paragraph 9(a)(i) above are based upon current industry standards. Landlord reserves the right to require additional coverage or to increase limits as industry standards change, provided that any such increases or additional coverage requirements must be commercially reasonable based on the insurance requirements of other institutional owners of commercial properties similar to the Project in the market in which the Project is located.

(vi) Should Tenant engage the services of any contractor to perform work or construct any Tenant-Made Alterations in the Premises, Tenant shall ensure that such contractor carries commercial general liability, business automobile liability, umbrella/excess liability, builders' risk, worker's compensation and employers liability coverage in form and amounts reasonably acceptable to Landlord, and, in all events, consistent with then current industry standards. Contractor shall include Landlord, its trustees, officers, directors, members, agents and employees, Landlord's mortgagees and Landlord's representatives as Landlord may reasonably request from time to time, as additional insureds on the liability policies required hereunder. All policies required to be carried by any contractor shall be issued by and binding upon an insurance company licensed to do business in the state in which the

Project is located with a rating of at least "A-: X" or better as set forth in the most current issue of Best's Insurance Reports, unless otherwise approved by Landlord. Certificates of insurance, acceptable to Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord prior to the commencement of any work in the Premises. Further, each policy will contain provisions giving Landlord and each of the other additional insureds with at least thirty (30) days' prior written notice of any cancelation, non-renewal or material change in coverage, provided that for cancellation for non-payment of premium, ten (10) days prior notice will be provided. The above requirements shall apply equally to any subcontractor engaged by contractor.

(b) Landlord's Insurance. Landlord shall obtain and maintain the following: (1) special form/cause of loss (formerly all-risk) property insurance covering damage to the Building constructed or installed by Landlord (excluding foundations), in an amount equal to the full replacement cost thereof, less a commercially reasonable deductible if Landlord so chooses; provided, however, Landlord shall not be obligated to insure any furniture, equipment, trade fixtures, machinery, goods, or supplies which Tenant may keep or maintain in the Premises or any alteration, addition, or improvement which Tenant may make upon the Premises; and (2) commercial general liability insurance, which shall be in such amount as Landlord so determines (in Landlord's commercially reasonable discretion) and shall be in addition to, and not in lieu of, any insurance required to be maintained by Tenant. Tenant shall not be included as an additional insured on any policy of liability insurance maintained by Landlord. In addition, Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood insurance, earthquake insurance, rent loss insurance and pollution legal liability insurance. The premiums for all such insurance shall be included as part of the Operating Expenses charged to Tenant pursuant to Paragraph 6 hereof. The Project or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Project or Building will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance that Landlord reasonably deems necessary as a result of Tenant's use of the Premises. Tenant shall not be named as an additional insured on any policy of liability insurance maintained by Landlord.

(c) Waiver of Subrogation. Both parties agree to waive and cause its insurance carriers to waive all rights of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, their officers, directors, employees, managers, agents, invitees and contractors, in connection with any loss or damage thereby insured against. The failure of a party to insure its property shall not void this waiver. Landlord shall not be liable for any damage or injury to the person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's agents, employees, licensees, invitees, or any other party in or about the Premises, whether such damage or injury is caused by or results from: (i) fire, steam, electricity, water, gas or rain; (ii) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (iii) conditions arising in or about the Premises or upon other portions of the Project, or from other sources or places; or (iv) any act or omission of any other tenant of the Project. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such damage or injury are not accessible to Tenant. Notwithstanding anything to the contrary contained in this Lease, each party hereby waives and releases any claims against the other, and its officers, directors, employees, managers, agents, invitees and contractors for any loss or damage to any of the Premises, the Building and the Project, and to any personal property regardless of negligence or fault; however, such waiver shall not apply to any deductible amounts maintained by a party under its insurance. The waivers set forth in this Paragraph 9(c) shall be in addition to, and not in substitution for, any other waivers, indemnities, or exclusions of liabilities set forth in this Lease.

10. **Landlord's Repairs**. Subject to Paragraphs 15 and 16 of this Lease and excluding any damages caused by Tenant or any Tenant Party, Landlord shall, at Landlord's sole cost (and not included in Operating Expenses), except as otherwise set forth in this Lease, maintain in good condition and repair the structural elements of: (a) the roof of the Building (not including the roof membrane, which shall be maintained and repaired by Landlord as part of Operating Expenses), (b) the exterior walls of the Building (not including painting and caulking, which shall be maintained by Landlord as part of Operating Expenses), and (c) the foundations for the Building (collectively, the "**Building Structural Elements**"), including repairs to the Building Structural Elements necessitated by subgrade movement. Additionally, subject to Paragraphs 15 and 16 of this Lease, Landlord shall maintain and repair and keep the same in a good condition and repair (reasonable wear and tear excluded and damages caused by Tenant or any Tenant Party excluded), as part of Operating Expenses (subject to the terms of this Lease, including the amortization of capital improvements and the exclusions to Operating Expenses as described in Paragraph 6(c) above), (I) the non-

structural elements of the roof (including the roof membrane), and (II) the Common Areas; utilities systems (including the electrical system) serving the Building up to the point of connection with the Building; any Building systems to the extent such systems are installed by Landlord and not exclusively serving the Premises; the fire pump(s) serving the Project; the non-structural elements of the roof (including the roof membrane); the non-structural elements of the exterior walls (it being agreed that any costs incurred by Landlord to paint the exterior of the Building shall passed through to Tenant as part of Operating Expenses in accordance with Paragraph 6 above); the non-structural elements of the foundations; and the exterior areas of the Project, including, but not limited to, the parking areas and driveways of the Premises and the landscaping and grounds surrounding the Building and Project (including, without limitation, mowing thereof and snow removal thereon). The term "walls" as used in this Paragraph 10 shall not include windows, glass or plate glass, doors or overhead doors, special store fronts, dock bumpers, dock plates or levelers, or office entries, all of which shall be maintained by Tenant. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph 10, after which Landlord shall have a reasonable opportunity to repair such item. Tenant hereby waives the benefit of California Civil Code Sections 1941 and 1942, and any other statute providing a right to make repairs and deduct the cost thereof from the rent or to terminate this Lease due to Landlord's failure to keep the Premises in good order, condition and repair.

11. **Tenant's Repairs**.

(a) Subject to Paragraphs 15 and 16 of this Lease, Landlord's obligations expressly set forth in Paragraph 10 and Landlord's Construction Warranty (as defined in Exhibit B attached hereto), Tenant, at its sole expense, shall repair, replace and maintain in good order, condition and repair (reasonable wear and tear, damage caused by Landlord or its agents, employees, contractors, subcontractors, representatives, consultants, licensees or invitees [collectively, "**Landlord Parties**"] excepted) and in compliance with all Legal Requirements and Private Restrictions all portions of the Premises, and all other areas, improvements and systems exclusively serving the Premises including, without limitation, docks, dock equipment and loading areas, truck doors, plumbing, water, sewer lines, from the points of connection with the Building, fire sprinklers and fire protection systems within the Premises from points of connection with the Building, entries, doors, door frames, ceilings, windows, window frames, interior walls, and the interior side of demising walls (if any), and heating, ventilation and air conditioning ("**HVAC**") systems, and other building and mechanical systems serving the Premises. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Lease Term. If, during the last two (2) years of the Lease Term, a capital replacement of an HVAC unit is required (each of the foregoing, an "**Capital HVAC Item**" and collectively "**Capital HVAC Items**"), then, (A) provided no Event of Default exists under this Lease, (B) Tenant has maintained the maintenance service contract(s) for the HVAC systems pursuant to (i) below, and (C) provided further that such Capital HVAC Items: (I) will have a useful life in excess of the remaining portion of the then applicable Lease Term, and/or (II) were not necessitated by Tenant's failure to properly maintain such systems in accordance with the manufacturer's recommendations, or Tenant's breach of this Lease or the negligent act or omission of Tenant or any of the Tenant Parties (in which case Tenant shall be responsible therefor at Tenant's sole cost and expense), then Landlord shall purchase and perform such Capital HVAC Item(s) and the cost thereof shall be amortized on a straight line basis (with interest) over the useful life thereof, and Tenant shall pay such amortized payments to Landlord on the first day of each month together with its Base Rent payments (but without regard to any credit or abatement of Base Rent) through and including the expiration of the Lease Term (as the same may be extended). Notwithstanding anything to the contrary contained herein, Landlord may elect not to complete the Capital HVAC Item(s) (unless such Capital HVAC Item(s) are normal and customary HVAC units serving the northern office portion of the Premises, which normal and customary HVAC units Landlord shall not be permitted to object to replacing provided the other terms and conditions contained in this Paragraph 11(a) are satisfied) upon written notice to Tenant (which notice shall be given no later than ten (10) business days after receipt of Tenant's written notice of a Capital HVAC Item) in which case (1) Landlord shall not be obligated to complete the applicable Capital HVAC Item, (2) notwithstanding anything to the contrary contained in this Lease, Tenant shall have the right, but not the obligation, to replace the applicable Capital HVAC Item at its sole cost and expense; and (3) if Tenant does not elect to complete such replacement pursuant to clause (2), above, then, as Landlord's sole and exclusive remedy, Tenant shall be required to remove any such HVAC units on or before the expiration of the Lease Term. Within ten (10) days of the Commencement Date, Tenant, at Tenant's expense, shall enter into maintenance service contracts for (i) the maintenance and repair of the heating, ventilation and air conditioning systems and other mechanical and building systems serving the Premises, and (ii) Tenant's trash collection, sweeping and removal; provided, however, in the event that Tenant fails to enter into such service contracts and/or to properly maintain and/or perform the foregoing in accordance with the terms and conditions contained in this Lease, then at Landlord's written election (but at Tenant's expense) after written notice to Tenant and

Tenant's failure to cure the same within fifteen (15) days after Tenant's receipt of such written notice, Landlord shall have the right (but not the obligation) to enter into such maintenance service contracts. Landlord may request a list of vendors providing services under the aforementioned maintenance contractors together with the scope of such services and if Landlord provides Tenant with written notice that it reasonably objects to any of the listed vendors, then Tenant shall replace such vendor within a reasonable period of time. Without limiting any of the foregoing, Tenant, at Tenant's sole cost and expense, shall store all trash and other solid waste within the Premises or in such areas as may be reasonably designated by Landlord for such storage. Tenant shall not burn any trash or garbage at any time in or about the Premises and/or the Project.

(b) In the event that any repair or maintenance obligation required to be performed by Tenant hereunder is likely to adversely affect the Building Structural Elements, then Tenant shall use contractors that are approved in advance by Landlord for such work (which approval shall not be unreasonably withheld, conditioned or delayed).

(c) Within the fifteen (15) day period prior to the expiration or termination of this Lease, Tenant shall deliver to Landlord a certificate from an engineer reasonably acceptable to Landlord certifying that the hot water equipment, dock equipment, and the HVAC system are then in good repair and working order. If Tenant fails to perform any repair or replacement for which it is responsible (or if Tenant fails to obtain any of the certifications described in the immediately preceding sentence), Landlord may perform such work (and/or obtain such certifications) and be reimbursed by Tenant within ten (10) days after demand for all costs and expenses incurred by Landlord in connection therewith. Subject to Paragraphs 9 and 15, Tenant shall bear the full cost of any repair or replacement to any part of the Building or Project that results from any breach by Tenant of the terms and conditions of this Lease or by any negligent act or omission of Tenant or any Tenant Party.

12. **Tenant-Made Alterations and Trade Fixtures**.

(a) Subject to the terms set forth below, any alterations, additions, or improvements (including, without limitation, alterations, additions or improvements to the roof of the Building, but excluding the Landlord Work to be constructed by Landlord, the initial Tenant Improvements and/or any Tenant Change(s) to be constructed pursuant to Exhibit B attached hereto, which shall not constitute Tenant-Made Alterations and shall be governed by the terms of the Work Letter attached hereto as Exhibit B and not the terms of this Paragraph 12(a)) made by or on behalf of Tenant to the Premises ("**Tenant-Made Alterations**") shall be subject to compliance with Legal Requirements and Private Restrictions (including, without limitation, approval of any applicable design review committee[s] or owners association[s]) and Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed (except to the extent that the subject Tenant-Made Alterations could reasonably be expected to adversely impact the structure and/or structural elements of a Building, or any Building systems, in which event Landlord's consent shall be in its sole and absolute discretion, or the exterior appearance of the Project, Building, and/or Premises, in which event Landlord's consent shall be in its sole and good faith discretion). Tenant acknowledges that, subject to the terms of Paragraph 43 below, Landlord does not have control over any applicable design review committee(s) and/or owners association(s) and their review of any proposed Tenant-Made Alterations. Therefore, such design review committee(s) and owners association(s) may grant or withhold its/their consent in accordance with applicable Legal Requirements and/or Private Restrictions, which may or may not require such design review committee(s) and/or owners association(s) to act reasonably in granting or withholding its/their consent. Notwithstanding the foregoing, but subject to compliance with Legal Requirements and Private Restrictions, Landlord's consent shall not be required for non-structural alterations to the interior of the Premises (that are not visible from the exterior of the Premises) costing less than Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate in any consecutive twelve (12) month period, provided that in any such case, the alterations (i) do not affect the structure of the Building, or adversely affect any Building systems (including, without limitation, electrical, plumbing, life safety, and/or HVAC systems), or the exterior appearance of the Project, Building or the Premises, (ii) do not require an approval under any Private Restrictions, and (iii) do not involve Building penetrations (collectively, "**Permitted Alterations**"). Tenant shall give Landlord at least ten (10) days prior written notice of such Permitted Alterations ("**Permitted Alterations Notice**"), which Permitted Alterations Notice shall be accompanied by reasonably adequate evidence that such Permitted Alterations meet the criteria contained in this Paragraph 12. Permitted Alterations shall be deemed to constitute Tenant-Made Alterations for all purposes under this Lease (except that Landlord's consent shall not be required so long as the foregoing provisions have been satisfied). Tenant shall cause, at its expense, all Tenant-Made Alterations, including without limitation Permitted Alterations, to comply with insurance requirements, with Legal Requirements and Private Restrictions, and shall construct at its expense any alteration or modification required by Legal Requirements and/or Private Restrictions as a result of any Tenant-Made Alterations and/or Permitted Alterations.

(b) All Tenant-Made Alterations and Permitted Alterations shall be constructed in a good and workmanlike manner, in compliance with Legal Requirements and the Private Restrictions, and by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant-Made Alterations (other than Permitted Alterations, unless otherwise required by Legal Requirements or Private Restrictions) shall be submitted to (i) Landlord for its approval, which approval shall not be unreasonably withheld, conditioned or delayed (except to the extent that the subject Tenant-Made Alterations could reasonably be expected to adversely impact the structure and/or structural elements of the Building, the exterior appearance of the Project, Building, and/or Premises or any Building systems, in which event Landlord's consent shall be in its sole and absolute discretion), and (ii) any applicable design review committee(s) and/or owners association(s) for their respective approvals (which approvals may be granted or withheld in accordance with the applicable Legal Requirements and Private Restrictions). Tenant shall reimburse Landlord for its reasonable out-of-pocket costs in reviewing plans and specifications and Tenant agrees that Landlord has the right to condition Landlord's approval of any Tenant-Made Alterations that affect any Building Structural Elements upon charging a commercially reasonable construction monitoring fee (not to exceed two percent (2%) of the total cost of such Tenant-Made Alterations). Landlord's right to review plans and specifications and/or to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with Legal Requirements and/or Private Restrictions or are otherwise performed to any particular standard or in any particular manner.

(c) Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such work, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord final, unconditional lien waivers in statutory form from all such contractors and subcontractors.

(d) Upon surrender of the Premises, all Tenant-Made Alterations, Permitted Alterations, and any leasehold improvements constructed by Landlord or Tenant (including, without limitation, the Tenant Improvements and/or any Tenant Change, but expressly excluding all of Tenant's trade fixtures, inventory, furnishings, equipment and other personal property at the Premises [all of which may be removed by Tenant from time to time and at any time during the Lease Term]) shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant Improvements (in accordance with Exhibit B), Tenant Change (in accordance with Exhibit B), and/or Tenant-Made Alterations (or following receipt of a Permitted Alterations Notice or a Permitted Alterations List, as applicable). Notwithstanding the foregoing, Tenant shall have the right, at the time it requests Landlord's consent and delivers all plans and specifications to any Tenant-Made Alteration (or, with respect to Permitted Alterations, at the time it delivers a Permitted Alterations Notice or Permitted Alterations List, as applicable, or with respect to the Tenant Improvements and/or a Tenant Change, in accordance with the terms and condition contained in Exhibit B), to make a written request that Landlord notify Tenant whether Tenant shall be required to remove the applicable Tenant-Made Alteration, Tenant Improvement, Tenant Change and/or Permitted Alteration at the expiration or termination of the Lease Term, in which event Tenant shall only be obligated to remove (i) those Tenant-Made Alterations, Tenant Improvements, Tenant Changes and Permitted Alterations that Landlord notified Tenant in writing at the time Landlord provides its consent that it must remove at the end of the Lease Term, and (ii) those Tenant-Made Alterations, Tenant Improvements, Tenant Changes and Permitted Alterations that Tenant did not timely seek or did not obtain Landlord's written consent to leave in place at the end of the Lease Term, and that Landlord ultimately requires Tenant to remove. Failure of Landlord to notify Tenant in writing at the time that Landlord issues its consent that a Tenant-Made Alteration, Tenant Improvement, and/or any Tenant Change must be removed (or within ten (10) business days following Landlord's receipt of a Permitted Alterations Notice or Permitted Alterations List, as applicable) shall mean that Tenant shall be obligated to remove the Tenant-Made Alteration, Tenant Improvement, Tenant Change and/or Permitted Alteration (as applicable) at the expiration or earlier termination of this Lease. Notwithstanding the foregoing or anything to the contrary contained herein, Landlord hereby agrees that Tenant shall not be required to remove (I) the Tenant Improvements located in the northern office area of the Premises as depicted on the site plan attached hereto as Exhibit F, (II) conventional and customary building systems (e.g. mechanical, electrical, plumbing and life safety systems) typically installed in office/industrial/warehouse buildings in the market area (but specifically excluding any specialty systems and equipment, including, without limitation, any manufacturing and/or lab equipment, which Tenant shall be required to

remove), and (III) basic structural upgrades to the Building (collectively, the "**Improvements Not Subject to Restoration**"). Notwithstanding the foregoing to the contrary, Tenant shall be required to remove (and repair any damage caused by such removal) any and all mezzanines (excluding the mezzanine installed by Landlord as part of the Landlord Work) from the Premises (including, without limitation, any equipment and/or building systems placed and/or installed on such mezzanines, whether or not the same are depicted in Exhibit F and whether or not the same are conventional and/or customarily installed in office/industrial/warehouse buildings in the market area). Any Tenant-Made Alterations, Tenant Improvements, Tenant Changes and Permitted Alterations which Landlord has elected to not require Tenant to remove shall remain on the Premises as Landlord's property and shall be deemed abandoned by Tenant at the expiration or earlier termination of the Lease. Prior to the expiration or termination of this Lease, Tenant, at its sole expense, shall repair any and all damage caused by the removal of any Tenant-Made Alterations, Tenant Improvements, Tenant Changes and/or Permitted Alterations.

(e) Tenant, at its own cost and expense and without Landlord's prior approval, may erect such shelves, bins, machinery, racks and trade fixtures (collectively "**Trade Fixtures**") in the ordinary course of its business provided that such items do not adversely impact the Building Structural Elements, do not overload the Premises (i.e. the weight and/or size of such items do not exceed the specifications and thresholds thereof) and the construction, erection, and installation thereof complies with all Legal Requirements and Private Restrictions and with any other applicable requirements set forth in this Paragraph 12 above. Prior to the expiration or termination of this Lease, Tenant, at its sole expense, shall remove its Trade Fixtures and shall repair any and all damage to the Project, Building and/or Premises caused by such removal.

13. **Signs**. Subject to compliance with all Legal Requirements, Private Restrictions, any sign criteria adopted by the Pacific Research Center, any sign criteria adopted by Landlord for the Project, the City of Newark signage requirements, and receipt of prior written approval from Landlord, and any applicable design review committee(s) and/or owners association(s) as to size, quantity, design, location, graphics, materials, colors and similar specifications (which approval with respect to Landlord shall not be unreasonably withheld, conditioned or delayed, but with respect to any applicable design review committee(s) and/or owners association(s) may be granted or withheld in accordance with Legal Requirements and/or Private Restrictions), Tenant shall have the right (at Tenant's sole cost and expense) to place, maintain, alter, modify and repair graphics and signage (in reasonable dimensions as approved by Landlord) depicting Tenant's trade name and logo mutually approved locations on the exterior of the Building ("**Tenant's Exterior Signage**"). Notwithstanding the foregoing, Landlord hereby approves of Tenant's trade name (i.e., "Allogene") and Tenant's logo, as depicted on Exhibit D attached hereto, but all of the foregoing shall still remain subject to compliance with all Legal Requirements, Private Restrictions, any sign criteria adopted by the Pacific Research Center, the City of Newark signage requirements, and any applicable design review committee(s) and/or owners association(s). Any and all costs in connection with Tenant's Exterior Signage, including without limitation the permitting, fabrication, installation, maintenance and removal of Tenant's Exterior Signage (including the cost of removal of Tenant's Exterior Signage and repair to the Building and Premises caused by such removal) shall be borne by Tenant. Tenant (at Tenant's sole cost and expense) agrees to maintain and repair (in good first-class condition at all times), and replace (as necessary), Tenant's Exterior Signage. Upon surrender or vacation of the Premises at the expiration or earlier termination of the Lease Term, Tenant shall, at its sole cost, remove all of Tenant's Exterior Signage and repair, paint, and/or replace the Building fascia surface to which its signs are attached. Tenant shall, at its sole cost, obtain all applicable governmental permits and approvals for sign and exterior treatments; provided, however, that Landlord shall reasonably cooperate with Tenant's efforts (at no out-of-pocket cost to Landlord) to obtain such permits and approvals. Notwithstanding the foregoing, other than the current name of Tenant (i.e. "Allogene Therapeutics, Inc.") in no event shall any Objectionable Name be placed on Tenant's Exterior Signage. As used herein, the term "**Objectionable Name**" shall mean any name which relates to an entity which is of a character or reputation, or is associated with a political orientation or faction, which (1) is inconsistent with the quality of the Building as a first-class institutional quality building; or (2) would adversely impact the value of the Project, Building or Premises (in Landlord's good faith discretion); or (3) are generally perceived in the public to be disreputable. Further notwithstanding anything to the contrary contained herein, Landlord hereby discloses to Tenant (and Tenant hereby acknowledges) that signage on or about the Building, Premises and/or Project may not be permitted by Legal Requirements and/or the Private Restrictions. Landlord makes no representation and/or warranty as to whether Tenant will be permitted to place signage on or about the Premises, Building, and/or Project. In the event Tenant receives approval from Landlord, and any applicable design review committee(s) and/or owners association(s) as to Tenant's signage and any such approval is later withdrawn through no bad faith act or willful misconduct of Landlord, Tenant agrees that Landlord shall not be liable therefor and that such existence or nonexistence of Tenant's right to use signage on or about the Premises, Building, and/or Project shall not affect this Lease and/or any of Tenant's other obligations

under this Lease. Landlord shall have no right to place any signage on the Premises without Tenant's prior written consent (which consent may be withheld in Tenant's sole discretion); provided, however, that the foregoing restriction shall not apply to (and Landlord may place on the Premises) (i) any signs required to comply with Legal Requirements and/or Private Restrictions, (ii) directional signage and/or building identification signage (as may be required by any association with jurisdiction over the Project), and (iii) one sign on the Building (so long as the same is in a location reasonably acceptable to Tenant that does not otherwise obstruct or block Tenant's signage) stating the Premises are available for sale or, during the last nine (9) months of the Lease Term, that the Premises are available for let (as long as Tenant has not exercised any remaining "Option" (as defined in Paragraph 41 below).

14. **Parking**. Tenant shall be entitled to park up to one hundred fifty-six (156) customary passenger vehicles in common with other tenants in those areas designated by Landlord for non-reserved parking, on a first come, first served basis, provided, however, 12 of such 156 parking spaces as identified on Exhibit E hereto (the "**Tenant's Exclusive Parking Area**") shall be for Tenant's exclusive use, subject in all cases (with respect to the entire allotment of Tenant's parking spaces) to Tenant's obligation to comply with all Legal Requirements and Private Restrictions, the terms of this Lease and all commercially reasonable and non-discriminatory rules and regulations which are prescribed from time to time by Landlord. In addition, Tenant shall have the right, at Tenant's sole cost and expense, to create and utilize up to an additional twenty-three (23) non-exclusive parking spaces by striping the dock area serving the Premises, subject to Landlord's review and approval of plans and specifications for same, and Tenant's obligation to comply with all Legal Requirements and Private Restrictions, the terms of this Lease and all commercially reasonable and non-discriminatory rules and regulations which are prescribed from time to time by Landlord. Subject to compliance with Legal Requirements and Private Restrictions, Tenant shall have the right to implement and utilize, at Tenant's sole cost and expense, valet parking, but only if Tenant is not in any manner impeding or interfering with any of the drive aisles or other areas of the Project. Tenant acknowledges that Landlord has no obligation to police the usage of Tenant's parking spaces and Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. All motor vehicles (including all contents thereof) shall be parked in the Project parking areas at the sole risk of Tenant, it being expressly agreed and understood Landlord has no duty to insure any of said motor vehicles (including the contents thereof), and Landlord is not responsible for the protection and security of such vehicles. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD SHALL HAVE NO LIABILITY WHATSOEVER FOR ANY PROPERTY DAMAGE OR LOSS WHICH MIGHT OCCUR ON THE PARKING AREAS OR AS A RESULT OF OR IN CONNECTION WITH THE PARKING OF MOTOR VEHICLES IN ANY OF THE PARKING SPACES.

15. **Restoration**.

(a) If at any time during the Lease Term the Premises are materially damaged by a fire or other casualty, Landlord shall notify Tenant within sixty (60) days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed three hundred sixty (360) days from the date the parties receive notice of such damage, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than thirty (30) days after Landlord's notice. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take three hundred sixty (360) days or less, or if the casualty damage in question is not material, then Landlord shall promptly and diligently restore the Premises excluding the Tenant-Made Alterations, the Tenant Improvements and/or any other improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds, any Tenant Delay(s) and/or from Force Majeure events. Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Base Rent and Tenant's Proportionate Share of Operating Expenses shall be abated for the period of repair and restoration in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Notwithstanding the foregoing, either party may terminate this Lease upon thirty (30) days written notice to the other if the Premises are substantially damaged during the last year of the Lease Term and Landlord reasonably estimates that it will take more than thirty (30) days to repair such damage. Notwithstanding the foregoing, if Tenant was entitled to but elected not to exercise its right to terminate the Lease and Landlord does not substantially complete the repair and restoration of the Premises within sixty (60) days after the expiration of the estimated period of time set forth in the Landlord's estimate (except to the extent that substantial completion is delayed as a result of events of Force Majeure or any acts or omission of Tenant or any Tenant Party), then Tenant may terminate this Lease by written notice to Landlord within ten (10) days after the expiration of such period (but prior to substantial completion of the restoration), as the same may be extended.

(b) If the Premises are destroyed or substantially damaged by any peril not covered by the insurance maintained (or required to be maintained) by Landlord under this Lease (and the total out-of-pocket cost to Landlord shall exceed five percent (5%) of the replacement cost of the Building), or any Landlord's mortgagee requires that insurance proceeds be applied to the indebtedness secured by its mortgage following Landlord's reasonable and good faith efforts to cause the proceeds to be applied towards restoration of the Premises (to the extent permitted under the applicable loan agreements, and to the extent Landlord reasonably determines that restoration is economically viable), Landlord may terminate this Lease by delivering written notice of termination to Tenant within thirty (30) days after such destruction or damage or such requirement is made known by any such Landlord's mortgagee, as applicable, whereupon all rights and obligations hereunder shall cease and terminate, except for any liabilities of Tenant which accrued prior to Lease termination; provided, however, such termination shall be null and void if Tenant agrees in writing to pay all uninsured amounts and all amounts required by Landlord's mortgagee (in each case in excess of five percent (5%) of the replacement cost of the Building), and delivers written notice of such election, together with all required funds, within ten (10) business days following Landlord's notice of termination. If Landlord elects to repair or restore such damage or destruction (or a termination election by Landlord is rendered void because Tenant has elected to pay the additional amounts described above and delivered such amounts to Landlord), this Lease shall continue in full force and effect, but Base Rent shall be proportionately reduced as provided in Paragraph 15(a). If Landlord elects to terminate this Lease (and such termination is not rendered void as described above), such termination shall be effective as of the date of the occurrence of such damage or destruction.

(c) Notwithstanding the foregoing (but subject to Paragraph 9(c)), to the extent the Building and/or the Premises are wholly or partially damaged or destroyed as a result of the negligence or willful misconduct of Tenant and such risk is not covered by Landlord's insurance coverage or the coverage required to be maintained by Landlord herein, then Tenant shall have no right to terminate this Lease as a result of the casualty damage and Tenant shall forthwith diligently undertake to repair or restore all such damage or destruction at Tenant's sole cost and expense, or Landlord may at its option undertake such repair or restoration at Tenant's sole cost and expense; provided, however, that Tenant shall be relieved of its repair and payment obligations pursuant to this Paragraph 15(c) to the extent that insurance proceeds are collected by Landlord to repair such damage (or, in the event that Landlord has failed to maintain the property insurance required to be maintained by Landlord hereunder, to the extent that insurance proceeds would have been collected had Landlord maintained such required insurance), although Tenant shall in such events pay to Landlord the full amount of the deductible under Landlord's insurance policy and any amounts not insured. This Lease shall continue in full force and effect without any right of Tenant to terminate the Lease, nor any abatement or reduction in Base Rent or Operating Expenses or other payments owed by Tenant; provided, however, that Base Rent shall be abated to the extent of any rental loss insurance proceeds received by Landlord.

(d) The provisions of this Paragraph 15 shall constitute Tenant's sole and exclusive remedy in the event of damage or destruction to the Premises or Project, and Tenant waives and releases all statutory rights and remedies in favor of Tenant in the event of damage or destruction, including without limitation those available under California Civil Code Sections 1932 and 1933(4). No damages, compensation or claim shall be payable by Landlord for any inconvenience, any interruption or cessation of Tenant's business, or any annoyance, arising from any damage or destruction of all or any portion of the Premises or Project.

16. **Condemnation**. If any part of the Premises or the Project should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and (a) the Taking would prevent or materially interfere with Tenant's use of the Premises (as determined by Tenant's in Tenant's commercially reasonable judgment), (b) in Landlord's commercially reasonably judgment would materially interfere with or impair its ownership or operation of the Project, or (c) as a result of such Taking, Landlord's mortgagee accelerates the payment of any indebtedness securing all or a portion of the Project, then upon written notice by Landlord (in connection with item (b) or (c) above), or Tenant (in connection with item (a) above), this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances, and Landlord shall restore the Premises as near as reasonably attainable to its condition prior to the Taking; provided, however, Landlord's obligation to so restore the Premises shall be limited to the award Landlord receives in respect of such Taking that is not required to be applied to the indebtedness secured by a mortgage. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award, including, without limitation, any award for a Taking of Tenant's leasehold interest hereunder. Tenant shall have the right, to

the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for (i) moving expenses, (ii) Tenant's interest in the unamortized value of the Tenant Improvements and Tenant-Made Alterations (to the extent the same were paid solely by Tenant without the benefit of the Tenant Improvement Allowance or any other funds by Landlord), and (iii) damage to Tenant's Trade Fixtures and personal property. This paragraph shall be Tenant's sole and exclusive remedy in the event of any taking and Tenant hereby waives any rights and the benefits of Section 1265.130 of the California Code of Civil Procedure or any other statute granting Tenant specific rights in the event of a Taking which are inconsistent with the provisions of this Paragraph.

17. **Assignment and Subletting**.

(a) Without Landlord's prior written consent which consent shall not be unreasonably withheld, conditioned or unduly delayed, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises (each being a "**Transfer**") and any attempt to do any of the foregoing shall be *void ab initio* and of no effect. Notwithstanding the above, Tenant may assign or sublet the Premises, or any part thereof, to any entity controlling Tenant, controlled by Tenant or under common control with Tenant, or the surviving entity following a merger, consolidation or other reorganization of Tenant, or to an entity acquiring all or substantially all of the stock (or other ownership interests) or assets of Tenant (each, a "**Tenant Affiliate**"), without the prior written consent of Landlord; provided, however, Tenant shall provide at least ten (10) days written notice prior to assigning this Lease to, or entering into any sublease with, any Tenant Affiliate and the Tenant Affiliate must have a tangible net worth reasonably sufficient to satisfy all of Tenant's remaining obligations under this Lease, as reasonably determined by Landlord. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with any Transfer, other than to a Tenant Affiliate, not to exceed $10,000 in Current Dollars in the aggregate for any particular Transfer. Tenant acknowledges and agrees that Landlord may withhold its consent to any proposed assignment or subletting for any reasonable basis including, but not limited to: (i) Tenant is in default of this Lease beyond any applicable cure period provided in this Lease; (ii) the assignee is unwilling to assume in writing all of Tenant's obligations hereunder; (iii) the assignee or subtenant has a financial condition which is reasonably unsatisfactory to Landlord or Landlord's mortgagee; (iv) the proposed assignee or sublessee is of a character or reputation or engaged in a business which is not consistent with the Project and/or other institutional quality research and development projects in the market area (as reasonably determined by Landlord); (v) Landlord or any affiliate of Landlord has historically had a negative experience with the proposed assignee, subtenant or any affiliate thereof; and/or (vi) the Premises will be used for different purposes than those set forth in Paragraph 3(a) or for a use requiring or generating Hazardous Materials (beyond what is expressly permitted under Paragraph 30 below) or in violation of applicable Environmental Requirements.

(b) Notwithstanding any Transfer, Tenant shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such Transfer). In the event that the rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds the rental payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as additional rent hereunder fifty percent (50%) of such excess rental and other excess consideration (which excess shall be calculated after first deducting all actual and reasonable out-of-pocket costs paid by Tenant to procure the transferee, including, without limitation, market brokerage fees, reasonable legal fees, the unamortized amount [amortized on a straight line basis over the Lease Term] of the amount expended by Tenant above and beyond the amount of the Tenant Improvement Allowance in connection with the Tenant Improvements located in the space to be transferred, and the reasonable cost of tenant improvements to the extent performed for the transferee in order to procure the assignment or sublease) within ten (10) days following receipt thereof by Tenant. If such Transfer is for less than all of the Premises, such excess rental and other excess consideration shall be calculated on a rentable square foot basis.

(c) If this Lease is assigned or if the Premises is subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant beyond any applicable cure and/or notice period hereunder, Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionaire or licensee or

other occupant and, except to the extent set forth in the preceding subparagraph, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder. Any approved assignment or sublease shall be expressly subject to the terms and conditions of this Lease. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. Notwithstanding anything to the contrary contained in this Lease, if Tenant or any proposed transferee claims that Landlord has unreasonably withheld or delayed its consent under this Paragraph 17 or otherwise has breached or acted unreasonably under this Paragraph 17, then Tenant shall have the right to seek any and all remedies available at law or in equity; provided, however, that Tenant hereby waives any right at law or equity to terminate this Lease including, without limitation, its rights under Section 1995.310 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect.

(d) Tenant shall have the right to sublease, without Landlord's prior written consent, up to twenty thousand (20,000) rentable square feet of the Premises, in the aggregate (each, a "**Permitted Subtenant**"); provided that (i) the Permitted Subtenant uses such space only for the use permitted by this Lease and for no other purpose (and the products and materials stored by the Permitted Subtenant do not exceed that permitted to be stored by Tenant under applicable Legal Requirements); (ii) before the Permitted Subtenant commences occupancy of the Premises, Tenant shall notify Landlord in writing of the Permitted Subtenant's identity and any other information reasonably requested by Landlord. Tenant shall cause each Permitted Subtenant, and each of its employees and licensees, to comply with the provisions of this Lease (including, without limitation, the insurance requirements under this Lease), and each Permitted Subtenant, and each of its employees, agents, and contractors, shall be deemed a Tenant Party for purposes of this Lease (including, without limitation, Tenant's indemnification obligations under this Lease); and (iii) Tenant is not in default of this Lease beyond any applicable cure period provided in this Lease. No use or occupancy of any portion of the Premises by a Permitted Subtenant shall release or excuse Tenant from any obligation hereunder or create a landlord/tenant relationship between Landlord and such Permitted Subtenant. Landlord shall not be required to provide notices to any Permitted Subtenant. The foregoing consent by Landlord shall not be construed as a waiver of Landlord's right to consent to any further subletting either by Tenant or by the any of the Permitted Subtenants or to any assignment by Tenant of the Lease or assignment by a Permitted Subtenant.

18. **Indemnification**.

(a) To the extent permitted by applicable Legal Requirements, but subject to the waiver of subrogation set forth in Paragraph 9(c) above, Tenant agrees to indemnify, defend and hold harmless Landlord and its affiliates and their investment advisors, members, agents, servants, directors, property managers, officers and employees (collectively, "**Landlord Indemnitees**"), from and against any and all third party claims, demands, losses, liabilities, causes of action, suits, judgments, damages, costs and expenses (including without limitation reasonable attorneys' fees) (collectively, "**Claims**"), arising from any occurrence in or about the Premises, the use and occupancy of the Premises, or from any activity, work, or thing done, permitted or suffered by Tenant and/or any Tenant Party in or about the Premises or the Project or due to any negligence or willful misconduct of Tenant or any Tenant Party; provided, however, notwithstanding the foregoing, Tenant shall not have any obligation to indemnify Landlord or any Landlord Indemnitees for any Claims to the extent caused by the negligence or willful misconduct of Landlord or any of the Landlord Indemnitees. In case any Claim is brought against Landlord or any of the Landlord Indemnitees for which Tenant is obligated to indemnify Landlord and/or the Landlord Indemnitees pursuant to this Paragraph, then Tenant, upon notice from Landlord, shall resist and defend such Claim (by counsel chosen by Tenant but reasonably satisfactory to Landlord) at Tenant's expense. Landlord shall not be liable to Tenant, and Tenant hereby waives all Claims against Landlord and the Landlord Indemnitees, for any damages arising from any act, omission or neglect of any other tenant in the Project, and notwithstanding anything to the contrary contained in any provision of this Lease, in no event shall Landlord or any of the Landlord Indemnitees be liable for any injury or interruption to Tenant's business or any loss of income therefrom under any circumstances and neither Landlord nor any of the other indemnified parties shall be liable for any indirect, speculative, consequential or punitive losses or damages suffered by Tenant or any Tenant Party.

(b) To the extent permitted by applicable Legal Requirements, but subject to the waiver of subrogation set forth in Paragraph 9(c) above, Landlord agrees to indemnify, defend and hold harmless Tenant and its affiliates and their members, agents, servants, directors, property managers, officers and employees (collectively, "**Tenant Indemnitees**"), from and against any and all Claims by third parties resulting from the negligence or willful misconduct of Landlord or any Landlord Parties; provided, however, notwithstanding the foregoing or anything to the contrary in this Lease, Landlord shall not have any obligation to indemnify Tenant or any Tenant Indemnitees for any Claims to the extent caused by the negligence or willful misconduct of Tenant or any of the Tenant Indemnitees. In case any Claim is brought against Tenant or any of the Tenant Indemnitees for which Landlord is obligated to indemnify Tenant and/or the Tenant Indemnitees pursuant to this Paragraph, then Landlord, upon notice from Tenant, shall resist and defend such Claim (by counsel chosen by Landlord but reasonably satisfactory to Tenant) at Landlord's expense.

(c) These indemnity provisions shall survive termination or expiration of this Lease for a period of two (2) years. The furnishing of insurance required hereunder shall not be deemed to limit either parties' obligations under this Paragraph 18.

19. **Inspection and Access**. Landlord and Landlord's agents, employees, and contractors shall have the right to enter the Premises at any and all reasonable times and upon reasonable (but no less than 24-hours) advance written notice (except in the event of an emergency, in which case no notice shall be required and/or given) for the purpose of inspecting the same, showing the same to prospective purchasers or lenders, or, during the last year of the Lease Term, to prospective tenants, and for the purpose of exercising any right or obligation to maintain, repair or restore the Premises, or any other right which Landlord may have under this Lease. Tenant shall have the right to have a representative present during any entry upon the Premises by Landlord (and absent an emergency, Landlord will reasonably coordinate with Tenant to schedule any visits to the Premises).

20. **Quiet Enjoyment**. If Tenant shall perform, within the applicable notice and cure periods provided in this Lease, all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, any ground lease, mortgage or deed of trust now or hereafter encumbering the Premises and all matters of record, except as otherwise expressly provided herein (including, without limitation, Paragraph 27 below), at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord, but not otherwise.

21. **Surrender**. No act by Landlord shall be an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. On or prior to the expiration or termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in good condition, broom clean, reasonable wear and tear and casualty loss and condemnation covered by Paragraphs 15 and 16, any damage caused by Landlord or any Landlord Parties excepted. Tenant shall remove (a) all Tenant-Made Alterations and Permitted Alterations for which Landlord has advised (or is deemed to have advised) Tenant that removal would be required pursuant to Paragraph 12(d) above, (b) all Tenant Improvements and Tenant Changes for which Landlord has advised (or is deemed to have advised) Tenant that removal would be required pursuant to Exhibit B attached hereto (excluding the Improvements Not Subject to Restoration, which Tenant shall not be required to remove), and (c) all of Tenant's personal property and Trade Fixtures and security system(s). Landlord and Tenant agree to have a joint inspection of the Premises prior to Tenant vacating. In the event of Tenant's failure to participate in such joint inspection after Tenant's receipt of notice from Landlord thereof, and Tenant's subsequent failure to participate in such joint inspection within ten (10) business days after such notice, Landlord's inspection shall be deemed conclusive for purposes of determining Tenant's responsibility for repairs and restoration. No such performance by Landlord shall create any liability on the part of Landlord whatsoever. Any Trade Fixtures, Tenant-Made Alterations, Tenant Improvements, Tenant Changes, Permitted Alterations and all other personal property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the expiration or termination of the Lease Term shall survive the expiration or termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and all obligations concerning the condition and repair of the Premises. If Tenant fails to perform any obligation contained herein prior to the expiration or earlier termination of this Lease, without limiting any of the other rights and remedies Landlord may under this Lease, at law and/or in equity, Landlord shall have the rights set forth in Paragraph 24(f) below.

22. **Holding Over**. If Tenant fails to vacate the Premises after the expiration or earlier termination of the Lease Term, Tenant shall be, at Landlord's sole election, a tenant at will or at sufferance, and Tenant shall pay, in addition to any other rent or other sums then due Landlord, Base Rent equal to one hundred twenty-five percent (125%) of the Base Rent in effect on the expiration or termination date computed on a monthly basis for the first month or part thereof during such holdover, and one hundred fifty percent (150%) for each month or part thereof thereafter, even if Landlord consents to such holdover (which consent shall be effective only if in writing). All other payments shall continue under the terms of this Lease. Tenant shall also be liable for all Operating Expenses incurred during such holdover period. In addition, if Tenant does not vacate the Premises within thirty (30) days following the expiration or earlier termination of the Lease Term, Tenant shall be liable for all damages (including attorneys' fees and expenses) of whatever type (including consequential damages) incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph 22 shall not be construed as consent for Tenant to retain possession of the Premises.

23. **Events of Default**. Each of the following events shall be an event of default ("**Event of Default**") by Tenant under this Lease:

(a) Tenant shall fail to pay any installment of Base Rent or any other payment required herein within five (5) business days following written notice from Landlord.

(b) Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced below the levels required hereunder, except, in each case, as permitted in this Lease and Tenant has not obtained replacement coverage (effective retroactively to the date of termination or cancellation of the prior policy), within ten (10) days following its receipt of written notice from either Landlord or the applicable insurance carrier.

(c) There shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease (except as otherwise permitted in this Lease) that is not voided and cured within five (5) days following written notice from Landlord.

(d) Tenant shall fail to discharge or bond over any lien placed upon the Premises in violation of this Lease within twenty-five (25) days after Tenant is notified (or otherwise actually becomes aware) that any such lien or encumbrance is filed against the Premises.

(e) Tenant shall fail to execute any instrument of subordination or attornment or any estoppel certificate within the time periods set forth in Paragraphs 27 and 29 respectively following Landlord's request for the same where such failure continues for more than ten (10) business days after notice from Landlord.

(f) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Paragraph 23, and except as otherwise expressly provided herein, such default shall continue for more than thirty (30) days after Landlord shall have given Tenant written notice of such default; provided, however, that if the nature of Tenant's obligation under this subsection (g) is such that more than thirty (30) days are reasonably required for performance, then Tenant shall not be in default under this subparagraph (f) if Tenant promptly commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

Any notices to be provided by Landlord under this Paragraph 23 shall be in addition to, and not in lieu of, any notice required under Section 1161 *et seq.* of the California Code of Civil Procedure.

24. **Landlord's Remedies**. Upon the occurrence of any Event of Default, Landlord shall have the following rights and remedies, in addition to those allowed by law or in equity, any one or more of which may be exercised or not exercised without precluding Landlord from exercising any other remedy provided in this Lease or otherwise allowed by law or in equity:

(a) **Termination of Lease**. Landlord may terminate this Lease and Tenant's right to possession of the Premises. If Tenant has abandoned and vacated the Premises, the mere entry of the Premises by Landlord in order to perform acts of maintenance, cure defaults, preserve the Premises or to attempt to relet the Premises, or the appointment of a receiver in order to protect Landlord's interest under this Lease, shall not be deemed a termination of Tenant's right to possession or a termination of this Lease unless Landlord has notified Tenant in writing that this Lease is terminated. Notification of any default described in Paragraph 23 of this Lease shall be in lieu of, and not in addition to, any notice required under Section 1161 *et seq.* of the California Code of Civil Procedure. If Landlord terminates this Lease and Tenant's right to possession of the Premises, Landlord may recover from Tenant:

(1) The worth at the time of the award of unpaid rent which had been earned at the time of termination; plus

(2) The worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(3) The worth at the time of the award of the amount by which the unpaid rent for the balance of the Lease Term after the time of the award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(4) Any other amounts necessary to compensate the Landlord for all of 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, including any legal expenses, brokers commissions or finders fees to the extent allocable to the remaining Lease Term, the costs of repairs, cleanup, refurbishing, removal and storage or disposal of Tenant's personal property, equipment, fixtures and anything else that Tenant is required under this Lease to remove but does not remove (including those alterations which Tenant is required to remove pursuant to an election by Landlord and Landlord actually removes whether notice to remove shall be delivered to Tenant), and any costs for alterations, additions and renovations incurred by Landlord in regaining possession of and reletting (or attempting to relet) the Premises in each case to the extent allocable to the remaining Lease Term.

All computations of the "worth at the time of the award" of amounts recoverable by Landlord under (1) and (2) hereof shall be computed by allowing interest at the lesser of the highest rate permitted by applicable law or ten percent (10%) per annum (the "**Interest Rate**"). The "worth at the time of the award" recoverable by Landlord under (3) and the discount rate for purposes of determining any amounts recoverable under (4), if applicable, shall be computed by discounting the amount recoverable by Landlord at the discount rate of the Federal Reserve Bank, San Francisco, California, at the time of the award plus one percent (1%).

Upon termination of this Lease, whether by lapse of time or otherwise, Tenant shall immediately vacate the Premises and deliver possession to Landlord, and Landlord shall have the right to re-enter the Premises.

(b) **Lease to Remain in Effect**. Notwithstanding Landlord's right to terminate this Lease, Landlord may, at its option, even though an Event of Default has occurred and Tenant has abandoned the Premises, continue this Lease in full force and effect and not terminate Tenant's right to possession, and enforce all of Landlord's rights and remedies under this Lease. In such event, Landlord shall have the remedy described in California Civil Code Section 1951.4 (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has a right to sublet or assign, subject only to reasonable limitations). Further, in such event Landlord shall be entitled to recover from Tenant all costs of maintenance and preservation of the Premises, and all costs, including without limitation attorneys' fees and receivers' fees, incurred in connection with appointment of and performance by a receiver to protect the Premises and Landlord's interest under this Lease. No re-entry or taking possession of the Premises by Landlord shall be construed as an election to terminate this Lease unless a notice (signed by a duly authorized representative of Landlord) of intention to terminate this Lease is given to Tenant.

(c) **All Sums Collectible as Rent**. All sums due and owing to Landlord by Tenant under this Lease shall be collectible by Landlord as rent.

(d) **No Surrender**. No act or omission by Landlord or its agents during the Lease Term shall be an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless made in writing and signed by a duly authorized representative of Landlord. Landlord shall be entitled to a restraining order or injunction to prevent Tenant from defaulting under any of its obligations other than the payment of rent or other sums due hereunder.

(e) **Effect of Termination**. Neither the termination of this Lease nor the exercise of any remedy under this Lease or otherwise available at law or in equity shall affect Landlord's right of indemnification set forth in this Lease or otherwise available at law or in equity for any act or omission of Tenant, and all rights to indemnification and other obligations of Tenant intended to be performed after termination of this Lease shall survive termination of this Lease.

(f) **Perform Tenant Repairs**. At Landlord's election, without limiting any of Landlord's other remedies, if Tenant fails to perform any repair, restoration, maintenance or replacement for which it is responsible under this Lease within the time periods set forth in this Lease (including, without limitation, all notice and cure periods), Landlord may (but shall not be obligated to) perform such repair, maintenance or replacement, as applicable, on Tenant's behalf, in which case Tenant shall reimburse Landlord for all costs incurred by Landlord within thirty (30) days after demand therefor (which demand shall be accompanied by reasonable supporting documentation).

(g) **Waiver of Redemption by Tenant**. In the event Landlord exercises any one or more of Landlord's rights and remedies under this Article 24, Tenant expressly waives (for Tenant and for all those claiming under Tenant) any and all rights of redemption or relief from forfeiture under California Code of Civil Procedure Section 1174 or 1179, or granted by or under any present or future laws, and further releases Landlord from any and all claims, demands and liabilities by reason of such exercise by Landlord.

25. **Tenant's Remedies/Limitation of Liability**. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within thirty (30) days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of thirty (30) days, then such additional period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions. Except as expressly provided otherwise in this Lease, Tenant hereby waives the benefit of any laws granting it the right to perform Landlord's obligations or withhold rent on account of any Landlord default. The term "Landlord" in this Lease shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing; provided, however, such obligations shall be binding during the Lease Term upon such new owner during the duration of such owner's ownership. Any liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant), and damages therefor, for any default by Landlord under this Lease or arising out of the relationship between Landlord and Tenant shall be limited solely to Tenant's actual direct, but not consequential, indirect, speculative, or punitive damages therefor and shall be recoverable only from Landlord's equity interest in the Building (including any rental, condemnation, sales and insurance proceeds received therefrom), and in no event shall any personal liability be asserted against Landlord, its partners, shareholders, members, directors, employees or agents in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord.

26. **Waiver of Jury Trial; Judicial Reference.** TO THE FULLEST EXTENT PERMITTED BY LAW, TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

27. **Subordination**.

(a) Landlord represents and warrants to Tenant that no mortgage (as defined below) encumbers the Premises as of the Effective Date. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any deed of trust or mortgage or any ground lease, now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. The subordination of this Lease to any such future ground or underlying leases of the Project or Premises 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 agrees, at the election of the holder of any such mortgage, to attorn to any such holder. The provisions of this Paragraph 27 shall be self-operative and no further instrument shall be required to effect such subordination or attornment; however, Tenant agrees to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder within ten (10) business days of such request.

(b) Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "**mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**holder**" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

(c) Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, or by overnight courier, specifying the default in reasonable detail to any mortgage holder whose address has been given to Tenant, and affording such mortgage holder a reasonable opportunity to perform Landlord's obligations hereunder.

28. **Mechanic's Liens**. Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Landlord may record, at its election, notices of non-responsibility pursuant to California Civil Code Section 8444 in connection with any work performed by Tenant. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within twenty-five (25) days after Tenant is notified (or otherwise actually becomes aware) of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such period. Without limiting any other rights or remedies of Landlord, if Tenant fails for any reason to cause a lien or encumbrance to be discharged within twenty-five (25) days after Tenant is notified (or otherwise actually becomes aware) of the filing or recording thereof, then Landlord may take such action(s) as it deems necessary to cause the discharge of the same (including, without limitation, by paying any amount demanded by the party who has filed or recorded such lien or encumbrance, regardless of whether the same is in dispute), and Landlord shall be reimbursed by Tenant for all costs and expenses incurred by Landlord in connection therewith within five (5) business days following written demand therefor.

29. **Estoppel Certificates**. Tenant and Landlord each agrees, from time to time, within ten (10) business days after request of the other party (the "**Requesting Party**"), to execute and deliver to the Requesting Party, or its designee, any estoppel certificate requested by the Requesting Party , stating that this Lease is in full force and effect, the date to which rent has been paid, that the Requesting Party is not in default hereunder (or specifying in detail the nature of any such default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by the Requesting Party.

30. **Environmental Requirements**.

(a) Prior to Tenant's entry into the Premises, Tenant shall fully and accurately complete Landlord's Pre-Leasing Environmental Questionnaire ("**Environmental Questionnaire**") attached hereto as Exhibit C, which when so completed, shall be incorporated herein by reference. Tenant hereby represents, warrants and covenants that except for (i) those chemicals or materials, and their respective approximate quantities listed on the Environmental Questionnaire (as the same may be updated from time to time as provided below) or any similar chemicals or materials used for substantially the same purposes in substitution thereof in compliance with Environmental Requirements, and (ii) Hazardous Materials that are used by Tenant for ordinary cleaning, for office purposes and warehouse maintenance purposes in compliance with all Environmental Requirements (as defined below), Tenant will not use, store or generate any "Hazardous Materials" (as defined below) in, on, under or about the Premises and/or Project. Tenant further represents, warrants and covenants that except for those chemicals and materials, and the approximate quantities listed on the Environmental Questionnaire (as the same may be updated from time to time as provided below) or any similar chemicals or materials used for substantially the same purposes in substitution thereof in compliance with Environmental Requirements, and the Hazardous Materials described in the immediately preceding sentence that are used and stored in compliance with Environmental Requirements, Tenant shall not cause or permit any Hazardous Materials to be brought upon, placed, stored, manufactured, generated, blended, handled, recycled, disposed of, used or released on, in, under or about the Premises and/or Project by Tenant or its agents, employees, contractors, subcontractors, subtenants, assigns or invitees. Tenant shall notify Landlord prior to using any Hazardous Materials in the Premises not described on the initial Environmental Questionnaire, and such use shall be subject to compliance with Environmental Requirements and all of the provisions of this Lease. Tenant shall operate its business in the Premises in full compliance with all Environmental Requirements (as defined below). Landlord acknowledges that, subject to compliance with Legal Requirements, Private Restrictions, and the other terms and conditions contained in this Lease (including, without limitation, Paragraph 12 above), Tenant may install and use fume hoods in the Premises, and that emissions of Hazardous Materials into the air in compliance with all Environmental Requirements shall not be considered releases. Landlord agrees to keep the information on the Environmental Questionnaire confidential in accordance with the terms of Paragraph 42 below.

(b) The term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, permits, authorizations, orders, policies or other similar requirements of any governmental authority, agency or court regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Clean Water Act; the Toxic Substances Control Act and all state and local counterparts thereto, and any common or civil law obligations including, without limitation, nuisance or trespass, and any other requirements of Paragraphs 3 and 31 of this Lease. The term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant that is or could be regulated under any Environmental Requirement, including, without limitation, any solid or hazardous waste, hazardous substance, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, synthetic gas, polychlorinated biphenyls (PCBs), and radioactive material). For purposes of Environmental Requirements, to the extent authorized by law, Tenant is and shall be deemed to be the responsible party, including without limitation, the "owner" and "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant or any Tenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom ("**Tenant Hazardous Materials**").

(c) Without limiting the generality of Tenant's obligation to comply with laws as otherwise provided in this Lease, Tenant shall, at its sole cost and expense, comply with all present and future Environmental Requirements related to the use of Hazardous Materials by Tenant and/or any Tenant Party; provided that Tenant shall not be required to treat, remediate, and/or encapsulate any Pre-Existing Hazardous Materials or any Landlord Caused Hazardous Materials (as such terms are defined below). Tenant shall obtain and maintain any and all necessary government 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 or Project. 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 (but no more than once every Lease Year, unless Landlord shall have reasonable grounds to believe that Tenant is not in compliance with its

covenants under this Paragraph 30), 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 reasonable satisfaction compliance with all Environmental Requirements and the terms of this Lease.

(d) Unless Tenant is required by law to give earlier notice to Landlord, Tenant shall notify Landlord in writing as soon as possible but in no event later than five (5) days after (1) the occurrence of any spill, discharge, leak, seep or any other release of any Hazardous Material on, under, from or about the Premises or Project, in violation of Environmental Requirements, regardless of the quantity of any such spill, discharge, leak, seep or release of Hazardous Material, or (2) Tenant becomes aware of any regulatory inquiries, inspections, investigations, directives, or any cleanup, compliance or abatement proceedings (including any threatened or potential investigations or proceedings), or claims by any third parties relating to violation of Environmental Requirements relating to any Hazardous Materials in, on, under, from or about the Project or Premises. Landlord shall have the right to appear at and participate in, any and all legal or other administrative proceedings concerning the release of any Hazardous Materials on, under, from or about the Premises or Project.

(e) To the extent Tenant or a Tenant Party discovers any material water leakage, water damage or mold in or about the Premises or Project, Tenant shall promptly notify Landlord thereof in writing. If any spill, discharge, leak, seep or any other release of any Tenant Hazardous Materials on, under, from or about the Premises or Project shall occur, in addition to notifying Landlord as specified herein, Tenant, at its own sole cost and expense, shall (1) immediately comply with any and all reporting requirements imposed pursuant to any and all Environmental Requirements, (2) provide a written certification to Landlord indicating that Tenant has complied with all applicable reporting requirements, and (3) take any and all necessary investigation, corrective and remedial action in accordance with any and all applicable Environmental Requirements, utilizing an environmental consultant approved by Landlord, and (4) take any such additional investigative, remedial and corrective actions as Landlord shall in its reasonable discretion deem necessary. Landlord may, as required by any and all Environmental Requirements, report the unauthorized spill, discharge, leak, seep or any other unauthorized release of any Hazardous Material to the appropriate regulatory agencies identifying the Tenant as the responsible party. Tenant shall deliver to Landlord copies of all administrative orders, notices, demands, directives or other communications directed to Tenant from any governmental authority in respect of any release, discharge, or spill of any Hazardous Material on, under, from, or about the Premises or Project, together with copies of all investigation, assessment, and remediation plans and reports prepared by or on behalf of Tenant in response to any such regulatory order or directive.

(f) If Landlord has a reasonable basis for believing Tenant is not in compliance with its obligations under this Section 30, then pursuant to the terms and conditions contained in Paragraph 19 above, Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Paragraph 30, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant in accordance with Paragraph 19 above (except in the event of an emergency, in which case only such notice as is reasonable under the circumstances, if any, shall be required), and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections and tests reveal that Tenant has breached or violated the provisions of this Paragraph 30, in which event Tenant shall reimburse Landlord for the costs and expenses incurred by Landlord in connection with such inspections or tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant. Without limiting the foregoing, Landlord may separately engage its own environmental consultant or consultants at Landlord's expense (without reimbursement from Tenant as an Operating Expense) to investigate and advise Landlord respecting any release, discharge, or spill of Hazardous Materials on, under, from, or about the Premises or Project, or to independently investigate any regulatory inquiries, directives, or investigations regarding Tenant's use, handling, storage, or disposal of Hazardous Materials; provided, however, if such investigations reveal that Tenant has not complied with any Environmental Requirement or the provisions of this Paragraph 30, then Tenant shall reimburse Landlord for the costs of such consultants and investigations. Tenant shall not conduct any invasive environmental testing or investigation (including, without limitation, any testing of any soils) on or about the Project without obtaining Landlord's prior written consent, and any investigations or remediation on or about the Project shall be conducted only by a consultant approved in writing by Landlord and pursuant to a work letter approved in writing by Landlord.

(g) Notwithstanding anything to the contrary contained herein, if Tenant fails to cure or commence a cure within ten (10) days of written notice from Landlord (and thereafter diligently prosecute such cure to completion), Landlord shall have the right (but not the obligation) to enter upon the Premises and cure any non-compliance by Tenant with the terms of this Paragraph 30 or any Environmental Requirements or any release, discharge, spill, improper use, storage, handling or disposal of Hazardous Materials on, under, from, or about the Premises or Project, regardless of the quantity of any such release, discharge, spill, improper use, storage, handling or disposal of Hazardous Materials on or about the Premises or Project, the full cost of which shall be deemed to be rent and shall be due and payable by Tenant to Landlord immediately upon demand.

(h) If any information provided to Landlord by Tenant on the Environmental Questionnaire, or otherwise relating to information concerning Hazardous Materials is false, incomplete, or misleading in any material respect, the same shall be deemed an event of default by Tenant under this Lease.

(i) Upon termination of this Lease, Tenant, at its own cost and expense and in compliance with all Environmental Requirements, shall cause any and all Hazardous Materials stored on, under, upon or about the Premises or Project to be removed in a manner and to a level which complies with all Environmental Requirements and does not limit any future uses of the Premises or Project or require the recording of any deed restriction or notice regarding the Premises or Project. Upon prior notice and approval by the Landlord, Tenant shall, at its own cost and expense and in compliance with all Environmental Requirements, remove any contaminated equipment, furnishings, and fixtures from the Premises including any and all storage containers and facilities used in connection with Tenant's use of Hazardous Materials from the Premises.

(j) Without limiting in any way Tenant's obligations under any other provision of this Lease, Tenant and its successors and assigns shall indemnify, protect, defend and hold Landlord and the Landlord Indemnitees harmless from any and all third party Claims, judgments, damages, penalties, enforcement actions, taxes, fines, remedial actions, liabilities, losses, costs and expenses (including, without limitation, actual attorneys' fees, litigation, arbitration and administrative proceeding costs, expert and consultant fees, laboratory costs, remediation, removal, repair, corrective action, or cleanup expenses) and sums paid in settlement of Claims including, without limitation, damages arising out of the diminution in the value of the Premises or Project or any portion thereof, damages for the loss of the Premises or Project, damages arising from any adverse impact on the marketing of space in the Premises or Project, and sums paid in settlement of claims, which arise during or after the Lease Term in whole or in part as a result of the presence or release of Tenant Hazardous Materials, in, on, under, from or about the Premises or the Project and/or other adjacent properties, or any breach of the requirements of this Paragraph 30 by Tenant or any Tenant Party. The obligations of Tenant under this Paragraph 30 shall survive any termination of this Lease.

(k) Notwithstanding anything to the contrary contained herein, Tenant shall not be responsible to remediate or indemnify Landlord with respect to any environmental condition existing at the Premises or the Project prior to the Effective Date of this Lease that is in violation of Environmental Requirements ("**Pre-Existing Hazardous Materials**") and/or the release of Hazardous Materials by Landlord or any Landlord Parties affecting the Premises or the Project and in violation of Environmental Requirements ("**Landlord Caused Hazardous Materials**"); provided, however, Pre-Existing Hazardous Materials and Landlord Caused Hazardous Materials shall not include any Hazardous Materials that are negligently released by Tenant and/or any Tenant Party. To the extent that any Pre-Existing Hazardous Materials and/or Landlord Caused Hazardous Materials are discovered at the Premises and/or the Project and the remediation of the same is required by a governmental authority with jurisdiction, then Landlord shall remediate the Pre-Existing Hazardous Materials and/or the Landlord Caused Hazardous Materials, as applicable (to the extent required by the applicable governmental authority), at Landlord's sole cost and expense (and not included in Operating Expenses), which shall be Tenant's sole and exclusive remedy in connection therewith. Landlord shall perform such remediation in such manner and take commercially reasonable measures to avoid materially disrupting Tenant's business operations at the Premises. Nothing in this Paragraph shall be interpreted as imposing any liability on Landlord for any consequential damages including any lost sales or profits of Tenant.

31. **Rules and Regulations**. Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable, rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

32. **Security Service**. Tenant acknowledges and agrees that, while Landlord may (but shall not be obligated to) patrol the Project, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible (at Tenant's sole cost and expense) for complying with all Legal Requirements and Private Restrictions with respect to securing the Premises and the installation of any security systems and/or cameras required by Legal Requirements and/or Private Restrictions.

33. **Force Majeure**. Except with respect to (i) monetary obligations (including, without limitation, Tenant's obligation to pay Base Rent and Operating Expenses), (ii) Tenant's obligation to timely vacate and surrender the Premises upon the expiration or earlier termination of this Lease, (iii) the obligation to obtain and maintain insurance as required by this Lease, and (iv) Tenant Delays and Landlord Delays (which are addressed elsewhere in this Lease and in the Work Letter attached hereto as Exhibit B), neither Landlord nor Tenant shall be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, utility company delays, delays by governmental and/or municipal entities or agencies (including, without limitation any quasi-governmental entities such as any design review committees and/or owners associations associated with the Project), delay in issuance of permits or approvals, enemy or hostile governmental action, civil commotion, inclement weather, fire or other casualty, and other causes beyond the reasonable control of Landlord or Tenant, as applicable ("**Force Majeure**").

34. **Entire Agreement**. This Lease constitutes the complete and entire agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

35. **Severability**. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future Legal Requirements, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

36. **Brokers**. Tenant and Landlord represent and warrant to each other that they have dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, other than the broker(s), if any, set forth in the Basic Lease Provisions above, and each party agrees to indemnify and hold the other party harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to this leasing transaction. Landlord shall be responsible for the payment of a commission to Broker in connection with this Lease pursuant to the terms and conditions of a separate written agreement with Landlord.

37. **Miscellaneous**.

(a) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

(b) If and when included within the term "Tenant", as used in this instrument, there is more than one person, firm, corporation or other entity, each shall be jointly and severally liable for the obligations of Tenant. If and when included within the term "Landlord", as used in this instrument, there is more than one person, firm, corporation or other entity, each shall be jointly and severally liable for the obligations of Landlord.

(c) All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, with proof of delivery and postage prepaid, or by hand delivery and sent to the notice address for each party listed in the Basic Lease Provisions. Either party may by notice given aforesaid change its address for all subsequent notices. All such notices shall be effective when delivered or rejected.

(d) Except (i) for matters for which there is a standard of consent or discretion specifically set forth in this Lease; (ii) for matters that could have an adverse effect on the Building Structural Elements or the Building systems, or that could affect the exterior appearance of the Building, or (iii) as otherwise required by Legal Requirements and/or the Private Restrictions, any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld or delayed.

(e) At Landlord's request from time to time, if Tenant's financial statements are not publicly available, Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants. Such annual statements shall be audited by an independent certified public accountant, if such is the normal practice of Tenant, at Tenant's sole cost and expense. Landlord shall hold such financial statements and information in confidence, and shall not disclose the same except: (1) to Landlord's lenders or potential lenders, (2) to potential purchasers of all or a portion of the Project, (3) to affiliates, employees, attorneys, accountants, consultants or other advisors, or (4) if disclosure is required by any judicial or administrative order or ruling. Prior to Tenant's delivery of any such financial statements (if the same are not publicly available), Landlord and any recipient shall execute a confidentiality agreement in commercially reasonable form. Notwithstanding the foregoing, Tenant will have no obligation to provide Landlord with financial statements so long as Tenant's financial information is publicly available.

(f) Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Notwithstanding the foregoing, upon the request and at the expense of Tenant, Landlord shall execute a memorandum of lease (in the form reasonably approved by Landlord and Tenant**)** to be filed by Tenant, at Tenant's sole cost and expense, in the Official Records of Alameda County. Notwithstanding the foregoing, upon the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, in recordable form, a memorandum of termination of lease, in such form as requested by Landlord, which memorandum of termination of lease Landlord shall be authorized to record. The obligation of Tenant to provide such memorandum of termination of lease shall survive the expiration or earlier termination of this Lease.

(g) Each party acknowledges that it has had the opportunity to consult counsel with respect to this Lease, and therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto.

(h) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution and delivery of this Lease by both parties.

(i) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(j) Any amount not paid by Tenant or Landlord within five (5) business days after its due date in accordance with the terms of this Lease shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or the Interest Rate (as defined in Paragraph 24(a)) above). It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by a party hereunder be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to the other party), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(k) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Project is located, excluding any principles of conflicts of laws.

(l) Time is of the essence as to the performance of Tenant's obligations under this Lease.

(m) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda (other than the rules and regulations) and the terms of this Lease, such exhibits or addenda shall control. In the event of a conflict between the rules and regulations attached hereto and the terms of this Lease, the terms of this Lease shall control.

(n) In the event either party shall commence an action to enforce any provision of this Lease, the prevailing party in such action shall be entitled to receive from the other party, in addition to damages, equitable or other relief, any and all costs and expenses incurred, including reasonable attorneys' fees and court costs and the fees and costs of expert witnesses, and fees incurred to enforce any judgment obtained. This provision with respect to attorneys' fees incurred to enforce a judgment shall be severable from all other provisions of this Lease, shall survive any judgment, and shall not be deemed merged into the judgment.

(o) There shall be no merger of the leasehold estate hereby created with the fee estate in the Premises or any part thereof if the same person acquires or holds, directly or indirectly, this Lease or any interest in this Lease and the fee estate in the leasehold Premises or any interest in such fee estate.

(p) The term "**Current Dollars**" means a dollar amount calculated by multiplying a dollar amount specified in this Lease by a fraction, the numerator of which is the CPI Index last published prior to the relevant date, and the denominator of which is the CPI Index last published prior to the Commencement Date. "**CPI Index**" shall mean Consumer Price Index — Urban Wage Earners and Clerical Workers (San Francisco-Oakland-San Jose, CA, All Items, Base 1982-84=100), published by the U.S. Department of Labor, Bureau of Labor Statistics, or if such index is no longer published, the U.S. Department of Labor's most comprehensive official index then in use that most nearly corresponds to the index named above. Notwithstanding anything to the contrary contained herein, in no event shall any amounts to be paid in Current Dollars ever be decreased on account of a decrease in the value of the U.S. dollar and/or the calculations being made herein.

(q) [Intentionally Deleted].

(r) Subject to the execution and delivery of an access agreement on Landlord's commercially reasonable form by Tenant's telecommunications companies, including local exchange telecommunications companies and alternative access vendor services companies (collectively, "**Tenant's Carriers**"), Landlord, at no additional cost to Landlord or Tenant, shall provide Tenant's Carriers access to and within the Building and/or the Project for the installation and operation of telecommunications systems, including voice, video, data, Internet, and any other services provided over wire, fiber optic, microwave, wireless, satellite and any other transmission systems ("**Telecommunications Services**"), for part or all of Tenant's telecommunications within the Building and from the Building to any other location. All of Tenant's Carriers shall be required to comply with the non-discriminatorily enforced rules and regulations of the Project, applicable Legal Requirements and Private Restrictions. Tenant acknowledges that the installation of the foregoing must be approved in advance by Landlord pursuant to the terms and conditions set forth in this Lease if the same are considered Tenant-Made Alterations under Section 12(a) above

(but not if they are Permitted Alterations). Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services and that Landlord shall have no liability to a Tenant-related party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services. Tenant shall be fully responsible for any damage to the Building and/or the Project caused by any of the telecommunications companies providing Telecommunications Services to Tenant and/or the Building. Notwithstanding anything to the contrary set forth in this Paragraph, neither the Telecommunications Services, nor any work or act in connection with the Telecommunications Services, by or on behalf of Tenant, may invalidate or otherwise adversely affect any warranty relating to the Building and/or the Project; provided that upon receipt of Tenant's written request, Landlord shall notify Tenant in writing of such warranty (and the terms thereof) for which Tenant shall responsible for protecting as part of the aforementioned work.

(s) Tenant (if a corporation, partnership or other business entity) hereby represents and warrants to Landlord that Tenant is and will remain during the Lease Term a duly formed and existing entity qualified to do business in the state in which the Premises are located, that Tenant has full right and authority to execute and deliver this Lease, that each person signing on behalf of Tenant is authorized to do so. Landlord hereby represents and warrants to Tenant that Landlord is a duly formed and existing entity qualified to do business in the state in which the Premises are located, and that Landlord has full right and authority to execute and deliver this Lease, and that each person signing on behalf of Landlord is authorized to do so.

(t) Landlord and Tenant agree that all administrative fees and late charges prescribed in this Lease are reasonable estimates of the costs that Landlord will incur by reason of Tenant's failure to comply with the provisions of this Lease, and the imposition of such fees and charges shall be in addition to all of the other rights and remedies hereunder or at law, and shall not be construed as a penalty.

(u) [Intentionally Omitted].

(v) Landlord may during the Lease Term construct, renovate, improve, alter, or modify (collectively, "**Renovations**") the Project and/or the Building, and in connection with any Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building and/or the Project, limit or eliminate access to portions of the Project, including portions of the Common Areas, or perform work in the Building, Project and/or Common Areas, which work may create noise, dust or leave debris in the Building, Project and/or Common Areas. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of rent or damages from Landlord. In connection with the performance of any Renovations, Landlord shall use commercially reasonable efforts to minimize interference with the conduct by Tenant of its business from the Building.

(w) This Lease binds, and inures to the benefit of, the parties to this Lease and their respective heirs, executors, administrators, legal representatives, successors and assigns when this Lease expressly permits.

(x) This Lease may be executed in counterparts, each of which shall be an original and when taken together shall constitute one original instrument. A counterpart signed and transmitted via a secure service (e.g., DocuSign), or by facsimile or by e-mail as a .pdf file is to be treated as an original document, and the exchange of counterparts signed by all of the parties shall constitute a binding and enforceable agreement. The signature of any party thereon, for purposes hereof, is to be considered the same as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

(y) Unless otherwise indicated, all references herein to a "days" shall mean and refer to calendar days. For purposes of this Lease, "**business day**" shall mean any day other than a Saturday, a Sunday, a national holiday or a legal holiday generally observed in the State of California.

38. **Limitation of Liability of Landlord's Partners, and Others**. Tenant agrees that any obligation or liability whatsoever of Landlord which may arise at any time under this Lease, or any obligation or liability which may be incurred by Landlord pursuant to any other instrument, transaction, or undertaking contemplated hereby, shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of the constituent partners of Landlord or any of their respective directors, officers, representatives, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

39. **OFAC**. Each party represents and warrants to the other party that it is currently in compliance with and shall at all times during the Lease Term (including any extension thereof) remain in compliance with the regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

40. **Easements; CC&R's**. Landlord reserves to itself the right, from time to time, to subdivide the Project and/or to grant such easements, rights and dedications that Landlord deems necessary or desirable, and to cause the recordation of parcel maps, easement agreements, covenants, conditions and restrictions and amendments thereto, so long as such easements, rights, dedications, maps and covenants, conditions and restrictions and amendments (a) do not materially interfere with the permitted use of the Premises by Tenant or (b) violate (in any material respect) any of Tenant's rights hereunder, or (c) materially increase Tenant's obligations hereunder. Tenant shall sign any of the aforementioned documents upon request of Landlord; provided, however, that such documents do not otherwise violate the terms of this Paragraph 40. Tenant shall enjoy all of the benefits of the Private Restrictions applicable to the parcel on which the Premises is located and shall not violate the Private Restrictions to the extent applicable to Tenant and/or the Premises.

41. **Option to Extend**. Landlord hereby grants to Tenant two (2) consecutive options to extend the Lease Term with respect to the Premises (each, an "**Option**"), the first Option shall be for a period of ten (10) years and the second Option shall be for a period of ten (10) years (each such period, an "**Option Term**") commencing upon the expiration of the then initial Lease Term, upon each of the following conditions and terms. Notwithstanding the foregoing, Tenant may elect to split the second 10-year Option Term into two (2) five (5) year Option Terms, which election Tenant must make (if at all) concurrently with Tenant's delivery of the Option Notice (defined below) for the second Option. If Tenant timely makes such election, then Tenant must exercise the Option to further extend the Lease Term for the third (and final) Option Term (if at all) in accordance with the terms and conditions contained in this Paragraph 41, and such third (and final) Option Term shall be subject to all of the terms and condition contained in this Paragraph 41.

(a) Tenant shall give to Landlord, and Landlord shall actually receive, on a date which is at least two hundred seventy (270) days and not more than three hundred sixty-five (365) days prior to the then scheduled expiration date of the Lease Term, a written notice of Tenant's exercise of an Option (an "**Option Notice**"), time being of the essence. If an Option Notice is not timely so given and received, the Option, and any subsequent Option (if any), shall automatically expire.

(b) Tenant shall have no right to exercise an Option, notwithstanding any provision hereof to the contrary, if Tenant is then in default under this Lease beyond the applicable notice and cure period.

(c) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option because of the provisions of Paragraph 41(b) above.

(d) The Options granted to Tenant are personal to the Tenant originally named on this Lease (the "**Original Tenant**") or any Tenant Affiliate to whom this Lease has been assigned or any other assignee approved in advance by Landlord pursuant to the terms of Paragraph 17 above (but only if such other assignee has a tangible net worth of at least One Hundred Million Dollars [$100,000,000.00] in Current Dollars at the time of the Transfer, as evidenced by financial statements reviewed and approved in advance by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

(e) The Options herein granted to Tenant are not assignable separate and apart from this Lease, nor may the Options be separated from this Lease in any manner, either by reservation or otherwise.

(f) All of the terms and conditions of this Lease except where specifically modified by this Paragraph 41 or as otherwise stated to be applicable only to the initial Lease Term shall apply during any Option Term, except for any provisions that were meant to be one-time Landlord concessions including without limitation free rent, allowances and Landlord Work. If Tenant exercises its right to extend the term of the Lease for an Option Term pursuant to this Paragraph 41, the term "**Lease Term**" or "**Term**" as used in the Lease, shall be construed to include the initial Lease Term and the applicable Option Term (except with respect to any provisions expressly modified by this Paragraph 41 or otherwise stated as being applicable only to the initial Lease Term or any prior portion of the Lease Term).

(g) Effective on the first day of an Option Term, the Base Rent shall be equal to one hundred percent (100%) of then current fair market rent for the Premises as of the beginning of the Option Term (the "**Fair Market Rent**"), taking into account the size, age and quality of the Premises (but not considering the value of the Tenant Improvements installed in the Premises by Tenant with funds in excess of the Tenant Improvement Allowance or any other improvements constructed with Tenant's funds), the submarket where the Premises are situated, the acreage of the Project, the parking, the clear height of the Premises, the length of the Option Term and all other relevant factors (including, without limitation, any concessions contained within this Lease) and the creditworthiness of Tenant. Fair Market Rent shall reflect all monetary and non-monetary concessions being granted to tenants for comparable renewal transactions in the same submarket where the Premises are situated, including without limitation, improvements performed by landlords and tenant improvements allowances, moving allowances, and rent concessions. Landlord shall notify Tenant of its determination of the Fair Market Rent for the applicable Option Term (consistent with the methodology reflected in the definition above) within thirty (30) days following its receipt of an Option Notice. Such Fair Market Rent, as set forth in Landlord's notice to Tenant, shall be binding upon the parties unless Tenant provides written notice of its disagreement within thirty (30) days following its receipt thereof.

(h) If Tenant disagrees with Landlord's determination of the Fair Market Rent for the Option Term, Landlord and Tenant shall confer for a period of thirty (30) days in an attempt to agree on the Fair Market Rent. In the event Landlord and Tenant fail to reach an agreement on the Fair Market Rent within such thirty (30) day period, then the Fair Market Rent for the applicable Option Term shall be determined in accordance with the following procedure (the "**Arbitration Procedure**"), which Arbitration Procedure shall be binding upon the parties: Within fifteen (15) days after the expiration of the thirty (30) day period described above, Landlord and Tenant shall each select a licensed real estate broker with at least ten (10) years' experience in the R&D submarket where the Premises are situated. If the two brokers are unable to agree within ten (10) days after their selection, they shall select a similarly qualified third broker (the "**Neutral Broker**"). Within twenty (20) days after selection of the Neutral Broker, the three brokers shall simultaneously exchange determinations of the Fair Market Rent. If the lowest determination of Fair Market Rent is not less than ninety-seven and one-half percent (97.5%) of the highest determination, then the three determinations shall be averaged and the result shall be the Fair Market Rent. If the lowest determination is less than ninety-seven and one-half percent (97.5%) of the highest determination, then the Fair Market Rent shall be deemed the rate set forth in the determination submitted by a broker appointed by a party that is closest in dollar amount to the determination submitted by the Neutral Broker. Each party shall pay the cost of its own broker and the parties shall share the cost of the Neutral Broker equally. If the Base Rent for an Option Term has not been determined by the commencement date of the Option Term, then until such Base Rent is determined, Tenant shall pay Base Rent to Landlord at the rate in effect immediately preceding the Option Term. If the actual Base Rent for the Option Term is determined to be higher, then within fifteen (15) days after the determination of such higher Base Rent, Tenant shall pay to Landlord the difference for each month of the Option Term for which Base Rent has already become due. If the actual Base Rent for the Option Term is determined to be lower, then within fifteen (15) days after the determination of such lower Base Rent, Tenant shall receive a credit against Base Rent next due and owing in an amount equal to the difference between the actual Base Rent determined for the Option Term and the amount for which Tenant has already paid during the Option Term. Tenant shall continue to pay Landlord as set forth in the Lease for Operating Expenses during the applicable Option Term. If Tenant was obligated to pay any amortized amounts under the Lease prior to the commencement of the applicable Option Term and there remains useful life with respect to the applicable capital improvement, then Tenant shall remain obligated during the applicable Option Term to pay such amortized amounts in addition to the Base Rent (as adjusted to Fair Market Rent) and other amounts payable under the Lease.

42. **Confidentiality**. Neither Landlord nor Tenant shall issue any press release or statement with regard to the terms and provisions of this Lease without the consent of the other, nor shall either party disclose to any third party (other than its respective employees, directors, officers, agents, attorneys, consultants, potential and actual lenders, potential and actual purchasers, potential and actual insurers, potential and actual assignees and subtenants, members, investors and partners of such party), any information with respect to the financial terms and/or provisions of this Lease, except: (a) to the extent necessary to comply with Legal Requirements, Private Restrictions, or a valid

court order of a court with competent jurisdiction, in which event the party making such disclosure shall so notify the other party as promptly as is practicable (if possible, prior to making such disclosure) and shall endeavor to seek confidential treatment of such information; (b) to the extent necessary to comply with the disclosure requirements of the S.E.C., the New York Stock Exchange, or similar entities, or in connection with other S.E.C. filings as customarily made by publicly traded REIT entities; (c) to its parent, subsidiary or other affiliated companies, their banks, auditors and attorneys and similar professionals (collectively, its "**Permitted Recipients**"), provided that the disclosing party shall be liable to the other party in the event that any of its Permitted Recipients disclose any information that the disclosing party would be prohibited from disclosing pursuant to this Paragraph 42; (d) in order to enforce its rights pursuant to this Lease; (e) to a bona fide prospective or an actual buyer or financier as well as the Permitted Recipients thereof, provided that any such buyer or financier first executes a commercially reasonable written confidentiality agreement pursuant to which they/it agree(s) to be bound by the provisions of this paragraph or a similar undertaking of confidentiality, (f) for disclosure of square footage, length of term and charges or rents on earnings calls at investor meetings as customarily disclosed by publicly traded REIT entities, or (g) to a prospective assignee or subtenant. The terms of the first public statement made regarding the Lease shall be reasonably and mutually agreed upon by Landlord and Tenant. Notwithstanding anything to the contrary set forth herein, the obligations of confidentiality contained herein, as they relate to a transaction, shall not apply to the "tax structure" or "tax treatment" of a transaction (as these terms are used in Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations (the "**Confidentiality Regulation**") promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended), and each party (and any related party of such party) may disclose to any and all persons, without limitation of any kind, the "tax structure" and "tax treatment" of a transaction (as these terms are defined in the Confidentiality Regulation). Landlord agrees that Tenant's existing trademarks and other intellectual property (including without limitation Tenant's name/logo) and the goodwill associated therewith are the sole and exclusive property of Tenant and may not be used by Landlord for any purpose, except with the express prior written consent of Tenant. Any breach of this Paragraph by a party shall entitle the other party, as its sole and exclusive remedy, to injunctive relief to restrain any threatened or continued breach of this Paragraph without the requirement of posting a bond or other security.

43. **Design Review Committee(s) and Owners Association(s)**. If Landlord is a member of any design review committees and/or owners associations, then (i) if the Private Restrictions grant the design review committee and/or owners association more discretion than granted to Landlord hereunder, then Landlord shall not withhold its consent thereunder except as otherwise permitted hereunder, and (ii) if Landlord approves of any Tenant-Made Alterations hereunder or the Tenant-Made Alterations are Permitted Alterations, then Landlord shall vote in favor thereof if the subject Tenant-Made Alterations are in fact in compliance with the Private Restrictions.

44. **Landlord Lien Waiver**. Landlord agrees that Tenant shall have the right to pledge Tenant's furniture, Trade Fixtures, equipment or other personal property owned by Tenant, located in the Premises and paid for without any funds contributed by Landlord (including the Tenant Improvement Allowance) (the "**Collateral**") as security for Tenant's credit lines or other financing. Landlord will agree to waive any statutory lien rights Landlord may have or claim upon such Collateral to the extent such lien(s) arise solely out of the landlord-tenant relationship or the mere fact that such Collateral is located within the Premises. In the interest of clarity, such waiver shall not limit or impact Landlord's right to any judgment liens that may arise in favor of Landlord. Provided that Tenant is not then in default under this Lease, upon written request of Tenant (but not more frequently than once in any twelve (12) month period), Landlord shall provide its standard form of lien subordination agreement to be executed by Landlord, Tenant and any secured lender of Tenant with a security interest in the Collateral located within the Premises (which form shall be subject modification to accommodate any commercially reasonable modifications negotiated by and among Landlord, Tenant and such secured lender).

45. **Landlord's Notice of Intent to Sell**. If Landlord intends to sell the Building to any unaffiliated third party during the Lease Term on a stand-alone basis (i.e., not as part of a sale of the Project or any other property or building(s) whatsoever), then, prior to entering into a listing agreement with a broker for the sale of the Building and otherwise entering into a purchase and sale agreement for such sale with any third party, Landlord shall deliver written notice to Tenant specifying that Landlord intends to sell the Building on a stand-alone basis. For avoidance of doubt, (i) Tenant shall have no right to receive any such notice if Landlord elects to sell the Building to an affiliate of Landlord or as part of a transaction involving any other property in addition to the Building, including, without limitation, the sale of one or more properties in Landlord's and/or Landlord's affiliate's portfolio (even though such sale or transfer includes the Building), (ii) this provision is not (nor shall it be interpreted as granting) an option to purchase, a right of first offer, a right of first refusal, or any other similar right (it being acknowledged and agreed that this provision simply requires Landlord to provide Tenant with a written notice of Landlord's intent to sell the Building on a stand-alone basis).

46. **Back-up Generator.** Subject to compliance with Legal Requirements and the Private Restrictions, Tenant may (until the earlier of the expiration or earlier termination of the Lease Term), at Tenant's sole cost and expense, subject to the provisions of this Lease, install one (1) back-up generator (the "Generator"), at a location to be mutually agreed upon by the parties (and pursuant to plans and specifications approved in advance by Landlord, which approval shall not be unreasonably withheld, including as to the make and model of the Generator). The Generator, and Tenant's rights with respect thereto, shall be subject to the additional following terms and conditions:

(a) Tenant shall pay Landlord, within thirty (30) days after demand, all costs and expenses reasonably incurred by Landlord for any architectural, engineering, supervisory in connection with the Generator, including, without limitation, Landlord's review of the plans and specifications for the Generator. All costs and expenses associated with the Generator, including, without limitation, all costs and expenses relating to soundproofing, screening, compliance with all Legal Requirements and the Private Restrictions, rules, regulations and ordinances, safety, protection of property, installation, noise reduction, environmental monitoring and remediation, maintenance, repairs, replacements and removal, in each case to the extent reasonably necessary, shall be paid for by Tenant, promptly upon demand, at Tenant's sole cost and expense; without limiting the other terms of this Lease, Landlord may require that Tenant implement, at Tenant's sole cost and expense, any or all of the foregoing items set forth in this sentence (i.e., soundproofing, screening, etc.) as Landlord deems appropriate. Notwithstanding the foregoing, there shall be no monthly rental for the use of the space for the Generator. Tenant shall deliver to Landlord full and complete plans and specifications with respect to the Generator, which shall be subject to the prior written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed. Landlord's review of such plans and specifications shall be for its own benefit only, and Landlord shall have no liability to Tenant in connection with such review. Tenant shall ensure that the Generator complies at all times with Landlord's commercially reasonable rules and regulations that Tenant has received written notice of, and with all Legal Requirements and the Private Restrictions, in all respects. Tenant shall ensure that the presence and use of the Generator does not unreasonably disturb or unreasonably interfere with any adjacent properties (or their owners or occupants) and does not create a nuisance or unreasonably interfere with any other tenants of the Project or Landlord's activities in the Project. Except as otherwise set forth herein, the Generator (and each element thereof) shall be considered a "Tenant-Made Alteration" under this Lease (and shall accordingly be subject to all of the terms of Paragraph 12 of this Lease, except that Tenant shall be required to remove the Generator on or before the expiration or earlier termination of the Lease Term, and Tenant, at its sole expense, shall repair any and all damage caused by such removal on or before the expiration or earlier termination of the Lease Term). Without limiting the foregoing, Landlord shall have the right, at any time in the case of emergency and upon reasonable prior notice and affording Tenant an opportunity to have a representative present at other times, to have access to the Generator to inspect the same.

(b) Tenant agrees to have its commercial general public liability insurance insure against all Claims related to the Generator in the amounts and in accordance with the terms set forth in this Lease.

(c) Tenant's indemnification of Landlord and the Landlord Indemnities pursuant to Paragraph 18(a) above shall apply fully with respect to any and all Claims arising out of or in connection with the Generator, and Tenant shall repair all damage to the Premises, the Building and the Project contained therein arising in connection with the Generator. Tenant's indemnification obligation pursuant to this paragraph shall survive the expiration or earlier termination of this Lease. Additionally, except to the extent resulting from Landlord's negligence or willful misconduct but subject to the waiver of subrogation set forth above, Landlord shall have no liability whatsoever in connection with the Generator, and Tenant shall look to its insurance in connection with any claims or losses suffered in connection with the Generator. The presence and use of the Generator shall otherwise be subject to all of Tenant's obligations, liabilities and restrictions set forth in this Lease.

(d) Tenant, at Tenant's sole cost and expense, will, at all times in connection with the installation, use, operation and maintenance of the Generator, comply with all Legal Requirements, the Private Restrictions, Landlord's commercially reasonable rules and regulations, and ordinances and matters of record affecting the installation, use, operation and maintenance of the Generator, including, without limitation, applicable building and fire codes. Tenant, at Tenant's sole cost and expense, shall be obligated to secure and obtain and provide Landlord with copies of all required permits, approvals and licenses for or with respect to the installation or operation of the Generator prior to the commencement of any installation activities hereunder, and Tenant shall be obligated to keep in full force and effect and renew, as applicable, all required permits, approvals and licenses required hereunder.

47. **Rooftop Premises.** Landlord hereby grants to Tenant the non-exclusive right to occupy reasonable portions of the roof of the Building, (hereinafter called the "**Rooftop Premises**") so that Tenant may install, use, operate and maintain satellite dishes and appurtenant conduit and cabling (collectively, the "**Rooftop Equipment**"), until the expiration or termination of the term of this Lease. Notwithstanding anything to the contrary set forth in this Paragraph, neither the Rooftop Equipment, nor any work or act in connection with the Rooftop Equipment, by or on behalf of Tenant may invalidate or otherwise affect the warranty relating to the roof. The Rooftop Equipment must comply with Legal Requirements and Private Restrictions (including, without limitation, any screening requirements), and shall not exceed the commercially reasonable specifications of communications Rooftop Equipment of tenants at comparable buildings in the general vicinity of the Building (as reasonably determined by Landlord) and shall be in accordance with the additional following conditions:

(a) The use of the Rooftop Equipment shall be restricted to Tenant's internal use only and shall not be available for use by any party except Tenant.

(b) Tenant shall pay Landlord or Landlord's agent or contractor, upon demand (which demand may be made from time to time), all reasonable actual costs and expenses incurred by Landlord for any architectural, engineering, supervisory and/or reasonable legal services in connection with the Rooftop Equipment, including, without limitation, Landlord's review of the plans and specifications for the Rooftop Equipment. Without limiting the foregoing, Tenant shall immediately, at its sole cost and expense, repair any and all damage resulting from the presence and/or use of the Rooftop Equipment and pay to Landlord any and all other commercially reasonable out-of-pocket costs actually incurred by Landlord in connection with the Rooftop Equipment. Notwithstanding the foregoing, there shall be no monthly rental for the use of the rooftop for the Rooftop Equipment.

(c) The Rooftop Equipment shall be installed, used, operated and maintained solely on the Rooftop Premises and solely at the expense of Tenant. Tenant shall perform the installation of the Rooftop Equipment in accordance with an installation program reasonably approved and supervised by Landlord or Landlord's contractor, and Tenant shall give Landlord at least five (5) business days' prior written notice of the date and time of the planned installation. Tenant shall ensure that the Rooftop Equipment shall in all cases be installed, used, operated, maintained and removed in compliance with the following requirements (all as determined by Landlord in its sole, reasonable discretion): (i) the Rooftop Equipment shall not unreasonably interfere in any way with the Building's existing engineering or other maintenance functions or duties; (ii) the Rooftop Equipment must be properly secured and installed so as not to be affected by high winds or other weather elements; (iii) the Rooftop Equipment must be properly grounded; (iv) the weight of the Rooftop Equipment shall not exceed the load limits of the Building; and (v) in no event shall the Rooftop Equipment or any appurtenant wiring or cable unreasonably interfere with or otherwise adversely affect the electrical, mechanical, structural, life safety or other building systems of the Building. Tenant shall bear all costs and expenses in connection with the installation, use, operation, maintenance and removal of the Rooftop Equipment, including all costs relating to the repair of any damage to the roof or other parts of the Building caused by any such installation, use, operation, maintenance or removal, including, without limitation, water damage or other damage resulting from weather elements.

(d) The installation of the Rooftop Equipment, excluding any necessary penetration of the roof of a Building, shall be performed by Tenant's contractor, as approved in advance by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and at Tenant's expense, provided such installation is of a non-penetrating surface mount only. Tenant may not install the Rooftop Equipment in a manner that penetrates the roof membrane of a Building, without Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole and absolute discretion; provided, however in the event Landlord consents to any such roof membrane penetration, then Tenant shall be solely responsible, at Tenant's sole cost and expense, for repairing and/or replacing the roof membrane to Landlord's reasonable satisfaction, prior to the expiration or earlier termination of the Lease; provided, further, however, Landlord shall have the right, but not the obligation, to elect to cause such repair and/or replacement of the roof membrane to be performed by Landlord, or a contractor selected and engaged by Landlord, but at Tenant's sole cost and expense. Without limiting Tenant's other obligations, Tenant shall reimburse Landlord for all costs associated with obtaining confirmation that Landlord's roof warranty will not be affected by any penetration. All work done in connection with any permitted roof penetration shall be performed by Landlord or Landlord's agent at Tenant's sole cost and expense. The installation of the Rooftop Equipment shall not damage the Building or existing structures thereon. Landlord may obtain the services of a structural engineer to design any additional supports required to support the Rooftop Equipment, and to monitor the installation thereof, and Tenant

shall reimburse Landlord, within ten (10) business days after receipt by Tenant of an invoice, and Tenant's receipt of reasonable supporting documentation, for Landlord's actual and reasonable out-of-pocket cost of such services and such supports. The Rooftop Equipment shall remain the personal property of Tenant and shall be removed by Tenant prior to the expiration or earlier termination of this Lease, and Tenant shall repair any damage caused by the removal of the Rooftop Equipment and its associated wiring, cables and other components and immediately, at Tenant's sole cost and expense, restore the Rooftop Premises to the condition which existed prior to the installation of the Rooftop Equipment.

(e) Tenant may, at Tenant's own cost and expense, upon reasonable prior written notice to Landlord (except in the event of an emergency, in which case only such notice as is reasonable under the circumstances), access the Rooftop Premises to repair, replace, reorient or remove the Rooftop Equipment, or replace it with generally similar equipment, provided that (i) any new equipment can be properly accommodated on Rooftop Premises without placing materially greater demands upon the electrical, mechanical, structural, life safety or other building systems of the Building than the original Rooftop Equipment; (ii) Tenant at its cost shall restore the affected portion of Rooftop Premises to the condition in which it was prior to such repair, reorientation, removal or replacement, and all of such repair, reorientation, removal or replacement shall be performed in accordance with Landlord's and industry standard engineering practices and by contractors or other persons reasonably approved by Landlord; and (iii) all plans and designs of Tenant relating to such repair, reorientation, removal or replacement shall in any case be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

(f) Subject to Landlord's Construction Warranty, Tenant hereby agrees that the Rooftop Premises shall be taken "as is", "with all faults", without any representations and warranties, and Tenant hereby agrees and warrants that it has investigated and inspected the condition of the Rooftop Premises and the suitability of same for Tenant's purposes.

(g) Tenant, at Tenant's sole cost and expense, will, at all times in connection with the installation, use, operation and maintenance of the Rooftop Equipment, comply with all Legal Requirements and Private Restrictions affecting the installation, use, operation and maintenance of the Rooftop Equipment, including, without limitation, applicable building and fire codes, and will comply with all requirements of the Federal Aviation Administration and Federal Communications Commission in respect thereof. Tenant, at Tenant's sole cost and expense, shall be obligated to secure and obtain and provide Landlord with copies of all required permits, approvals and licenses for or with respect to the installation or operation of the Rooftop Equipment prior to the commencement of any installation activities hereunder, and Tenant shall be obligated to keep in full force and effect and renew, as applicable, all required permits, approvals and licenses required hereunder.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first set forth above.

LANDLORD:

SILICON VALLEY GATEWAY TECHNOLOGY
CENTER, LLC,
a Delaware limited liability company

By: /s/ Nicole Welch
Name: Nicole Welch
Title: Senior Vice President

TENANT:

ALLOGENE THERAPEUTICS, INC.,
a Delaware corporation

By: /s/ Alison Moore
Name: Alison Moore
Title: Chief Technical Officer

RULES AND REGULATIONS

In the event of a conflict between the following Rules and Regulations and the terms of the Lease to which this Addendum is attached, the terms of the Lease shall control.

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Building (except for the Rooftop Premises in accordance with the terms and conditions contained in Paragraph 47 of the Lease).

3. Except for licensed service animals (where access of the same is required by applicable Legal Requirements), no animals shall be allowed in the offices, halls, or corridors in the Project.

4. Tenant shall not unreasonably disturb the other occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.

5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will reasonably direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.

6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.

5. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles or as expressly permitted in the Lease, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.

6. Tenant shall not wash or service any vehicles in or about the Premises or the Project.

7. Tenant shall maintain the Premises free from rodents, insects and other pests.

8. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

9. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.

10. Tenant shall not permit storage outside the Premises, including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

11. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

12. No auction, public or private, will be permitted on the Premises or the Project.

13. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

14. The Premises shall not be used for lodging or sleeping or for any illegal purposes or for any purpose other than that specified in the Lease.

15. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

16. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

17. Tenant shall at all times conduct its operations in a good and workmanlike manner, employing best management practices to minimize the threat of any violation of Environmental Requirements.

EXHIBIT A

PREMISES

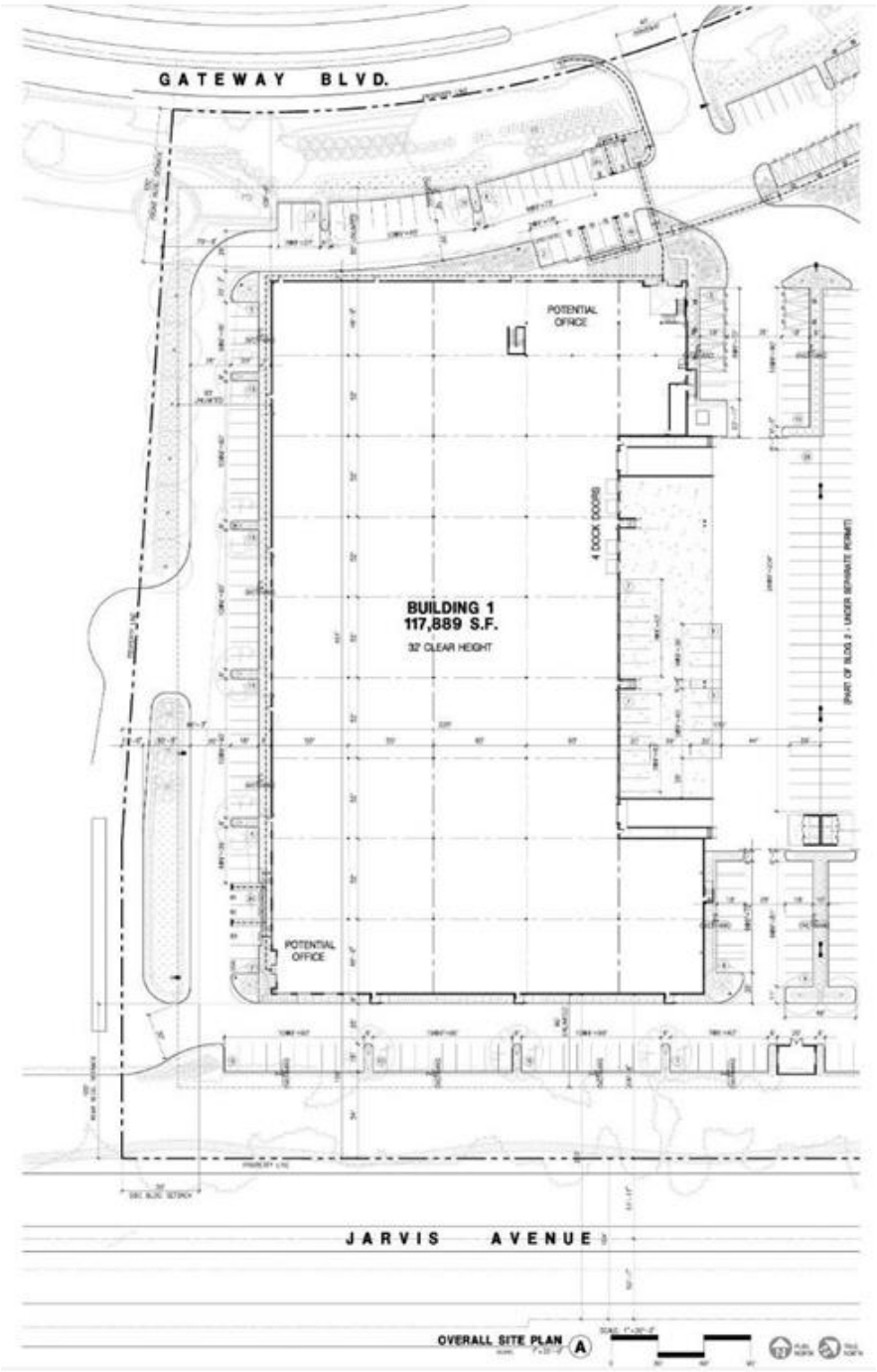

EXHIBIT A-1

PROJECT

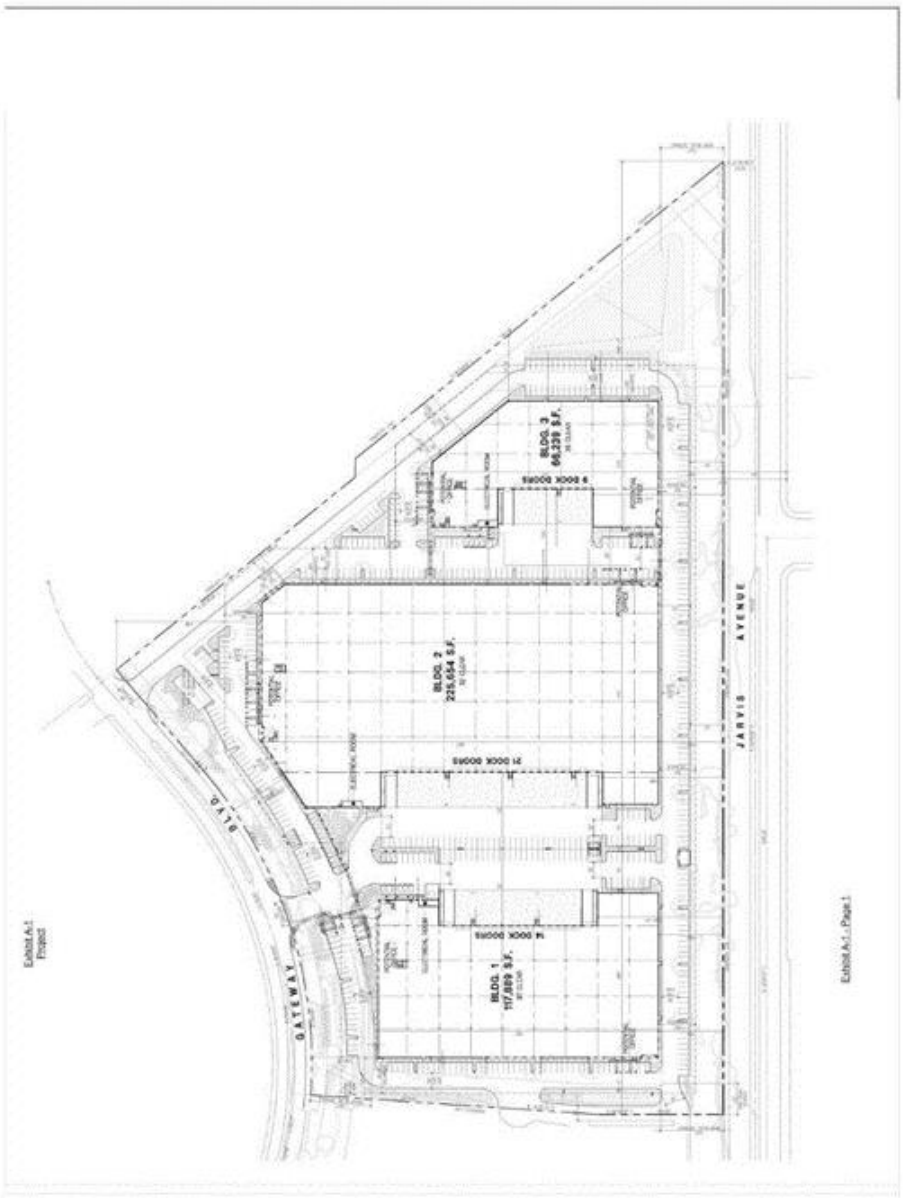

EXHIBIT B

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the construction of the Premises. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the construction of the Premises, in sequence, as such issues will arise during the actual construction of the Premises. All references in this Tenant Work Letter to Articles or Paragraphs of "this Lease" shall mean the relevant portions of Paragraphs 1 through 47 of this Lease to which this Tenant Work Letter is attached as Exhibit B, and all references in this Tenant Work Letter to Sections of "this Tenant Work Letter" shall mean the relevant portions of Sections 1 through 5 of this Tenant Work Letter.

SECTION 1

LANDLORD WORK; DELIVERY OF THE PREMISES AND BASE BUILDING; LANDLORD'S CONSTRUCTION WARRANTY

1.1 Landlord Work. Landlord shall, on a one-time basis only, using Project-standard quantities, specifications and materials (unless otherwise expressly specified herein), construct the Building and perform work within the Project as detailed in the specifications described in Schedule 1 attached to this Exhibit B (the "**Base Building Specifications**"). The improvements and work described in such Base Building Specifications may be referred to herein as the "**Landlord Work**". Except as set forth in the Base Building Specifications, the exact scope and specifications for each element of the Landlord Work will be determined by Landlord. Landlord shall not make any material changes to the Base Building Specifications unless either (a) Landlord has obtained the approval of Tenant to such change (such approval not to be unreasonably withheld, conditioned or delayed), or (b) Landlord is required to do so pursuant to Legal Requirements, the Private Restrictions or by applicable governmental authorities, in which case no consent of Tenant shall be required. Tenant shall not be permitted to make any changes or modifications to the Landlord Work and/or the Base Building Specifications without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion if such change or modification would result in any of the following: (i) a delay in Substantial Completion of the Landlord Work, unless Tenant agrees that any such delay shall constitute a Tenant Delay (as hereafter defined); (ii) an increase in the cost of designing or constructing any of the Landlord Work, unless Tenant agrees to pay for such increased cost in the form of a deduction from the Tenant Improvement Allowance (or if insufficient proceeds from the Tenant Improvement Allowance remain, then Tenant shall pay for such increased cost within thirty (30) days of receipt of an invoice from Landlord); (iii) a material lowering or degradation of the quality of the Landlord Work set forth in the Base Building Specifications; (iv) a reduction in the square footage of the Premises from the square footage set forth in the Base Building Specifications; and/or (v) a violation of any Legal Requirements and/or the Private Restrictions. In the event Tenant desires to change the Landlord Work (or proposes a change to the Landlord Work that either modifies the scope or the specifications from the scope or specifications set forth in the Base Building Specifications), then Tenant shall deliver written notice (the "**Drawing Change Notice**") of the same to Landlord, setting forth in reasonable detail the changes (the "**Tenant Change**") (including a written narrative) that Tenant desires to make to the Landlord Work. Landlord shall, in writing, within ten (10) business days (or such longer period of time as is reasonably necessary, including, without limitation, in order to obtain the written approval of any applicable design review committee[s] and/or owners association[s]) of receipt of a Drawing Change Notice either (i) approve the Tenant Change, or (ii) disapprove the Tenant Change and deliver a written notice to Tenant specifying in reasonably sufficient detail the reasons for Landlord's disapproval. For each Tenant Change requested, Landlord shall, at the same time as Landlord's approval notice for such Tenant Change, submit to Tenant for Tenant's approval a cost estimate and the amount of Tenant Delay for each Tenant Change, which Tenant shall either approve or disapprove within five (5) business days of receipt from Landlord. Landlord shall not be obligated to proceed with any Tenant Change without written authorization to do so from Tenant. Except as provided below, and subject to the terms of Section 12(d) of the Lease regarding Improvements Not Subject to Restoration, Landlord shall notify Tenant whether Tenant shall be required to remove a particular Tenant Change at the expiration of earlier termination of the Lease, or whether such Tenant Change shall remain on the Premises. Notwithstanding the foregoing, Tenant shall have the right, at the time it submits a Drawing Change Notice to Landlord, to make a written request that Landlord notify Tenant whether Tenant shall be required to remove the applicable Tenant Change at the expiration or termination of the Lease Term, in which event Tenant shall only be obligated to remove (i) those Tenant Changes that Landlord notified Tenant in writing at the time Landlord provides

its consent that it must remove at the end of the Lease Term, and (ii) those Tenant Changes that Tenant did not timely seek or did not obtain Landlord's written consent to leave in place at the end of the Lease Term, and that Landlord ultimately requires Tenant to remove. Failure of Landlord to notify Tenant at the time that Landlord issues its consent that a Tenant Change must be removed shall mean that Tenant shall be obligated to remove the Tenant Change unless Landlord ultimately agrees in writing to permit the Tenant Change to remain on the Premises at the expiration or earlier termination of the Lease. Any Tenant Change(s) which Landlord has elected to not require Tenant to remove shall remain on the Premises as Landlord's property and shall be deemed abandoned by Tenant at the expiration or earlier termination of the Lease; provided, however, that Tenant shall have the right to remove such Tenant Change(s) in connection with future Alterations to the Premises made in accordance with the terms and conditions of the Lease. Notwithstanding anything to the contrary contained in this Tenant Work Letter, Tenant hereby acknowledges and agrees that Landlord shall not be obligated to delay the performance of any of the Landlord Work even if there is a proposed Tenant Change that might alter the Landlord Work unless and until such time as there is an approved Tenant Change or Tenant otherwise requests in writing for Landlord to delay performance of the Landlord Work in order to evaluate a potential Tenant Change (in which case any delay resulting therefrom shall constitute a Tenant Delay).

1.2 Substantial Completion. Upon Substantial Completion of the Landlord Work, Landlord shall deliver the Premises and "Base Building", as that term is defined below, to Tenant, and Tenant shall accept the Premises and Base Building from Landlord in their then existing "as-is" condition, subject to the terms and condition contained in the Lease and Landlord's Construction Warranty (defined below). The "**Base Building**" shall consist of those portions of the Premises which were in existence prior to the construction of the Tenant Improvements in the Premises (including the Landlord Work). Landlord's contractor shall be designated and retained by Landlord to construct the Landlord Work. For purposes of this Lease, "**Substantial Completion**" of the Landlord Work in the Premises shall occur upon the completion of construction of all of the Landlord Work in the Premises in accordance with the Base Building Specifications and all applicable Legal Requirements and Private Restrictions in effect as of the date of Substantial Completion (as the same shall be certified by Landlord's architect to Landlord and Tenant) and Landlord's receipt of all required sign-offs directly related to the Landlord Work by applicable governmental authorities with jurisdiction over the Project, with the exception of any Punch List Items that do not materially impair Tenant from commencing construction of the Tenant Improvements, the Tenant Improvements and any tenant fixtures, work-stations, built-in furniture or equipment to be installed by Tenant. Notwithstanding the foregoing, in the event that a sign-off by a governmental authority cannot be obtained as a result of Tenant's particular use of the Premises or any additional work to be performed by or on behalf of Tenant outside of the scope of the Landlord Work (including, without limitation, the installation of any of the Tenant Improvements and/or Tenant's trade fixtures or equipment), then the receipt of such sign-offs by the applicable governmental authority shall not be required for Substantial Completion of the Landlord Work to occur (and only the certification by Landlord's architect shall be required). In the event of any dispute between Landlord and Tenant as to whether Substantial Completion of the Landlord Work has occurred, the sign-off and approval of the Landlord Work by the municipal building inspector shall be conclusive. Within ten (10) business days after Substantial Completion of the Landlord Work (as reasonably determined by Landlord), Tenant and Landlord shall jointly conduct a walk-through of the Premises and shall jointly prepare a punch list ("**Punch List**") of items needing additional work ("**Punch List Items**"); provided, however, the Punch List shall be limited to items which are required by the Base Building Specifications and any other changes mutually agreed to in writing by the parties. Landlord agrees to repair the Punch List Items promptly following the joint walk through but, in no event, later than thirty (30) days thereafter; provided, however, if any item on the Punch List cannot reasonably be corrected or remedied within such 30-day period, then Landlord shall have such additional time as shall be reasonably necessary to correct or remedy such item; provided, further, that the Punch List shall have no effect on Substantial Completion. If Landlord and Tenant are unable to conduct such walk-through within such ten (10) business day period due to scheduling conflicts, then the parties shall conduct the walk-through as soon as reasonably practical; provided, however, in no event shall the date of Substantial Completion and/or the Commencement Date be impacted to accommodate such walk-through.

1.3 Delay of the Substantial Completion of the Premises. Except as provided in this Section 1.3, the Commencement Date and Tenant's obligation to pay rent for the Premises shall occur as set forth in the Lease. However, if there shall be a delay or there are delays in the Substantial Completion of the Landlord Work in the Premises as a result of the following (collectively, "**Tenant Delays**"):

1.3.1 Tenant's failure to approve or disapprove any matter requiring Tenant's approval or any other delay by Tenant or any Tenant Party within the express time periods required herein;

1.3.2 A breach by Tenant of the terms of this Tenant Work Letter or the Lease not cured within the applicable notice and cure periods;

1.3.3 Any delay caused by a Tenant Change;

1.3.4 Any matter expressly described in the Lease and/or this Tenant Work Letter as constituting a Tenant Delay; or

1.3.5 Any other acts or omissions of Tenant and/or any Tenant Party that interferes with by Tenant and/or any Tenant Party with the construction of the Landlord Work,

then, notwithstanding anything to the contrary set forth in the Lease or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of the Landlord Work in the Premises, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred; provided, however, that with respect to any delay under clause 1.3.2 or 1.3.5 no Tenant Delay shall have occurred unless and until Landlord has provided Tenant's Representative (as defined below) with email notice specifying that a Tenant Delay may result from Tenant's continued actions or failure to act, and Tenant does not cease or complete (as the case may be) such actions within one (1) business day after receipt of such email notice. With respect to other delays under clauses 1.3.1, 1.3.3, and/or 1.3.4, Landlord shall provide Tenant's Representative with email notice within ten (10) days following the date Landlord actually becomes aware of the delay; provided, however, there shall be no cure period with respect to such delays and the Tenant Delay shall be deemed to have occurred (and started accruing) on date set forth in Landlord's notice specifying the actual day that the Tenant Delay occurred.

1.4 Landlord shall make available to Tenant the benefit of any warranties and guaranties by Landlord's contractor and material providers to the extent relating to the Landlord Work. The contractor shall be designated and retained by Landlord to construct the Landlord Work. Except as expressly set forth in this Section 1.4, Landlord does not warrant that the Landlord Work or any component thereof shall be free of defects or shall not require maintenance and/or repair within any particular period of time (and, except as expressly set forth in this Section 1.4, Tenant hereby waives all claims against Landlord relating to, or arising out of the construction of, the Landlord Work; provided, however, that nothing contained herein shall limit Landlord's express obligations under the Lease including, without limitation, its repair and maintenance obligations). Subject to the terms and conditions of this Section 1.4, for a period of one (1) year following Substantial Completion of the Landlord Work ("**Landlord's Construction Warranty**"), Landlord warrants that the Landlord Work will be, (i) free from material defects in workmanship and materials, and (ii) performed in compliance with applicable Legal Requirements and Private Restrictions in effect as of the date the building permit was issued to commence construction of the Landlord Work (but without regard to any Legal Requirements and/or Private Restrictions triggered by any Tenant Improvements, Tenant-Made Alterations or other improvements performed by or on behalf of Tenant, or any particular use of the Premises by Tenant (as opposed to Legal Requirements and Private Restrictions applicable generally to office/industrial/warehouse buildings in the market area) or the installation of any furniture, fixtures or equipment by Tenant, Tenant hereby acknowledging that all Legal Requirements and/or Private Restrictions triggered by the same being Tenant's sole responsibility). If there is a breach of Landlord's Construction Warranty, Landlord shall, following timely written notice from Tenant identifying such breach with reasonable specificity, as Tenant's sole and exclusive remedy, perform the work as is reasonably necessary to cure such material breach in Landlord's Construction Warranty. In connection with the performance of any such warranty work, (a) subject to the terms and conditions of the Lease, Landlord shall have the right to enter upon the Premises and/or into the Building at any time during normal business hours (except that Landlord may enter at any time, without notice, in case of an emergency) to perform such work, and in no event shall the performance of such work by Landlord entitle Tenant to any abatement of rent or other compensation so long as Landlord uses commercially reasonable efforts to minimize any material interference with Tenant's access to or use of the Premises and Project for Tenant's normal business operations as a result of the performance of any such work; and (b) Tenant shall cooperate with Landlord in identifying the defect in question. Notwithstanding the foregoing, Landlord's Construction Warranty shall not apply with respect to defects or damage arising due to work performed by

Tenant (including, without limitation, the Tenant Improvements and/or any Tenant-Made Alterations) and/or the negligence or willful misconduct of Tenant and/or any Tenant Party. If Tenant does not deliver written notice to Landlord of any breach of Landlord's Construction Warranty on or before the one (1) year anniversary of the date of Substantial Completion, then Tenant shall be deemed to have inspected and accepted the Premises in their present condition and Landlord shall have no further obligation to correct such condition under this Section 1.4, but rather such condition shall be subject to the repair, maintenance and replacement obligations of Landlord and Tenant as expressly set forth in the Lease.

SECTION 2

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance ("**Tenant Improvement Allowance**") in the amount of up to Two Million Nine Hundred Forty-Seven Thousand Two Hundred Twenty-Five Dollars ($2,947,225.00) (based upon $25.00 per square foot of the Premises) for the cost relating to the initial design and the actual cost of constructing Tenant's physical improvements which are permanently affixed to the Premises ("**Tenant Improvements**"). Notwithstanding anything to the contrary contained in this Tenant Work Letter, in no event shall (i) Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Tenant Improvement Allowance, (ii) Tenant be entitled to any portion of the Tenant Improvement Allowance not requested by Tenant (in accordance with the terms and conditions of this Work Letter) on or prior to the date that is twelve (12) months following the Commencement Date, and/or (iii) any portion of the Tenant Improvement Allowance be utilized for the purchase of personal property, trade fixtures, costs of moving or relocation, and/or any legal costs.

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 shall be disbursed by Landlord only for the following items and costs (collectively the "**Tenant Improvement Allowance Items**"):

2.2.1.1 Costs for the payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter, not exceed an aggregate amount equal to One Dollar ($1.00) for each square foot of space in the Premises;

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 cost of construction of the Tenant Improvements, including, without limitation, testing and inspection costs and trash removal costs, and contractors' fees and general conditions; provided, however, Tenant may only utilize up to a maximum of $750,000.00 (in the aggregate) of the Tenant Improvement Allowance towards the cost of performing any seismic retrofit work for the Premises and/or the construction of a mezzanine within the Premises;

2.2.1.4 The cost of any changes in the Base Building Specifications and/or Base Building when such changes are required by the Construction Drawings (including any Tenant Change), such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith (provided, however, in no event shall reimbursement from the Tenant Improvement Allowance for the cost[s] of such changes exceed an aggregate amount equal to $3.75 for each square foot of space in the Premises);

2.2.1.5 The cost of any changes to the Construction Drawings or Tenant Improvements required by any applicable building code(s) (the "**Code**");

2.2.1.6 Sales and use taxes related to the Tenant Improvements;

2.2.1.7 Reimbursement of actual third-party out-of-pocket expenses incurred by Landlord in connection with Landlord's review of the Construction Drawings (not to exceed $30,000.00 total), and payment to Landlord of a construction coordination fee equal to two percent (2%) of the Tenant Improvement Allowance;

2.2.1.8 All other actual and reasonable third party costs to be expended by Tenant in connection with the construction of the Tenant Improvements.

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 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. From time to time during the construction of the Tenant Improvements (but not more than once per month), Tenant shall deliver to Landlord: (i) a request for payment of the "Contractor," as that term is defined in Section 4.1 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 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 delivered to the Premises; (iii) executed mechanic's lien releases from all of Tenant's Agents in a form reasonably acceptable to Landlord; and (iv) all other information reasonably requested by Landlord. Within thirty (30) days following Tenant's request, Landlord shall deliver a check to the Contractor (or to Tenant if Tenant provides Landlord proof of Tenant's payment to the Contractor and unconditional lien waivers from the Contractor for the applicable portion of the Tenant Improvements completed), in payment of the lesser of: (A) the amounts so requested by Tenant, as set forth in this Section 2.2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "**Final Retention**"), and (B) the balance of any remaining available portion of the Tenant Improvement Allowance (not including the Final Retention), provided that Landlord does not dispute any request for payment based on a non-compliance of any work with the "Approved Working Drawings," as that term is defined in Section 3.2 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 Retention. Subject to the provisions of this Tenant Work Letter, a check for the Final Retention payable to the Contractor (or to Tenant if Tenant provides Landlord proof of Tenant's payment to the Contractor and final unconditional lien waivers from the Contractor for all of the Tenant Improvements completed) shall be delivered by Landlord to Tenant within thirty (30) days following the later of: (I) the date Tenant has completed the Tenant Improvements, (II) the Commencement Date, and (III) the date Landlord receives written notice from Tenant requesting payment of the Tenant Improvement Allowance, provided that (i) Tenant delivers to Landlord final, unconditional lien waivers, in accordance with applicable laws (including, without limitation, the appropriate provisions of California Civil Code Sections 8132-8138), from Tenant's general contractor and all subcontractors, materialmen and suppliers that have performed work or supplied materials in connection with the Tenant Improvements, (ii) no Event of Default exists under the Lease, (iii) Landlord has determined that no substandard work exists which adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning, life-safety or other systems of the Project, the structure or exterior appearance of the Project, or any other tenant's use of such other tenant's leased premises in the Project, (iv) Tenant has completed all of the Tenant Improvements in substantial conformity with the Approved Working Drawings, all building permits issued in connection with the Tenant Improvements, all Legal Requirements, the Private Restrictions and the terms and provisions of this Exhibit B, and (v) Tenant has delivered to Landlord the following: (a) a copy of a final or permanent (i.e. not temporary or conditional) certificate of occupancy (or local equivalent) for the entire Premises issued by the appropriate governmental authority, (b) a certificate of completion issued by Tenant's Architect or Tenant's Contractor, certifying that the Tenant Improvements have been completed in substantial conformity with the Approved Working Drawings, and (d) copies of all applicable permits evidencing final approval and sign of the Tenant Improvements by the municipal building inspector(s). Further, within thirty (30) days following the conclusion of construction, but not as a condition to the payment of the Tenant Improvement Allowance, (1) Tenant shall cause the Contractor (A) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (B) to deliver to Landlord two (2) sets of such as-built drawings (in .PDF form), and (C) to deliver to Landlord a computer disk containing the Approved Working Drawings in AutoCAD format and (2) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the Tenant Improvements, equipment, and systems in the Premises.

2.2.2.3 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items. All Tenant Improvement Allowance Items for which the Tenant Improvement Allowance has been made available shall be deemed Landlord's property under the terms of this Lease; provided, however, Landlord reserves the right to require Tenant to remove all or any portion of the Tenant Improvements at the expiration or earlier termination of the Lease. At the time Landlord consents to the applicable Tenant Improvements, Landlord shall notify Tenant whether Tenant shall be required to remove the applicable Tenant Improvement at the expiration or termination of the Lease Term, and to restore the Premises to the condition required under Paragraph 21 of the Lease. Failure of Landlord to notify Tenant at the time that Landlord issues its consent that a Tenant Improvement must be removed shall mean that Landlord reserves the right to require Tenant to remove such items at the expiration or earlier termination of the Lease. Notwithstanding the foregoing or anything to the contrary contained herein, Landlord hereby agrees that Tenant shall not be required to remove the Tenant Improvements located in the northern office area of the Premises as depicted on the site plan attached to the Lease as Exhibit F.

2.3 Failure to Pay Tenant Improvement Allowance When Due. If Landlord fails to timely fulfill its obligation to fund any portion of the Tenant Improvement Allowance in accordance with the provisions of this Work Letter, then Tenant shall be entitled to deliver written notice (the "**Payment Notice**") to Landlord. If Landlord still fails to fulfill any such obligation within thirty (30) days after Landlord's receipt of the Payment Notice from Tenant and if Landlord fails to deliver notice to Tenant within such thirty (30) day period explaining Landlord's reasons that Landlord in good faith believes that the amounts described in Tenant's Payment Notice are not due and payable by Landlord (the "**Refusal Notice**"), then Tenant shall be entitled to offset the amount so owed to Tenant by Landlord but not paid by Landlord (or if Landlord delivers a Refusal Notice but only with respect to a portion of the amount set forth in the Payment Notice and Landlord fails to pay such undisputed amount as required by then next succeeding sentence, the undisputed amount so owed to Tenant) against Tenant's next obligations to pay Base Rent. Notwithstanding the foregoing, if Landlord delivers a Refusal Notice, then notwithstanding anything to the contrary contained herein, Tenant shall have no right whatsoever to withhold or offset any portion of the amount set forth in Tenant's Payment Notice, and Landlord shall pay to Tenant, concurrently with the delivery of the Refusal Notice, the undisputed portion of the amount set forth in the Payment Notice. However, if an Event of Default shall have occurred at the time that such offset would otherwise be applicable, Tenant shall not be entitled to such offset until such Event of Default is cured. If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agree on the disputed amounts to be so paid by Landlord, if any, within ten (10) days after Tenant's receipt of a Refusal Notice, Tenant shall have no right to offset whatsoever, but Tenant may proceed to claim a default by Landlord under this Lease, and if elected by either Landlord or Tenant, the matter shall proceed to resolution by appropriate legal proceedings. If Tenant prevails in the legal proceedings, the amount of the award may be deducted by Tenant from Base Rent next due and owing under the Lease.

SECTION 3

CONSTRUCTION DRAWINGS FOR TENANT IMPROVEMENTS

3.1 Selection of Architect/Construction Drawings. Tenant shall retain an architect approved by Landlord (the "**Architect**") to prepare the Construction Drawings. CRB and Rios Clemente Hale Studios are hereby approved as Architect if selected by Tenant. Tenant shall retain the engineering consultants approved by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life-safety, and sprinkler work in the Premises as related to the Tenant Improvements, which work is not part of the Base Building. CRB and KPW are hereby approved as Engineers if selected by Tenant. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**". 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 the Construction 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. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings. To the extent the same complies with Legal Requirements and Private Restrictions, Landlord hereby approves the preliminary plans attached hereto as Schedule 2 to Exhibit B.

3.2 Approved Working Drawings. Landlord shall approve (or disapprove) the Construction Drawings prepared by the Architect within ten (10) business days after Landlord receives the same (or such longer period of time as is reasonably necessary to obtain the written approval of any applicable design review committee[s] and/or owners association[s]) (as may be approved, the "**Approved Working Drawings**"). Landlord shall not unreasonably withhold its consent to the Construction Drawings, except to the extent that anything depicted or described in the Construction Drawings could reasonably be expected to adversely impact the structure and/or structural elements of the Building, or any Building systems, in which event Landlord's consent shall be in its sole and absolute discretion, or the exterior appearance of the Project, Building, and/or Premises, in which event Landlord's consent shall be in its sole and good faith discretion). If Landlord fails to notify Tenant in writing of its approval or disapproval of the Construction Drawings within ten (10) business days after Landlord receives the same, then Tenant may deliver a written notice to Landlord stating in the subject line in ALL CAPS that "YOUR ATTENTION IS REQUIRED, IF LANDLORD FAILS TO RESPOND TO THE MATTERS DESCRIBED HEREIN WITHIN TEN (10) BUSINESS DAYS FOLLOWING THE DATE OF THIS NOTICE, LANDLORD WILL BE DEEMED TO HAVE APPROVED THE CONSTRUCTION DRAWINGS TO THE EXTENT THE PROPOSED CONSTRUCTION DRAWINGS COMPLY WITH LEGAL REQUIREMENTS AND THE PRIVATE RESTRICTIONS", and if Landlord fails to approve or disapprove of the proposed Construction Drawings within ten (10) business days after Landlord's receipt of such written notice, then the proposed Construction Drawings shall be deemed approved by Landlord (but not any design review committee and/or owners association) to the extent the same comply with Legal Requirements and the Private Restrictions. If Landlord disapproves (which disapproval shall be in writing and shall specify in reasonable detail the basis of such disapproval) of the Construction Drawings, Tenant shall revise such Construction Drawings within ten (10) business days after receipt of Landlord's disapproval and resubmit the revised Construction Drawings back to Landlord for Landlord's review. Thereafter, within ten (10) business days following receipt of same (or such longer period of time as is reasonably necessary, including, without limitation, in order to obtain the written approval of any applicable design review committee[s] and/or owners association[s]), Landlord will either approve or disapprove the Construction Drawings. This process shall be repeated until the Construction Drawings are ultimately approved by Landlord such that they become Approved Working Drawings. Once approved by Landlord (any applicable design review committee[s] and/or owners association[s]), Tenant shall submit the Approved Working Drawings to the City of Newark, CA and diligently pursue its receipt of all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility. Tenant shall have the right to submit to the City, at Tenant's sole risk and expense, a coordinated set of the Construction Drawings, complete to the extent required to commence the plan check and the first phase in the permitting process (the "**Permit Set**"), prior to approval of the Construction Drawings by Landlord. Notwithstanding anything to the contrary contained herein, Tenant acknowledges the fact that Landlord may disapprove of and/or request changes to the Construction Drawings that Tenant submits to the City prior to Landlord reviewing and approving of same and that there is an inherent risk that Tenant will incur delays, additional costs, and additional liabilities arising or resulting from Tenant's premature submission of such Construction Drawings to the applicable governmental agencies prior to Landlord reviewing and approving same. Tenant agrees to indemnify, defend and hold harmless Landlord and Landlord Parties from any Claims arising from Tenant's submission of the Construction Drawings to the applicable governmental authorities prior to Landlord reviewing and approving of same (and Tenant acknowledges that Landlord shall not be responsible for any delays or costs incurred by Tenant in the event that Landlord requires revisions to the Construction Drawings after the date of such submission of plans to the City by Tenant). No material changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Tenant's Selection of Contractors.

4.1.1 The Contractor. A licensed general contractor shall be retained by Tenant to construct the Tenant Improvements and Tenant shall contract directly with such "Contractor". Landlord may file a Notice of Non-Responsibility regarding payments under Tenant's contract with the Contractor. Such general contractor ("**Contractor**") shall be selected by Tenant from a list of general contractors supplied by Tenant and approved by Landlord. Dome Construction Corporation is hereby approved as Contractor if selected by Tenant.

4.1.2 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, and the Contractor to be known collectively as "**Tenant's Agents**") must be approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. If Landlord does not approve any of Tenant's proposed subcontractors, laborers, materialmen or suppliers, Tenant shall submit other proposed subcontractors, laborers, materialmen or suppliers for Landlord's written approval.

4.2 Construction of Improvements by Tenant's Agency.

4.2.1 Construction Contract. Tenant shall engage the applicable Contractor under a commercially reasonable construction contract (the "**Contract**"), provided that such Contract shall (a) require the Contractor to comply with the insurance and licensing requirements of this Lease as well as the terms of Sections 4.2.1 and 4.2.2.3, below, and otherwise such insurance and indemnification provisions in a form reasonably acceptable to Landlord; and (b) include a customary retainage. 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 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 amount of the Contract (the "**Final Costs**"). In the event that the Final Costs are greater than the amount of the Tenant Improvement Allowance (the "**Over-Allowance Amount**"), then Tenant shall pay a percentage of each amount requested by the Contractor or otherwise to be disbursed under the Work Letter, which percentage shall be equal to the Over-Allowance Amount divided by the amount of the Final Costs (after deducting from the Final Costs any amounts expended in connection with the preparation of the Construction Drawings, and the cost of all other Tenant Improvement Allowance Items incurred prior to the commencement of construction of the Tenant Improvements), and such payments by Tenant (the "**Over-Allowance Payments**") shall be a condition to Landlord's obligation to pay any amounts from the Tenant Improvement Allowance. In the event that, after the Final Costs have been delivered by Tenant to Landlord, the cost relating to the design and construction of the Tenant Improvements shall change, any additional cost for such design and construction in excess of the Final Cost shall be added to the Over-Allowance Amount and the Final Cost, and the Over-Allowance Payments shall be recalculated in accordance with the terms of the immediately preceding sentence. In connection with any payment of the Over-Allowance Amount made by Tenant pursuant to this Section 4.2.1, Tenant shall provide Landlord with the documents described in Sections 2.2.2.1 of this Work Letter, above, for Landlord's approval, prior to Tenant paying such costs. Notwithstanding anything set forth in the Work Letter to the contrary, construction of each component of the Tenant Improvements shall not commence until Tenant has procured and delivered to Landlord a copy of all permits for the applicable Tenant Improvements. Except as otherwise expressly set forth herein, Tenant shall be responsible for all costs incurred in connection with the construction of the Tenant Improvements in excess of the Tenant Improvement Allowance; provided that Tenant shall continue to provide Landlord with the documents described in Sections 2.2.2.1(i), (ii), (iii) and (iv) of this Work Letter

4.2.2 Tenant's Agents.

4.2.2.1 Landlord's General Conditions for Tenant's Agents and Tenant Improvement Work. 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 a good and workmanlike manner, using only new materials, and in strict accordance with the Approved Working Drawings, Legal Requirements, the Private Restrictions and all permits, governmental approvals and conditions of approval (Tenant shall provide Landlord with copies of such permits and approvals prior to commencing construction of the Tenant Improvements); and (ii) Tenant shall abide by all commercially reasonable rules made by Landlord's Project manager with respect to the use of loading docks, storage of materials, coordination of work with the contractors of other tenants, and any other matter in connection with this Tenant Work Letter, including, without limitation, the construction of the Tenant Improvements.

4.2.2.2 Indemnity. Tenant's indemnity of Landlord as set forth in this Lease shall also apply with respect to any and all Costs resulting from 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 this Lease, shall also apply with respect to any and all Claims resulting from 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 Project permit or certificate of occupancy for the Premises; provided, however, that such indemnity shall not apply to any Claims resulting from Landlord's negligence or willful misconduct.

4.2.2.3 Requirements of Tenant's Agents. Each of Tenant's Agents shall guarantee to Tenant 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 completion thereof. Tenant agrees that Landlord shall have the benefit of all such guarantees available to Tenant and relating to the portions of the Project that Landlord is responsible for maintaining. In furtherance of the foregoing, Tenant shall assign such guarantees to Landlord on a nonexclusive basis to the extent such assignment is necessary in order to make any such guarantees available to Landlord. 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 the completion of the work performed by such contractor or subcontractors. 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 Project and/or common areas that may be damaged or disturbed thereby. All such guarantees as to materials or workmanship of or with respect to the Tenant Improvements shall be contained in the Contract or subcontract. If, despite the foregoing, Landlord is unable to directly enforce such guarantees, then Tenant shall reasonably cooperate with Landlord to enforce such guarantees with respect to the portions of the Project that Landlord is responsible for maintaining.

4.2.2.3.1 Lien-Free Basis. Tenant's Contractor and Tenant's Agents shall perform all work on a lien-free basis. If a lien is filed or recorded against the Project due to, or in any way associated with, the construction of the Tenant Improvements, then Section 28 of the Lease shall govern and control.

4.2.2.4 Insurance Requirements. All of Tenant's Agents shall comply with Section 9(a)(vi) of the Lease.

4.2.3 Governmental Compliance. The Tenant Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, Legal Requirements and the Private Restrictions as each may apply according to the rulings of the controlling public official, agent or other person; and (ii) Project material manufacturer's specifications.

4.2.4 Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all times during the course of the construction thereof, 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 disapprove any portion of the Tenant Improvements (which disapproval shall be limited to matters relating to the failure of the Tenant Improvements to conform to Legal Requirements, the Private Restrictions, the Approved Working Drawings, or to otherwise comply with the terms of this Work Letter), Landlord shall notify Tenant in writing of such disapproval and shall specify the items disapproved. Any defects or deviations in, and/or disapproval by Landlord of, the Tenant Improvements in accordance with the terms and conditions contained herein, shall be rectified by Tenant at no expense to Landlord, provided however, that in the event Landlord disapproves of any matter in connection with any portion of the Tenant Improvements and such matter is reasonably likely to cause imminent danger to persons or property, adversely affect the mechanical, electrical, plumbing, heating, ventilating and air conditioning or life-safety systems of the Premises or Project, the structure or exterior appearance of the Premises or Project or any other tenant's use of such other tenant's leased premises and Tenant fails to commence to cure the same within two (2) business days of its receipt of Landlord's written notice, then Landlord may, take such action as Landlord deems necessary, at Tenant's expense and without incurring any liability on Landlord's part, to correct any such matter, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the matter is corrected to Landlord's reasonable satisfaction.

4.2.5 Meetings. Commencing upon the Effective Date of the Lease, Tenant and Landlord shall hold meetings as required at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings may be held via teleconference or web-based videoconferencing, and Landlord and/or its agents shall receive a minimum of five (5) business days 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.

4.3 Notice of Completion. No fewer than ten (10) days prior to the anticipated date of completion of construction of each component of the Tenant Improvements that is being constructed pursuant to a separate construction contract and/or permit, Tenant shall provide Landlord with a Notice of Completion for Landlord's review and if Landlord approves of such Notice of Completion, upon completion of the applicable portion of the Tenant Improvements (as evidenced by, at a minimum, final sign off and approval of the applicable portion of the Tenant Improvements by the municipal building inspector), Landlord shall execute same and Tenant shall cause the same to be recorded in the office of the Recorder of the County in which the Premises is located, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to provide any Notice of Completion for Landlord's review, the same shall not be deemed an Event of Default hereunder, but Landlord may request Tenant to provide Landlord with such Notice of Completion for Landlord's review and Tenant shall provide the same to Landlord within ten (10) business days following receipt of such written request. If Tenant fails to provide any such Notice of Completion to Landlord within such timeframe, then either (i) the same may be treated as an Event of Default after the expiration of applicable notice and cure periods, or (ii) 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. Tenant shall also, within ten (10) days following recordation of a Notice of Completion, provide a copy of the recorded Notice of Completion, pursuant to California Civil Code §8190, to (i) Contractor, (ii) Tenant's Agents, and (iii) any other claimant that has issued a preliminary notice in conjunction with the applicable portion of the Tenant Improvements; and Tenant shall provide Landlord with evidence of proof of service to all such parties. If Tenant fails to perform any of the foregoing, without limiting any of the foregoing remedies contained herein or in the Lease, Landlord may do so as Tenant's agent for such purpose (at Tenant's sole cost and expense).

SECTION 5

MISCELLANEOUS

5.1 Tenant's Representative. Tenant has designated Laura Whelan (LWhelan@savills-studley.com) and Tony Labagnara-Schimizzi (tony.labagnara-schimizzi@allogene.com) ("**Tenant's Representative**") as its sole representative with respect to the matters set forth in this Tenant Work Letter, who shall 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 Sonya Kinz (skinz@panattoni.com) ("**Landlord's Representative**") 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 of the Essence in This Tenant Work Letter. Time is of the essence with respect to the performance by Tenant of every provision of 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 or Tenant, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord or Tenant, as the case may be.

5.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in this Lease, if an Event of Default as described in the Lease or this Tenant Work Letter has occurred at any time, then (i) in addition to all other rights and remedies granted to Landlord pursuant to this Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises until such time as such Event of Default is cured (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of the Lease and this Tenant Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of this Lease (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such inaction by Landlord).

5.5 Additional Services. If the construction of the Tenant Improvements shall require that additional services or facilities (including, but not limited to, hoisting, cleanup or other cleaning services, trash removal, field supervision, or ordering of materials) be provided by Landlord, then Tenant shall pay Landlord for such items at Landlord's cost or at a reasonable charge if the item involves time of Landlord's personnel only. Tenant hereby acknowledges and agrees that Tenant will be required by the local governmental authority with jurisdiction over the Premises to install security cameras during construction of the Tenant Improvements. Tenant agrees to be fully responsible, at Tenant's sole cost and expense, for compliance with the requirements of any governmental authority during construction of the Tenant Improvements (including, without limitation, the installation and monitoring of such security cameras).

5.6 Construction Defects. Landlord shall have no responsibility for the Tenant Improvements and Tenant will remedy, at Tenant's own expense, and be responsible for any and all defects in the Tenant Improvements that may appear during or after the completion thereof whether the same shall affect the Tenant Improvements in particular or any parts of the Premises in general. Tenant shall indemnify, defend and hold harmless and reimburse Landlord for any costs or expenses incurred by Landlord by reason of any defect in any portion of the Tenant Improvements constructed by Tenant or Tenant's contractor or subcontractors, or by reason of inadequate cleanup following completion of the Tenant Improvements.

5.7 Coordination of Labor. All of Tenant's contractors, subcontractors, employees, servants and agents must work in harmony with and shall not interfere with any labor employed by Landlord, or Landlord's contractors or by any other tenant or its contractors with respect to any portion of the Project. Landlord shall not impose any requirement that Tenant be required to use union contractors; provided, however, that if Tenant retains non-union contractors and the presence of such non-union contractors interferes with the performance of the Landlord Work (a "**Labor Problem**"), then if Tenant does not resolve such Labor Problem (including through the potential use of a "dual gate" system) within two (2) days following written notice from Landlord, Tenant shall immediately cease using the non-union contractors that are the cause of the Labor Problem. Any delay to the Landlord Work caused by any Labor Problem shall constitute a Tenant Delay.

5.8 Work in Adjacent Areas. Subject to compliance with Legal Requirements and any Private Restrictions, any work to be performed in areas adjacent to the Premises shall be performed only after obtaining Landlord's express written permission, which shall not be unreasonably withheld, conditioned or delayed.

5.9 Building Systems. Tenant agrees to be entirely responsible for the maintenance or the balancing of any heating, ventilating or air conditioning system installed by Tenant and/or maintenance of the electrical or plumbing work or life safety improvements installed by Tenant and/or for maintenance of lighting fixtures, partitions, doors, hardware or any other installations made by Tenant.

5.10 Approval of Plans. Landlord will not check Tenant drawings for building code compliance or compliance with Legal Requirements and/or the Private Restrictions. Approval of the Construction Drawings by Landlord is not a representation that the drawings are in compliance with the requirements of governing authorities, and it shall be Tenant's responsibility to meet and comply with all federal, state, and local code requirements. Approval of the Construction Drawings does not constitute assumption of responsibility by Landlord or its architect for their accuracy, sufficiency or efficiency, and Tenant shall be solely responsible for such matters.

5.11 Landlord Delays. For purposes of this Work Letter and the Lease, "**Landlord Delays**" means actual delays in the completion of the Tenant Improvements by the expiration of the Buildout Period to the extent resulting from (a) the failure of Landlord (but not any design review committee or owner's association) to timely approve or disapprove any of Tenant's submittals pursuant within the express timeframes provided in Section 3.2 above; or (b) material interference by Landlord or the Landlord Parties with the construction of the Tenant Improvements following Substantial Completion of the Landlord Work. If Tenant contends that a Landlord Delay has occurred under clause (b), then no Landlord Delay shall have occurred unless and until Tenant has provided Landlord's Representative (as defined above) with email notice specifying that a Landlord Delay may result from Landlord's continued actions or failure to act, and Landlord does not cease or complete (as the case may be) such actions within one (1) business day after receipt of such email notice. With respect to other delays under clause (a), Tenant shall provide Landlord's Representative with email notice within ten (10) days following the date Tenant actually becomes aware of the delay; provided, however, there shall be no cure period with respect to such delays and the Landlord Delay shall be deemed to have occurred (and started accruing) on the actual day the Landlord Delay occurred. Notwithstanding the foregoing, the Landlord Delay shall be deemed to have ceased on the date that Landlord is deemed to have approved of any of Tenant's submittals pursuant to Section 3.2 above. The Buildout Period shall be extended on a day-for-day basis for each day of a Landlord Delay.

5.12 Miscellaneous Charges. During construction of the Tenant Improvements and Tenant's initial move-in prior to the Commencement Date, neither Tenant, Tenant's Agents nor the Contractor shall be charged for the use of parking at the Building, HVAC, electricity, water, or, during normal construction hours, freight elevator and/or loading docks.

SCHEDULE 1 TO EXHIBIT B

BASE BUILDING SPECIFICATIONS

Base Building Specifications – Building 1:

Building 1 is 117,889 SF inclusive of 4,325 SF of mezzanine and future office SF of 5,000 sf (mezzanine and future office locations are as noted on the base building floor plan).

Auto parking – 156 spaces (inclusive of accessible parking and EV designated stalls) **Cold Dark Shell Base Building - no office-build out, restrooms, or other interior improvements are included except as noted herein. Base building shall include:**

Clear height: 32’ at 6” from first column line to underside of roof structure; column spacing is approximately 52’ x 50’; columns painted with yellow for bottom 10’ and white to bottom of truss.

6” under slab sewer service stubbed to building (location per base building plans) Domestic water service - 2” meter at property line; domestic water stubbed into building shell (location per base building plans) 400A house meter/main section with transformer and main switchboard to accommodate up to 4000A power in total (location per base building and service provider plans) Telephone/Data – conduit only stubbed to building (location per base building plans) Natural gas – stubbed to building (location per base building and service provider plans) Wall and pole mounted LED exterior lighting per code Fire pump within separate pump-house serving Project (shared between buildings 1, 2, and 3) with fire water service to Building; ESFR fire sprinklers per code Asphalt paving in auto parking and drive aisles to traffic Index of 5.0; increase to traffic index of 6.0 in main driveway areas and 8.0 in designated truck aisles; auto parking striping per base building plan.

Reinforced concrete dock area 6” concrete over 6” AB Building slab 6” reinforced concrete over minimum 6” of AB; no control joint caulking Floor flatness/Floor Levelness average of FF50/FL35 15 mil Stego vapor barrier beneath the entire slab Reinforced concrete tilt up walls with smooth exterior finish and hard trowel interior finish Exterior panel joint caulking (non-fire-rated) Exterior overflow scuppers with internal roof drains (in some locations overflows are internal, as shown on base building plans) Hybrid panelized roof structure with steel girders and trusses, wood subpurlins, and OSB or plywood sheathing; 4-ply built-up roofing over ½” thick perlite over R19 rigid insulation, with minimum 10-year NDL; skylights over approximately 2% of roof area; no smoke vents Hollow metal exterior man doors with lever hardware, except where panic hardware is required by code Non-insulated sectional dock doors (14) and grade-level doors (2) with one each vision lite; rubber dock bumpers on exterior of building (2 bumpers at each dock door) Storefront glazing: 1” thick; low-e, anodized aluminum frame Code minimum fire extinguishers and exit signage and exit lighting Electrical room – metal stud and drywall construction Mezzanine: Open mezzanine deck with finished floor elevation +/- 15’ with wood floor joists with not more than 1.5” light weight concrete fill over floor diaphragm; and two sets of stairs. Stair #1 is steel with concrete treads; Stair #2 is wood framed with plywood treads.

Code minimum ventilation (per mechanical drawings)

All references to “code” refer to minimum requirements per applicable building codes for the cold dark shell building with future office and mfg/ warehouse areas as reflected on the base building plans.

SCHEDULE 1 TO EXHIBIT B

APPROVED PRELIMINARY PLANS

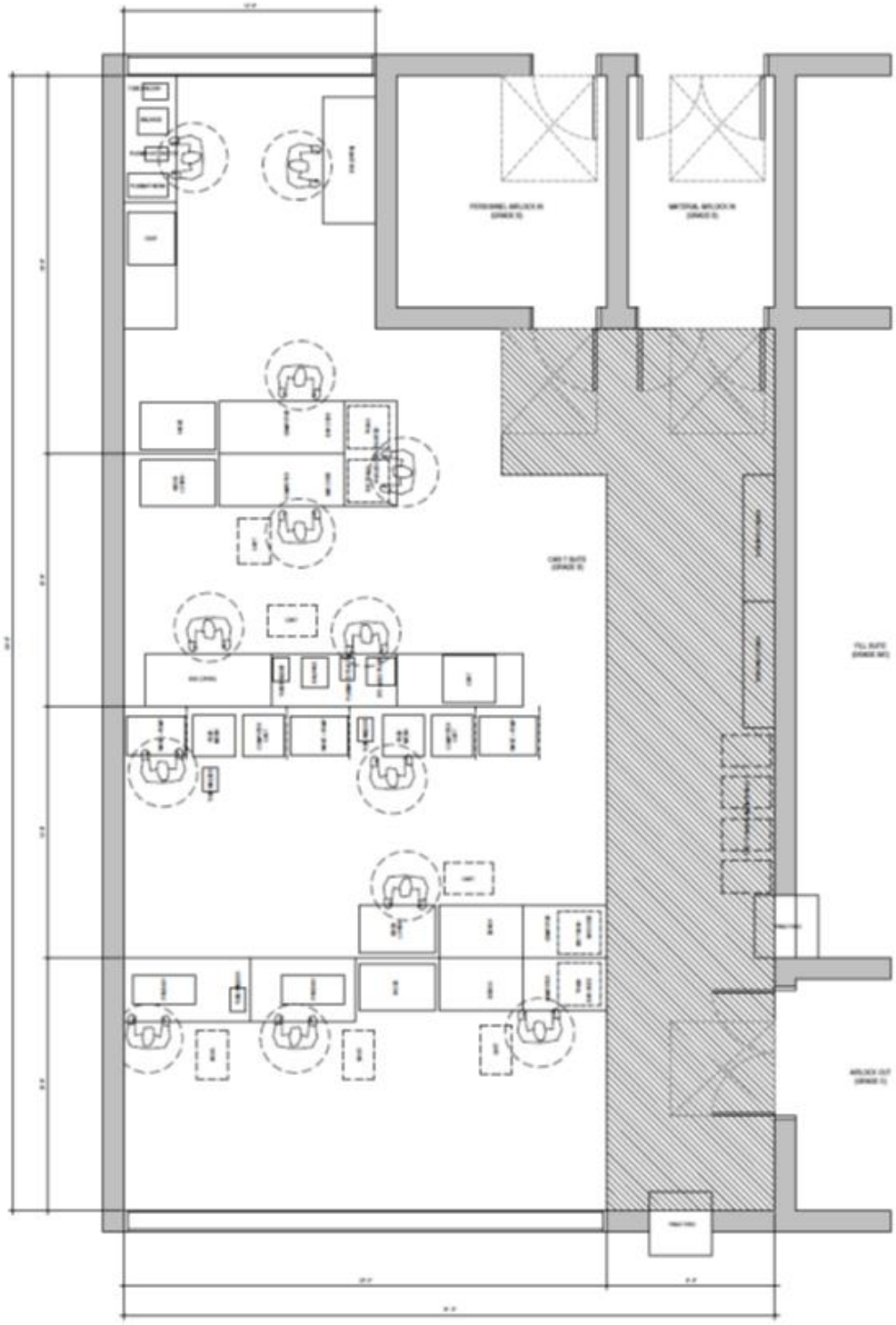

EXHIBIT C

ENVIRONMENTAL QUESTIONNAIRE

FOR OFFICE USE ONLY:

Proposed Lease Commencement Date: _____ Marketing Director: _____

Original Renewal Expansion

PRE-LEASING ENVIRONMENTAL EXPOSURE QUESTIONNAIRE
(To be completed prior to Lease Approval)

Property Address: _____

Proposed Tenant: _____ (Include full legal name of proposed tenant and any d/b/a)

Current Address: _____

Description of Proposed Use of Property:

PLEASE ANSWER THE FOLLOWING QUESTIONS ACCURATELY AND FULLY, ATTACHING ADDITIONAL PAGES IF NECESSARY. YOUR RESPONSES TO THIS QUESTIONNAIRE, INCLUDING ANY AND ALL ATTACHMENTS, SHALL BE INCORPORATED AS REPRESENTATIONS AND WARRANTIES IN THE LEASE WHEN EXECUTED, AND INCORRECT, MISLEADING OR MATERIALLY INCOMPLETE RESPONSES SHALL BE DEEMED A BREACH OF SAID LEASE.

1. Will any of the following chemicals, petroleum products or hazardous materials be made, used, placed, or stored on the property in quantities greater than the minimum quantity listed in column (1) below? If yes, please mark column(s) (2), (3), and/or (4) as applicable.

	(1)	(2)	(3)	(4)	(5)
Categories of Chemicals	Minimum Quantity	Made	Used	Placed	Stored
Solvents, Degreasers	1 Gallon	____	____	____	____
Paint Thinners/Remover	1 Gallon	____	____	____	____
Paint	5 Gallons	____	____	____	____
Oil (New)	5 Gallons	____	____	____	____
Gasoline	1 Gallon	____	____	____	____
Antifreeze	5 Gallons	____	____	____	____
Other Automotive Fluids	1 Gallon	____	____	____	____
Diesel Fuel	5 Gallons	____	____	____	____
Heavy (Toxic) Metal Containing Compounds	1 Pound	____	____	____	____

Liquid Plastics/Activators	1 Gallon	____	____	____	____
Flammable Gases	20 Cu Ft	____	____	____	____
Toxic Gases	20 Cu Ft	____	____	____	____
Acids	1 Gl/5 Lb	____	____	____	____
Bases (soda, ash, lye, etc.)	1 Gl/5 Lb	____	____	____	____
Other Flammable Materials	1 Gl/5 Lb	____	____	____	____
Other Corrosive Materials	1 Gl/5 Lb	____	____	____	____
Other Toxic Materials	1 Gl/5 Lb	____	____	____	____
Other Reactive Materials	1 Gl/5 Lb	____	____	____	____
Liquid Hazardous Waste	1 Gallon	____	____	____	____
Solid Hazardous Waste	1 Pound	____	____	____	____

	Yes	No
1.1 Do your operations require H-occupancy storage or other special constructions?	____	____

If yes, please explain:_____

2. Will any of the following structures be used on the property? If yes, describe the contents of each.			
Feature	Contents		
Underground Tank	_____	____	____
Above-ground Tank	_____	____	____
Clarifier	_____	____	____
Sump	_____	____	____
Trench	_____	____	____
Waste Pile	_____	____	____
Chemical Piping	_____	____	____
Floor Drain	_____	____	____
Other	_____	____	____

2.1 Please describe plans for secondary containment and leak monitoring.

3. Will any hazardous wastes or liquid wastes be generated by on site operations or brought on to the property? ____

If yes, complete the following:

3.1 Identify each such hazardous waste or liquid waste.

3.2 Describe onsite storage, including secondary containment, and/or treatment.

3.3 Describe your plans for disposal of hazardous wastes or liquid waste including off-site disposal.

4. Will operations result in any wastewater discharges to the sewer?	____	____
Will operations result in any wastewater discharges to locations other than the sewer (including storm drain)?	____	____

If yes, describe each wastewater stream and plans for handling wastewater discharges:_____

4.1 Have you performed any testing or analysis of wastewater discharges or other wastewater effluent from your current facility? ____ ____

If yes, attach the results of any such testing or analysis.

4.2 Will your operations require any stormwater discharge permits?

If yes, describe:_____

5. Will activities on the property require warnings to be given to workers or visitors on the Leased Premises or the surrounding community? ____ ____

If yes, please describe how you will provide such communications or warnings._____

6. Will operations result in any air emissions (including dust)? ____ ____

If yes, describe:_____

6.1 Will permits from the Southern Coast Air Quality Management District be required? ____ ____

7. Will operations result in air emissions which include hazardous or toxic air pollutants? ____ ____

7.1 If yes, will any public notice or disclosure be required? ____ ____

8. Will operations be subject to Risk Management & Preview Planning requirements or other risk reduction requirements? ____ ____

9. Will your operations involve any on-site vehicle or equipment maintenance, repair or cleaning, including but not limited to oil changes, oil filter changes, brake pad replacement, battery changes, radiator flushing, radiator fluid replacement, and equipment, and equipment wash down and cleaning? ____ ____

If yes, describe all such maintenance:_____

9.1 Will these on-site vehicles or equipment use batteries? ____ ____

If yes, describe battery storage method:_____

10. Will your operations include a machine shop? ____ ____

If yes, describe all operation:_____

11. Will your operations include any metal plating or metal fabrication? ____ ____

If yes, describe:_____

12. Will your operations include the use of solvents? ____ ____

If yes, describe:_____

13. Has your present facility or operation ever been the subject of an environmental investigation, an environmental enforcement action, or permit revocation proceeding? ____ ____

If yes, describe:_____

14. Have you ever been identified as a potentially responsible party for any environmental cleanup, compliance or abatement proceedings? ____ ____

If yes, describe:_____

15. Have you ever received a notice of violation or notice to comply from any environmental regulatory agency within the past five years? ____ ____

If yes, describe:_____

16. Have you had any complaints from neighbors relating to noise, odor, air emissions, or dust at your present facility? ____ ____

If yes, describe:_____

16.1 Have you had any complaints relating to hazardous materials handling, storage, treatment or disposal from neighbors at your present facility? ____ ____

If yes, describe:_____

17. Will the proposed use of the property require the filing of any environmental reports or other documents to any agencies? ____ ____

18. Attach copies of all Material Safety Data Sheets ("MSDS") for all chemicals you intend to use, sore, or handle on the property.

19. Has an Environmental Audit been conducted at your present facility? (If yes, attach a copy of any report prepared in connection with any such audit.) ____ ____

20. Please provide the Landlord your Emergency Response Plan and any contingency or emergency plans for the property in case of an accidental release of hazardous materials.

21. Identify the name, title and qualifications/experience of person responsible for your environmental, health and safety program:

Name: _____

Title:

Qualifications/experience:

22. Name and telephone number of person to contact for additional information:

Name:

Title:
Qualifications/experience:

23. Please provide any additional information/comments concerning your environmental compliance program and environmental compliance history:_____

The undersigned hereby certifies that the information above is correct and complete.

_____
Name of Proposed Tenant

Name: _____

Title: _____

Date: _____

EXHIBIT D

TENANT'S SIGNAGE

EXHIBIT E

TENANT'S EXCLUSIVE PARKING AREA

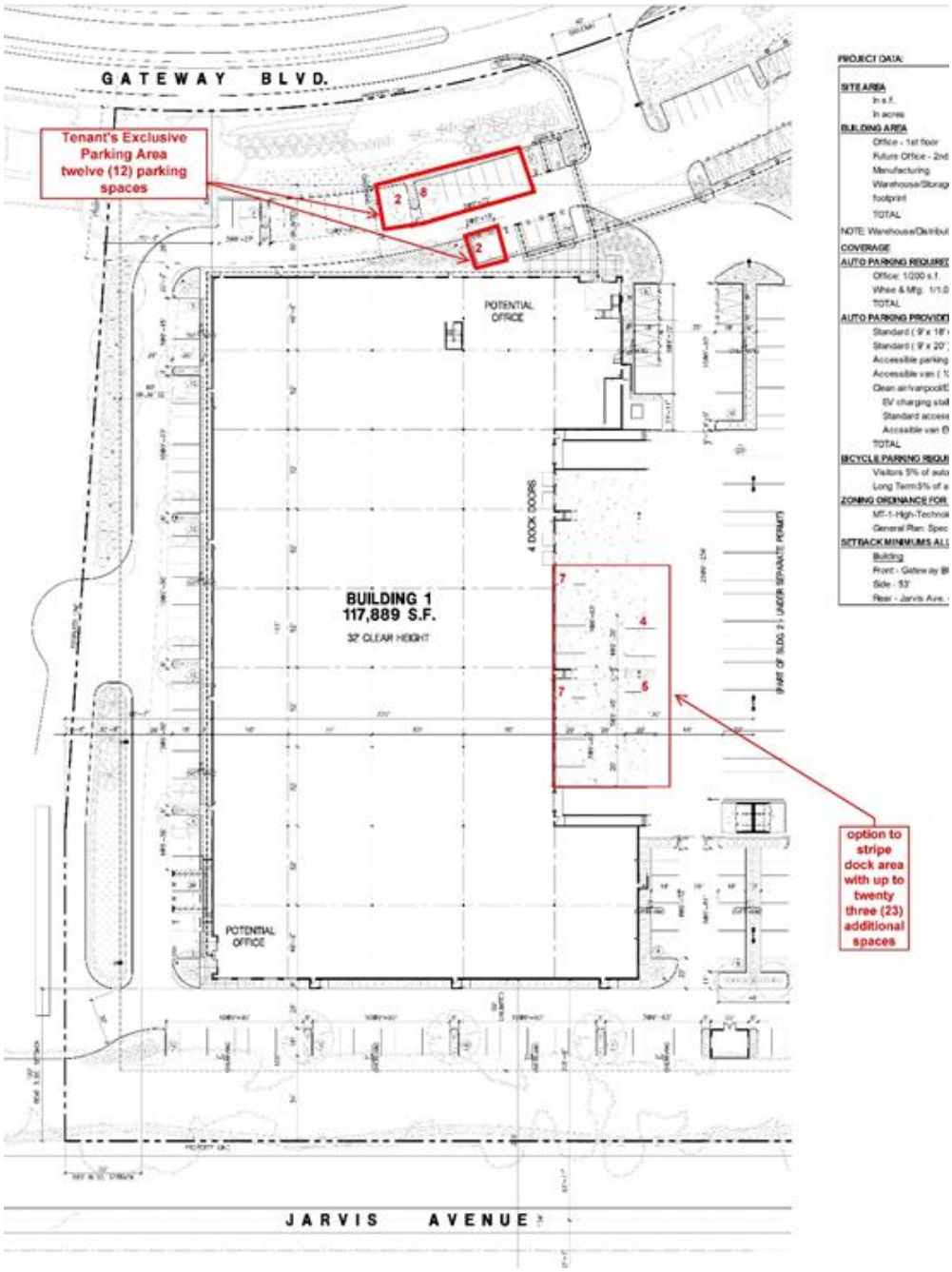

EXHIBIT F

TENANT IMPROVEMENTS NOT REQUIRED TO BE REMOVED

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-227965) pertaining to the Amended and Restated 2018 Equity Incentive Plan (Prior Plan), Amended and Restated 2018 Equity Incentive Plan, and 2018 Employee Stock Purchase Plan of Allogene Therapeutics, Inc. of our report dated March 8, 2019, with respect to the financial statements of Allogene Therapeutics, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Redwood City, California
March 8, 2019

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Chang, M.D., Ph.D., certify that:

1. I have reviewed this Annual Report on Form 10-K of Allogene Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the 's internal control over financial reporting.

Date: March 8, 2019

By: /s/ David Chang, M.D., Ph.D.
David Chang, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric Schmidt, Ph.D., certify that:

1. I have reviewed this Annual Report on Form 10-K of Allogene Therapeutics;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2019

By: /s/ Eric Schmidt, Ph.D.
Eric Schmidt, Ph.D.
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Allogene Therapeutics, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, to which this Certification is attached as Exhibit 32.1, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I David Chang, M.D., Ph.D., President and Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 8, 2019

By: /s/ David Chang, M.D., Ph.D.
David Chang, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Allogene Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Allogene Therapeutics, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, to which this Certification is attached as Exhibit 32.2, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Eric Schmidt, Ph.D., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 8, 2019

By: /s/ Eric Schmidt, Ph.D.
Eric Schmidt, Ph.D.
Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Allogene Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.