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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from _____ to _____

001-36548
(Commission file number)

ATARA BIOTHERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**46-0920988**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
701 Gateway Blvd., Suite 200 **South San Francisco, CA**	**94080**
(Address of principal executive offices)	**(Zip code)**

(650) 278-8930
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The number of shares of the registrant's Common Stock outstanding as of October 31, 2015 was 28,631,144 shares.

ATARA BIOTHERAPEUTICS, INC.

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ATARA BIOTHERAPEUTICS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except share and per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 54,466	$ 21,897
Short-term available-for-sale investments	279,799	82,219
Prepaid expenses and other current assets	5,970	1,910
Total current assets	340,235	106,026
Property and equipment, net	46	48
Other assets	98	48
Total assets	$ 340,379	$ 106,122
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,853	$ 440
Accrued compensation	1,562	1,225
Income tax payable	1	1
Other accrued liabilities	3,034	1,058
Total current liabilities	6,450	2,724
Other long-term liabilities	181	216
Total liabilities	6,631	2,940
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock—$0.0001 par value, 20,000,000 shares authorized; none issued and outstanding as of September 30, 2015 and December 31, 2014	—	—
Common stock—$0.0001 par value, 500,000,000 shares authorized; 28,326,096 and 19,692,937 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	3	2
Additional paid-in capital	410,556	144,169
Accumulated other comprehensive income (loss)	51	(100)
Accumulated deficit	(76,862)	(40,889)
Total stockholders' equity	333,748	103,182
Total liabilities and stockholders' equity	$ 340,379	$ 106,122

See accompanying notes.

ATARA BIOTHERAPEUTICS, INC.
Condensed Consolidated and Combined Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Expenses:				
Research and development	$ 8,113	$ 4,241	$ 20,887	$ 9,332
Research and development costs paid to Amgen	—	—	—	1,066
In-process research and development license acquired from MSK	—	—	4,500	—
General and administrative	4,146	1,708	11,291	7,162
Total operating expenses	12,259	5,949	36,678	17,560
Loss from operations	(12,259)	(5,949)	(36,678)	(17,560)
Interest and other income	380	30	696	59
Loss before provision for income taxes	(11,879)	(5,919)	(35,982)	(17,501)
Provision (benefit) for income taxes	(11)	—	(9)	(22)
Net loss	$ (11,868)	$ (5,919)	$ (35,973)	$ (17,479)
Other comprehensive gain (loss), net of tax:				
Unrealized gains (losses) on investments	117	(11)	151	(11)
Other comprehensive gain (loss)	117	(11)	151	(11)
Comprehensive loss	$ (11,751)	$ (5,930)	$ (35,822)	$ (17,490)
Net loss per common share:				
Basic and diluted net loss per common share	$ (0.43)	$ (4.20)	$ (1.46)	$ (13.07)
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	27,674,821	1,410,507	24,628,043	1,337,501

See accompanying notes.

ATARA BIOTHERAPEUTICS, INC.
Condensed Consolidated and Combined Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine months ended September 30,	
	2015	**2014**
Operating activities		
Net loss	$ (35,973)	$ (17,479)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash research and development expenses	—	750
Depreciation expense	21	4
Amortization of investment premiums and discounts	1,714	249
Stock-based compensation expense	7,287	4,328
Interest accrued on notes receivable from stockholder	—	(2)
Changes in operating assets and liabilities:		
Other assets	(50)	(34)
Prepaid expenses and other current assets	(2,514)	33
Accounts payable	1,413	(37)
Income tax payable	—	(92)
Other accrued liabilities	1,976	440
Accrued compensation	337	169
Other long-term liabilities	25	—
Net cash used in operating activities	(25,764)	(11,671)
Investing activities		
Purchase of investments and accrued interest	(285,390)	(28,618)
Maturities and sales of short-term investments	84,701	2,200
Purchase of property and equipment	(19)	(10)
Net cash used in investing activities	(200,708)	(26,428)
Financing activities		
Proceeds from sale of common stock, net of offering costs	263,434	—
Taxes paid related to net share settlement of restricted stock units	(4,588)	—
Proceeds from exercise of stock options	195	—
Repayment of notes receivable from stockholder	—	337
Proceeds from sale of convertible preferred stock	—	13,500
Offering costs incurred in connection with sale of convertible preferred stock	—	(19)
Offering costs incurred in anticipation of public filing	—	(1,631)
Net cash provided by financing activities	259,041	12,187
Increase (decrease) in cash and cash equivalents	32,569	(25,912)
Cash and cash equivalents-beginning of period	21,897	51,615
Cash and cash equivalents-end of period	$ 54,466	$ 25,703
Non-cash financing activities		
Issuance of common stock for research and development expenses related to technology licensing option	$ —	$ 750
Issuance of common stock upon vesting of stock awards	$ 60	$ 65
Change in other long-term liabilities related to non-vested stock awards	$ (60)	$ (65)
Offering costs in anticipation of public filing included in other accrued liabilities and accounts payable	$ —	$ 407
Supplemental cash flow disclosure—Cash paid for income taxes	$ 2	$ 70

See accompanying notes.

1. Organization and Description of Business

Atara Biotherapeutics, Inc. ("Atara", "we" or "our") was incorporated in August 2012 in Delaware. We are a clinical-stage biopharmaceutical company focused on developing meaningful therapies for patients with unmet medical needs in diseases that have seen limited therapeutic innovation, with an initial focus on muscle wasting conditions, oncology and viral-associated diseases. Our product candidate portfolio was acquired through licensing arrangements with Amgen Inc. ("Amgen") and Memorial Sloan Kettering Cancer Center ("MSK") in exchange for convertible preferred stock, common stock, milestone payments and commitments for future royalties. See Note 4 for further information.

In February 2015, we completed a follow-on offering of 4,147,358 shares of common stock at an offering price to the public of $18.00 per share. We received net proceeds of approximately $69.5 million, after deducting underwriting discounts and commissions and offering expenses.

In July 2015, we completed a follow-on offering of 3,980,768 shares of common stock at an offering price to the public of $52.00 per share. We received net proceeds of approximately $193.9 million, after deducting underwriting discounts and commissions and offering expenses.

2. Summary of Significant Accounting Policies

Basis of Presentation and Recapitalization

The accompanying interim condensed consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). The accounting policies followed in the preparation of the interim condensed consolidated and combined financial statements are consistent in all material respects with those presented in Note 2 to the consolidated and combined financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Atara was originally formed as a management company with the sole purpose of providing management, financial and administrative services for Nina Biotherapeutics, Inc. ("Nina"), Santa Maria Biotherapeutics, Inc. ("Santa Maria") and Pinta Biotherapeutics, Inc. ("Pinta"). Prior to March 31, 2014, the accompanying financial statements include the operations of Atara, Nina, Pinta and Santa Maria on a combined basis as the four individual companies were under common ownership and common management since inception. All intercompany transactions have been eliminated.

On March 31, 2014, our board of directors approved and we implemented a recapitalization (the "Recapitalization") in which (a) all the outstanding shares of common stock of Atara were cancelled and forfeited by existing stockholders and (b) the stockholders of Nina, Pinta and Santa Maria exchanged their existing common and convertible preferred stock for newly-issued shares of Atara, with the same rights and privileges as the outstanding capital stock of Nina, Pinta and Santa Maria. The shares were exchanged on a collective nine-for-one basis. The Recapitalization lacked economic substance as the newly-issued shares have the same rights and privileges as the previously outstanding capital stock of Nina, Pinta and Santa Maria and there was no change in ownership percentages of the individual stockholders. As a result of the Recapitalization, Nina, Pinta and Santa Maria became wholly owned subsidiaries of Atara effective March 31, 2014. The Recapitalization is considered a tax-free exchange for U.S. federal income tax purposes.

Because the four individual companies were under common ownership and the Recapitalization lacked economic substance, we accounted for the Recapitalization as a combination of businesses under common control. The assets and liabilities of Nina, Pinta and Santa Maria were recorded by Atara at their historical carrying amounts on March 31, 2014 and beginning March 31, 2014, the financial statements of the Company are presented on a consolidated basis.

Liquidity

We have incurred significant operating losses since inception and have relied on public and private equity financings to fund our operations. At September 30, 2015, we had an accumulated deficit of $76.9 million. As we continue to incur losses, our transition to profitability will depend on the successful development, approval and commercialization of product candidates and on the achievement of sufficient revenues to support our cost structure. We may never achieve profitability, and unless and until we do, we will need to continue to raise additional capital. Management expects that existing cash and cash equivalents as of September 30, 2015 will be sufficient to fund our current operating plan for at least the next twelve months.

Other Accrued Liabilities

Other accrued liabilities consist of the following:

	September 30, 2015	December 31, 2014
	(in thousands)	
Accrued research and development costs	$ 2,537	$ 824
Other accrued liabilities	497	234
Total	$ 3,034	$ 1,058

Net Loss per Common Share

Basic and diluted net loss per common share is presented, giving effect to the Recapitalization, including cancellation of existing Atara common stock and a nine-for-one share exchange. Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration of common stock equivalents. Diluted net loss per common share is computed by dividing the net loss by the weighted-average number of shares of common stock and common share equivalents outstanding for the period. Common share equivalents are only included in the calculation of diluted net loss per common share when their effect is dilutive. Our restricted stock awards are considered to be participating securities as they are entitled to participate in undistributed earnings with shares of common stock. Due to net losses, there is no impact on the net loss per common share calculation in applying the two-class method since the participating securities have no legal requirement to share in any losses.

Potentially dilutive securities, which include convertible preferred stock, unvested restricted common stock awards, unvested restricted stock units and vested and unvested options have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per common share and be antidilutive. Therefore, the denominator used to calculate both basic and diluted net loss per common share is the same in all periods presented.

The following common stock equivalents have been excluded from the computations of diluted net loss per common share as the effect of including such securities would be antidilutive:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Convertible preferred stock	—	12,299,184	—	12,249,056
Unvested restricted common stock	333,652	631,031	397,618	702,135
Unvested restricted stock units	453,449	—	492,716	—
Vested and unvested options	543,990	—	369,419	—
Total	1,331,091	12,930,215	1,259,753	12,951,191

In addition, options to purchase 380,083 and 240,014 shares have been excluded from the above table for the three and nine months ended September 30, 2015, respectively, as the exercise prices of the underlying options were greater than the average fair value of our common stock for the periods presented.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-05, "*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement"*, that provides guidance to customers about whether a cloud computing arrangement includes a software license. If such an arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for it as a service contract. This ASU will be effective for annual periods beginning after December 15, 2015, and early application is permitted. Entities may apply the new guidance either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We adopted this standard prospectively on July 1, 2015. Adoption of this standard did not have a material impact on our financial statements.

In August 2014, the FASB issued a new accounting standard to provide guidance on the presentation of management's plans, when conditions or events raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The new standard is effective for fiscal years ending after December 15, 2016. The adoption of this standard is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued a new accounting standard, *Revenue from Contracts with Customers,* which supersedes the revenue recognition requirements in the current standard, *Revenue Recognition*. This new standard affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. The new standard is effective for fiscal years beginning after December 15, 2017. We will evaluate the application of this standard on our financial statements and disclosures when we enter into any contracts with customers.

3. Fair Value of Financial Instruments

Our financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds, corporate bonds, U.S. government securities, asset-backed securities and commercial paper. The fair value accounting guidance requires that assets and liabilities be carried at fair value and classified in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities that we have the ability to access

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data such as quoted prices, interest rates and yield curves

Level 3: Inputs that are unobservable data points that are not corroborated by market data

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels of certain securities within the fair value hierarchy. We recognize transfers into and out of levels within the fair value hierarchy in the period in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2, and Level 3 for all periods presented.

The following table represents the fair value hierarchy for our financial assets and financial liabilities measured at fair value on a recurring basis:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
		(in thousands)	
At September 30, 2015:			
Cash equivalents:			
Money market funds	$ 44,889	$ 44,889	$ —
Agency bonds	4,500	—	4,500
Corporate bonds	4,936	—	4,936
Total cash equivalents	$ 54,325	$ 44,889	$ 9,436
Short-term available-for-sale investments:			
Corporate bonds	$ 197,768	$ —	$ 197,768
Agency bonds	33,468	—	33,468
Asset-backed securities	48,563	—	48,563
Total short-term available-for-sale investments	$ 279,799	$ —	$ 279,799
At December 31, 2014:			
Cash equivalents:			
Money market funds	$ 18,141	$ 18,141	$ —
Agency bonds	1,750	—	1,750
Corporate bonds	2,006	—	2,006
Total cash equivalents	$ 21,897	$ 18,141	$ 3,756
Short-term available-for-sale investments:			
Corporate bonds	$ 57,958	$ —	$ 57,958
Agency bonds	10,764	—	10,764
Treasury bonds	465	—	465
Commercial paper	1,200	—	1,200
Asset-backed securities	11,832	—	11,832
Total short-term available-for-sale investments	$ 82,219	$ —	$ 82,219

Financial assets and liabilities are considered Level 2 when their fair values are determined using inputs that are observable in the market or can be derived principally from or corroborated by observable market data such as pricing for similar securities, recently executed transactions, cash flow models with yield curves, and benchmark securities. In addition, Level 2 financial instruments are valued using comparisons to like-kind financial instruments and models that use readily observable market data as their basis. Corporate bonds, U.S. government securities, asset-backed securities and commercial paper are valued primarily using market prices of comparable securities, bid/ask quotes, interest rate yields and prepayment spreads and are included in Level 2.

Financial assets and liabilities are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable. We have no Level 3 financial assets and liabilities.

Short-term available-for-sale investments are carried at fair value and are included in the tables above under short-term investments. The aggregate market value, cost basis, and gross unrealized gains and losses of short-term available-for-sale investments by major security type are as follows:

	Total Amortized Cost	Total Unrealized Gain	Total Unrealized Loss	Total Fair Value
	(in thousands)			
At September 30, 2015:				
Corporate bonds	$ 197,773	$ 71	$ (76)	$ 197,768
Agency bonds	33,438	36	(6)	33,468
Asset-backed securities	48,537	35	(9)	48,563
Total short-term available-for-sale investments	$ 279,748	$ 142	$ (91)	$ 279,799
At December 31, 2014:				
Corporate bonds	$ 58,046	$ 1	$ (89)	$ 57,958
Agency bonds	10,769	—	(5)	10,764
Treasury bonds	466	—	(1)	465
Commercial paper	1,200	—	—	1,200
Asset-backed securities	11,838	2	(8)	11,832
Total short-term available-for-sale investments	$ 82,319	$ 3	$ (103)	$ 82,219

The amortized cost and fair value of short-term available-for-sale investments, by contractual maturity, were as follows:

	Total Amortized Cost	Total Fair Value
	(in thousands)	
At September 30, 2015:		
Maturing within one year	$ 115,786	$ 115,853
Maturing in one to five years	163,962	163,946
Total short-term available-for-sale investments	$ 279,748	$ 279,799
At December 31, 2014:		
Maturing within one year	$ 56,752	$ 56,714
Maturing in one to five years	25,567	25,505
Total short-term available-for-sale investments	$ 82,319	$ 82,219

4. Significant Agreements

Amgen License Agreements - In September 2012, we entered into three license agreements with Amgen, one of our investors, for the development, manufacturing, use and distribution of products using certain proprietary compounds. Under the terms of these agreements, we paid $250,000 and issued 5,538,462 shares of Series A-1 convertible preferred stock (615,384 shares after giving effect to the Recapitalization) to Amgen. We are obligated to make additional payments to Amgen of up to $86.0 million upon the achievement of certain development and regulatory approval milestones, of which $1.0 million has been paid to date. Of these milestone payments, $14.0 million relate to milestones for clinical trials. The remaining $72.0 million relate to milestones for regulatory approvals in various territories and are anticipated to be made no earlier than 2018. Thereafter, we are obligated to make tiered payments based on achievement of commercial milestones based upon net sales levels. The maximum payments would be $206.0 million based on sales of over $1.0 billion for each of three products in a calendar year. We are also obligated to pay mid-single-digit percentage tiered royalties on future net sales of products which are developed and approved as defined by the agreements. Our royalty obligations as to a particular licensed product will be payable, on a country-by-country and product-by-product basis, until the later of (a) the date of expiration of the last to expire valid claim within the licensed patents that covers the manufacture, use or sale, offer to sell, or import of such licensed product by us or a sublicense in such country, (b) loss of regulatory exclusivity or (c) 10 years after the first commercial sale of the applicable licensed product in the applicable country. These agreements expire at the end of all royalty obligations to Amgen and, upon expiration, the licenses will be fully paid, royalty-free, irrevocable and non-exclusive. As of September 30, 2015 and December 31, 2014, there were no outstanding obligations due to Amgen.

At September 30, 2015, Amgen owns approximately 5.2% of our outstanding voting capital stock. Amgen does not have any rights to participate in our product candidates' development and is not represented on our board of directors.

MSK Agreements – In September 2014, we entered into an exclusive option agreement with MSK under which we had the right to acquire the exclusive worldwide license rights to the three clinical stage T-cell therapies of MSK. The initial option period was for twelve months, with extensions available to extend the term up to 27 months at the option of Atara. Under the terms of the option agreement, we were obligated to use reasonable efforts to prepare a request to be submitted to the U.S. Food and Drug Administration (the "FDA") regarding a meeting to discuss pivotal trials for one of the clinical stage T-cell therapies. In exchange for the exclusive option, we paid MSK $1.25 million in cash and issued 59,761 shares of our common stock to MSK. At the time of issuance, we estimated the fair value of the common stock issued to MSK to be $750,000. This total of $2.0 million was recorded as research and development expense in our condensed consolidated and combined statement of operations and comprehensive loss in the third quarter of 2014.

In June 2015, we exercised our option and entered into an exclusive license agreement with MSK. In connection with the execution of the License Agreement, Atara is obligated to make an upfront cash payment to MSK of $4.5 million and this amount has been recorded as research and development expense in our condensed consolidated and combined statement of operations and comprehensive loss in the second quarter of 2015. Atara is obligated to make additional payments of up to $33.0 million to MSK based on achievement of specified development, regulatory and sales-related milestones, as well as escalating mid single-digit royalties based on future sales of products resulting from the development of the licensed product candidates. In addition, under certain circumstances, we must make certain minimum annual royalty payments to MSK, which are creditable against earned royalties owed for the same annual period. We are also obligated to pay a low double-digit percentage of consideration we receive for sublicensing the licensed rights. The license agreement expires on a product-by-product and country-by-country basis on the later of: (i) expiration of the last licensed patent rights related to each licensed product, (ii) expiration of any market exclusivity period granted by law with respect to each licensed product, and (iii) a specified number of years after the first commercial sale of the licensed product in each country. Upon expiration of the license agreement, Atara will retain non-exclusive rights to the licensed products.

Patent Obligations – Under the terms of our license agreements with Amgen and MSK, we pay costs related to the preparation, filing, prosecution, defense and maintenance of the patents covered by the license agreements. During the three months ended September 30, 2015 and 2014, we incurred expenses of $412,389 and $447,518, respectively, related to the preparation, filing and maintenance of patents. During the nine months ended September 30, 2015 and 2014, patent costs were $1,251,824 and $842,228. These patent costs were recorded in the condensed consolidated and combined statement of operations and comprehensive loss as general and administrative expenses.

5. Commitments and Contingencies

Operating Leases

In September 2015, we amended our lease agreement for office and laboratory facilities in Westlake Village, California to add additional office space and extend the term of the agreement to April 2019.

As of September 30, 2015, future minimum commitments for all operating leases are as follows:

	Operating Leases (in thousands)
2015	$ 156
2016	595
2017	407
2018	402
2019	137
Total	$ 1,697

Rent expense for the three months ended September 30, 2015 and 2014 was $115,063 and $19,867, respectively. Rent expense for the nine months ended September 30, 2015 and 2014 was $294,510 and $49,620, respectively.

Indemnification Agreements

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for indemnification for certain liabilities. The exposure under these agreements is unknown because it involves claims that may be made against us in the future but have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations. We also have indemnification obligations to our directors and executive officers for specified events or occurrences, subject to some limits, while they are serving at our request in such capacities. There have been no claims to date and we believe the fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of September 30, 2015 and December 31, 2014.

6. Stockholders' Equity

Restricted Common Stock

In August 2012, in connection with our formation, our CEO purchased 9,595,384 shares of restricted common stock at a nominal per share purchase price. The shares were issued subject to certain vesting conditions, restrictions on transfer and a Company right of repurchase of any unvested share at their original purchase price. These shares are placed in escrow until vested, and have rights to vote and participate in dividends and distributions. The combined grant date intrinsic value for this award was $1,704,094 and 7,996,153 of these shares had service and fundraising vesting conditions. Under the service vesting condition, shares vest monthly over 48 months, commencing from the first closing of Series A convertible preferred stock financing on October 22, 2012. 1,599,231 of these shares were subject to performance milestones and fundraising vesting conditions. The fundraising vesting conditions for all shares were satisfied as of December 31, 2013. All shares subject to service vesting conditions are subject to accelerated vesting in the event of certain change of control transactions.

In March 2013, an Atara employee purchased 2,423,074 shares of restricted common stock for $331,170. The shares were issued under our 2012 Equity Incentive Plan (as discussed below) and are subject to certain vesting conditions, restrictions on transfer and a Company right of repurchase of any unvested shares at their original purchase price. These shares are placed in escrow until vested, and have rights to vote and participate in dividends and distributions. Under these agreements, the shares vest as follows: 2,319,228 shares vest over four years, with one-quarter vesting after one year of service and the remainder vesting in equal installments over the subsequent thirty-six months, and 103,846 shares vest upon achievement of certain performance milestones. Vesting of all shares is subject to acceleration of vesting in the event of certain change of control transactions.

The amounts paid for both restricted stock purchases were initially recorded as other long-term liabilities. As shares vest, we reclassify liabilities to equity and report shares as outstanding in the condensed consolidated and combined financial statements. On March 31, 2014, the shares were exchanged for 1,335,384 shares of Atara common stock. At September 30, 2015, 1,030,336 shares had vested and are classified as equity. Restricted stock shares not vested at September 30, 2015 totaled 305,048 shares and are expected to be fully vested by December 31, 2016.

As both the Chief Executive Officer and the Atara employee were consultants of Nina, Pinta and Santa Maria through the Recapitalization date, we accounted for these awards as non-employee stock-based awards. Following the Recapitalization, these awards were accounted as employee awards based upon the fair market value of common stock on March 31, 2014. Stock-based compensation expense related to these awards is recorded using an accelerated graded vesting model and was $213,240 and $431,974 for the three months ended September 30, 2015 and 2014, respectively, and $802,360 and $4.3 million for the nine months ended September 30, 2015 and 2014, respectively. The unrecognized stock-based compensation expense related to this unvested restricted stock was $381,402 at September 30, 2015 and this expense is expected to be recognized over a weighted-average period of 0.55 years. The aggregate intrinsic value of unvested restricted stock is $9.5 million at September 30, 2015.

2014 Equity Incentive Plans

In March 2014, we adopted the 2014 Equity Incentive Plan (the "2014 plan") as part of our Recapitalization. In connection with the Recapitalization, Atara assumed the plans of Nina, Pinta and Santa Maria and all outstanding restricted stock units ("RSUs") and restricted stock awards granted under such plans. At the date of Recapitalization, RSUs and restricted stock awards issued by Nina, Pinta and Santa Maria to Atara employees became employee awards and the awards' grant dates were established as the Recapitalization date. In May 2014, our board of directors amended and restated our 2014 plan and the amended plan became effective on October 15, 2014 upon the pricing of our initial public offering. The maximum number of shares of our common stock that may be issued pursuant to stock awards under the 2014 plan is 4,536,797 shares, including 1,294,041 shares that were previously available for issuance under the 2012 plans.

The number of shares of our common stock reserved for issuance pursuant to stock awards under our 2014 plan will automatically increase on January 1 of each year for a period of up to ten years, beginning on January 1, 2015 and ending on and including January 1, 2024, by 5% of the number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. The number of shares of our common stock available for issuance under the 2014 plan is 1,819,006 at September 30, 2015.

Under the terms of the 2014 plan, we may grant options, restricted stock awards and RSUs to employees, directors, consultants and other service providers. RSUs typically require settlement by the earlier of seven years from the date of grant or the service termination (or, for RSUs granted prior to February 2014, two years following the service termination date). Stock options are granted at prices no less than 100% of the estimated fair value of the shares on the date of grant as determined by the board of directors, provided, however, that the exercise price of an option granted to a 10% shareholder cannot be less than 110% of the estimated fair value of the shares on the date of grant. Options granted to employees and non-employees generally vest over four years and expire in seven years.

Restricted Stock Units and Awards

The RSUs granted prior to our initial public offering had a time-based service condition and a liquidity-based performance condition, and vest when both conditions are met. We determined that the liquidity-based performance condition was not probable of occurring and recorded no stock-based compensation expense related to the RSUs prior to our initial public offering. Upon the closing of our initial public offering in October 2014, we recorded $3.8 million of stock-based compensation expense in our consolidated and combined statement of operations and comprehensive loss for the quarter ended December 31, 2014. The remaining unrecognized stock-based compensation expense relating to nonvested RSUs will be recognized as the RSUs vest over the remaining service periods through 2018. As of September 30, 2015, there was $2.4 million of unrecognized stock-based compensation expense related to RSUs that is expected to be recognized over a weighted average period of 1.19 years. The aggregate intrinsic value of the RSUs outstanding at September 30, 2015 was $15.8 million.

The following is a summary of RSU activity, including the restricted stock award discussed above, under our 2014 plan:

	Restricted Stock Awards		RSUs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2014	112,740	$ 0.40	619,303	$ 4.64
Granted	—	—	87,600	$ 25.15
Forfeited	—	—	(2,645)	$ 8.59
Vested	(48,317)	$ 0.40	(223,285)	$ 6.06
Unvested at September 30, 2015	64,423	$ 0.40	480,973	$ 7.69

Under our RSU net settlement procedures, we withhold shares at settlement to cover the minimum payroll withholding obligations for employee income and other employment taxes. During 2015, we settled 400,346 RSUs, of which 287,881 RSUs were net settled by withholding 122,061 shares. The value of these withheld RSUs was $4.6 million, based on the closing price of our common stock on the settlement date. This amount was remitted to the appropriate taxing authorities and $4.6 million has been reflected as a financing activity in our consolidated and combined statement of cash flows. These withheld shares are no longer considered issued and outstanding, thereby reducing our shares outstanding used to calculated earnings per share, and these shares were returned to the shares reserved for issuance under our 2014 plan and are available for future issuance.

Stock Options

The following is a summary of option activity under our 2014 plan:

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2014	623,936	$ 13.69		
Granted (weighted-average grant date fair value of $19.22 per share)	1,115,699	33.57		
Exercised	(11,844)	16.50		
Forfeited	(72,759)	37.11		
Balance at September 30, 2015	1,655,032	$ 26.04	6.29	$ 15,260,500
Stock options vested and expected to vest at September 30, 2015	1,655,032	$ 26.04	6.29	$ 15,260,500
Exercisable at September 30, 2015	202,209	$ 16.75	6.09	$ 2,971,166

Aggregate intrinsic value represents the difference between the closing stock price of our common stock on September 30, 2015 and the exercise price of outstanding, in-the-money options. As of September 30, 2015, there was $20.7 million of unrecognized stock-based compensation expense related to stock options that is expected to be recognized over a weighted average period of 3.14 years.

The fair value of options issued during 2015 was estimated at the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Employees	Non Employees	Employees	Non Employees
Risk-free interest rate	1.5% - 1.7%	2.1%	1.3% - 1.7%	1.6% - 2.1%
Expected life of options in years	4.5	7.0	4.5	7.0
Expected volatility of underlying stock	73.4% - 73.9%	71.9%	71.1% - 73.9%	70.1% - 71.9%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Stock-based Compensation Expense

Total stock-based compensation expense related to all employee and non-employee awards was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Research and development	$ 899	$ 135	$ 3,439	$ 967
General and administrative	1,335	351	3,848	3,361
	$ 2,234	$ 486	$ 7,287	$ 4,328

7. Subsequent Events

In October 2015, Atara entered into an exclusive license agreement and a research and development agreement with QIMR Berghofer Medical Research Institute. Under the terms of the license agreement, Atara obtained an exclusive, worldwide license to develop and commercialize allogeneic cytotoxic T-lymphocytes ("CTL") therapy programs utilizing technology and know-how developed by the third party. In consideration for the exclusive license, Atara made a $3.0 million upfront payment and will make subsequent milestone payments based on future net sales of products developed under the terms of the license agreement. Under the research and development agreement, Atara will also be obligated to make milestone payments based on achievement of specified developmental and regulatory events

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated and combined financial statements and related notes included in our 2014 Annual Report on Form 10-K. This discussion and other parts of this quarterly report contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. As a result of many factors, including those factors set forth in the "Risk Factors" section of this quarterly report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a clinical-stage biopharmaceutical company focused on developing innovative therapies for patients with debilitating diseases. We have two groups of product candidates: molecularly targeted biologics and allogeneic, or third-party derived, antigen-specific T-cells, a type of white blood cell. Our molecularly targeted product candidates are biologics that inhibit myostatin and activin, members of the Transforming Growth Factor-Beta, or TGF-ß, protein superfamily, which play roles in the growth and maintenance of muscle and many other body tissues. Our lead molecularly targeted product candidate, PINTA 745, is in a Phase 2 clinical trial for protein energy wasting, a condition affecting many end-stage renal disease patients. Our second molecularly targeted product candidate is STM 434. We commenced a Phase 1 clinical study of STM 434 for ovarian cancer and other solid tumors in 2014. We have five additional molecularly targeted product candidates that modulate the TGF-ß pathway, including ATA 842, in preclinical development. Our T-cell product candidates arise from a platform technology designed to produce off-the-shelf, partially human leukocyte antigen matched cellular therapeutics. We licensed these product candidates from Memorial Sloan Kettering Cancer Center in June 2015. Our initial T-cell product candidates target viral- or cancer-specific antigens and are designed to harness the body's immune system to counteract specific viral infections and cancers. Our most advanced T-cell product candidate, EBV-CTL, is in Phase 2 clinical trials for malignancies associated with Epstein-Barr virus, including EBV-associated post-transplant lymphoproliferative diseases, or EBV-PTLD. EBV-PTLD is a cancer affecting some patients who have received an allogeneic hematopoietic cell transplant, or HCT, or a solid organ transplant, or SOT, or are otherwise immunocompromised. In February 2015, the U.S. Food and Drug Administration granted Breakthrough Therapy designation for EBV-CTL in the treatment of rituximab-refractory EBV-PTLD after HCT. Our second T-cell product candidate, CMV-CTL, is in Phase 2 clinical trials for cytomegalovirus, or CMV, an infection that occurs in some patients who have received an HCT, SOT, or are otherwise immunocompromised. Our third T-cell product candidate, WT1-CTL, targets cancers expressing the antigen Wilms Tumor 1 and is currently in Phase 1 clinical studies.

Our current product candidate portfolio was acquired through licensing arrangements with Amgen and MSK in exchange for cash, convertible preferred stock, common stock and future milestone payments and royalties. Through these arrangements, we obtained licenses to patent rights and the ability to use certain proprietary know-how to develop and commercialize our portfolio of product candidates. We are responsible for obtaining all regulatory approvals and developing commercial scale manufacturing processes to enable eventual commercialization of these product candidates.

We have only a limited operating history. Since our inception in 2012, we have devoted substantially all of our resources to identify, acquire and develop our product candidates, including conducting preclinical and clinical studies and providing general and administrative support for these operations.

In February 2015, we completed a follow-on public offering of 4,417,358 shares of common stock at an offering price of $18.00 per share. We received net proceeds of approximately $69.5 million after deducting underwriting discounts and commissions and offering expenses.

In July 2015, we completed a follow-on public offering of 3,980,768 shares of common stock at an offering price of $52.00 per share. We received net proceeds of approximately $193.9 million after deducting underwriting discounts and commissions and offering expenses.

We have never generated revenues and have incurred net losses since inception. Our net loss was $36.0 million for the nine months ending September 30, 2015 and as of September 30, 2015, we had an accumulated deficit of $76.9 million. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs and from general and administrative expenses associated with our operations. Our cash and cash equivalents and short-term available-for-sale investment balances at September 30, 2015 totaled $334.3 million, which we intend to use to fund our operations.

Financial Overview

Basis of Presentation and Recapitalization

Atara was formed as a management company with the sole purpose of providing management, financial and administrative services for Nina, Pinta and Santa Maria. Since inception, Atara, Nina, Pinta and Santa Maria have been under common management and common ownership for all periods and as of all dates prior to our recapitalization on March 31, 2014, we have presented the results of operations and financial condition of the four companies on a combined basis. The combined financial statements include the accounts of the four individual companies since inception, with intercompany transactions eliminated.

On March 31, 2014, we implemented a recapitalization in which (a) all the outstanding shares of common stock of Atara were cancelled and forfeited by existing stockholders and (b) the stockholders of Nina, Pinta and Santa Maria exchanged their existing common and convertible preferred stock for newly-issued shares of Atara, in the same proportions and with the same rights and privileges as the outstanding capital stock of Nina, Pinta and Santa Maria, on a collective nine-for-one basis. Atara assumed the separate equity incentive plans sponsored by Nina, Pinta and Santa Maria and all outstanding RSUs and restricted stock awards granted under such plans. At the time of RSU settlement, each employee or consultant will receive one share of common stock of Atara for three RSUs in each of Nina, Pinta, and Santa Maria (collectively, a nine-for-one exchange). We refer to this transaction as our recapitalization. As a result of the recapitalization, Nina, Pinta and Santa Maria became wholly owned subsidiaries of Atara effective March 31, 2014. The recapitalization was accounted for as a combination of businesses under common control and the assets and liabilities of Nina, Pinta and Santa Maria were recorded by Atara at their historical carrying amounts on March 31, 2014. Beginning March 31, 2014, our financial statements are presented on a consolidated basis. Except as otherwise noted, all share and per share amounts presented in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" give effect to the recapitalization.

Revenues

To date, we have not generated any revenues. We do not expect to receive any revenues from any product candidates that we develop until we obtain regulatory approval and commercialize our products or enter into collaborative agreements with third parties.

Research and Development Expenses

The largest component of our total operating expenses since inception has been our investment in research and development activities, including the preclinical and clinical development of our product candidates. Research and development expenses consist of costs incurred in performing research and development activities, including compensation and benefits for research and development employees, including stock-based compensation, an allocation of facility and overhead expenses, expenses incurred under agreements with contract research organizations and investigative sites that conduct clinical trials and preclinical studies, the costs of acquiring and manufacturing clinical trial materials and other supplies and costs associated with product development efforts, preclinical activities and regulatory operations. Research and development costs are expensed as incurred.

We plan to increase our research and development expenses for the foreseeable future as we continue the development of our product candidates. Our current planned research and development activities include the following:

- completion of our Phase 2 clinical trial of PINTA 745;
- increase enrollment and completion of our Phase 1 clinical study of STM 434;
- rapidly advance EBV-CTL in clinical development for the treatment of EBV-PTLD after HCT and SOT;
- develop CMV-CTL based on existing clinical proof of concept data in refractory CMV infection after HCT;
- continue development of WT1-CTL and collaborate with MSK in the discovery and development of additional T-cell programs;
- expand our t-cell platform into other indications or viral targets;
- process development and manufacturing of drug supply to support clinical trials and IND-enabling studies; and
- leverage our relationships and experience to in-license or acquire additional product candidates for development.

In addition, we believe it is important to invest in the development of new product candidates to continue to build the value of our product candidate pipeline and our business. We plan to continue to advance our most promising early product candidates into preclinical development with the objective to advance these early-stage programs to human clinical studies over the next several years.

Our expenditures on current and future preclinical and clinical development programs are subject to numerous uncertainties in timing and cost to completion. The duration, costs, and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, and expenses of our ongoing as well as any additional clinical trials and other research and development activities;
- future clinical trial results;
- uncertainties in clinical trial enrollment rates or drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- significant and changing government regulation; and
- the timing and receipt of any regulatory approvals.

The process of conducting the necessary clinical research to obtain FDA approval is costly and time consuming and the successful development of our product candidates is highly uncertain. We may never succeed in achieving regulatory approval for any of our product candidates.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, allocated facilities costs and other expenses for outside professional services, including legal, patent costs, human resources, audit and accounting services. Personnel costs consist of salaries, benefits and stock-based compensation. We anticipate that our general and administrative expenses will continue to increase in the future as we increase our headcount to support our continued research and development and potential commercialization of our product candidates.

Interest and Other Income

Interest and other income consists primarily of interest earned on our cash, cash equivalents and marketable securities.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated and combined financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated and combined financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses. On an on-going basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are more fully described in Note 2 of the accompanying unaudited condensed consolidated and combined financial statements and in Note 2 to our audited consolidated and combined financial statements included in our Annual Report on Form 10-K.

Emerging Growth Company Status

We are an "emerging growth company" as defined in the JOBS Act, and therefore we may take advantage of certain exemptions from various public company reporting requirements. As an "emerging growth company":

- we will avail ourselves of the exemption from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;
- we will provide less extensive disclosure about our executive compensation arrangements; and
- we will not require stockholder non-binding advisory votes on executive compensation or golden parachute arrangements.

However, we are choosing to irrevocably opt out of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards. We will remain an "emerging growth company" for up to five years, although we will cease to be an "emerging growth company" upon the earliest of: (1) December 31, 2019; (2) the last day of the first fiscal year in which our annual gross revenues are $1 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities; and (4) the date on which we are deemed to be a "large accelerated filer" as defined in the Securities Exchange Act of 1934, as amended.

Results of Operations

Comparison of the Three Months Ended September 30, 2015 and 2014

Research and development expenses

Research and development expenses consisted of the following costs by program:

	Three months ended September 30,		Increase
	2015	2014	(Decrease)
	(in thousands)		
PINTA 745	$ 1,043	$ 660	$ 383
STM 434	658	512	146
ATA 842 and other pipeline programs	2,770	144	2,626
Cellular therapy programs	424	2,000	(1,576)
Employee and overhead cost	3,218	925	2,293
Total research and development expense	$ 8,113	$ 4,241	$ 3,872

PINTA 745 program costs increased by $0.4 million in 2015 compared to 2014 primarily due to increased manufacturing and clinical trial costs related to our Phase 2 trial of PINTA 745 in patients with end-stage renal disease, or ESRD, who are also suffering from protein energy wasting. We anticipate that PINTA 745 costs will continue to increase in 2016 as we incur additional costs to manufacture clinical drug supply to support future clinical trials.

STM 434 program costs increased by $0.1 million in 2015 as compared to 2014 primarily due to increased clinical costs related to our Phase 1 clinical trial. We anticipate that STM 434 costs will increase in the fourth quarter of 2015 and in 2016 due to the timing of manufacturing costs associated with the production of additional clinical drug supply.

ATA 842 and other pipeline program costs increased by $2.6 million in 2015 as compared to 2014 primarily due to a $1.6 million increase in manufacturing costs associated with the production of clinical drug supply. Preclinical development costs, including IND-enabling studies, increased by $1.0 million over the prior year.

Cellular therapy program costs decreased by $1.6 million in 2015 due to the upfront expense of $2.0 million recorded in 2014 for our exclusive option to license T-cell therapies from MSK. We exercised this option in June 2015. Cellular therapy programs costs in the third quarter of 2015 consist of clinical development and production activities.

Employee and overhead costs increased by $2.3 million in 2015 as compared to 2014 primarily due to a $1.1 million increase in payroll-related costs driven by increased headcount, a $0.8 increase in stock-based compensation and a $0.3 million increase in travel and outside service costs. We expect our employee and overhead costs to continue to increase in future periods as we add personnel to support our preclinical and clinical programs.

General and administrative expenses

	Three months ended September 30,		Increase
	2015	2014	(Decrease)
	(in thousands)		
General and administrative expense	$ 4,146	$ 1,708	$ 2,438

General and administrative expenses increased $2.4 million in 2015 as compared to 2014 primarily due to a $1.0 million increase in stock-based compensation, a $0.9 million increase in payroll, travel and facility-related costs driven by increased headcount, and higher legal, audit and outside service costs. We expect that general and administrative costs will continue to increase in future periods as we continue to expand our operations.

Comparison of the Nine months Ended September 30, 2015 and 2014

Research and development expenses

	Nine months ended September 30,		Increase (Decrease)
	2015	2014	
	(in thousands)		
Research and development	$ 20,887	$ 9,332	$ 11,555
Research and development costs paid to Amgen	—	1,066	(1,066)
In-process research and development license acquired from MSK	4,500	—	4,500
Total research and development expense	$ 25,387	$ 10,398	$ 14,989

Research and development expenses consisted of the following costs by program:

	Nine months ended September 30,		Increase (Decrease)
	2015	2014	
	(in thousands)		
PINTA 745	$ 3,952	$ 1,795	$ 2,157
STM 434	1,949	3,662	(1,713)
ATA 842 and other pipeline programs	5,576	224	5,352
Cellular therapy programs	5,132	2,000	3,132
Employee and overhead cost	8,778	2,717	6,061
Total research and development expense	$ 25,387	$ 10,398	$ 14,989

PINTA 745 program costs increased by $2.2 million in 2015 compared to 2014 primarily due to increased manufacturing and clinical trial costs related to our Phase 2 trial. We anticipate that PINTA 745 costs will continue to increase in 2016 as we incur additional costs to manufacture clinical drug supply to support future clinical trials.

STM 434 program costs decreased by $1.7 million in 2015 as compared to the prior period due to a $1.0 million license payment to Amgen made in the second quarter of 2014. In addition, we incurred higher outside production costs in 2014 to manufacture clinical drug supply for our Phase 1 clinical study that commenced in the second half of 2014. We anticipate that STM 434 costs will increase in the fourth quarter of 2015 and in 2016 due to the timing of manufacturing costs associated with the production of additional clinical drug supply and continued enrollment of our ongoing clinical trial.

ATA 842 and other pipeline program costs increased by $5.4 million in 2015 as compared to 2014 primarily due to a $1.9 million increase in preclinical development costs and a $3.4 million increase in manufacturing costs associated with the production of clinical drug supply.

Cellular therapy program costs increased by $3.1 million in 2015 as compared to 2014 primarily due to the June 2015 exercise of our option to license T-cell therapies from MSK. In connection with the execution of the license agreement, we made an upfront cash payment of $4.5 million to MSK and this amount was recorded as research and development expense in the second quarter of 2015. 2014 cellular therapy program costs consists of the upfront expense of $2.0 million recorded in 2014 for our exclusive option to license the MSK T-cell therapies.

Employee and overhead costs increased by $6.1 million in 2015 as compared to 2014 primarily as a result of a $2.5 million increase in stock-based compensation and a $2.5 million increase in payroll-related costs driven by increased headcount. Higher travel and facility-related costs also contributed to the increase. We expect that employee and overhead costs will continue to increase in future periods as we add personnel to support our preclinical and clinical programs.

General and administrative expenses

	Nine months ended September 30,		Increase
	2015	2014	(Decrease)
	(in thousands)		
General and administrative expense	$ 11,291	$ 7,162	$ 4,129

General and administrative expenses increased by $4.1 million in 2015 compared to 2014 primarily due to a $2.0 million increase in payroll, travel and facility-related costs driven by increased headcount, a $1.4 million increase in legal, audit and other outside service costs and a $0.5 million increase in stock-based compensation. Higher director and officer insurance premiums also contributed to the increase. We expect that general and administrative costs will continue to increase in future periods as we continue to expand our operations.

Liquidity and Capital Resources

We have incurred cumulative losses and negative cash flows from operations since our inception in 2012, and we had an accumulated deficit of $76.9 million as of September 30, 2015. It will be several years, if ever, before we have a product candidate ready for commercialization, and we anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently, our cash and cash equivalents and short-term investments are held in bank and custodial accounts and consist of money market mutual funds, corporate bonds and commercial paper. Management expects that existing cash and cash equivalents as of September 30, 2015 will be sufficient to fund our current operating plan for at least the next twelve months.

Beginning May 15, 2015 and quarterly thereafter, vested restricted stock units have been settled on a quarterly basis. For restricted stock units that are net settled, we collect payroll taxes based on the fair value of these awards by withholding a pro-rata amount of shares equivalent to the employee's tax obligation. Through September 30, 2015, the total payroll taxes collected and remitted on restricted stock settlements by withholding shares was $4.6 million. We expect the amounts in 2016 and beyond to decrease, as the number of vested and settled RSUs decreases.

Working capital was $333.8 million as of September 30, 2015 and includes cash, cash equivalents and short-term investments as follows:

Our cash,	September 30, 2015	December 31, 2014
	(in thousands)	
Cash and cash equivalents	$ 54,466	$ 21,897
Short-term available-for-sale investments	279,799	82,219
Total cash and cash equivalents and short-term available-for-sale investments	$ 334,265	$ 104,116

Cash Flows

Comparison of the Nine months Ended September 30, 2015 and 2014

The following table details the primary sources and uses of cash for each of the periods set forth below:

	Nine months ended September 30,	
	2015	2014
	(in thousands)	
Net cash provided by (used in):		
Operating activities	$ (25,764)	$ (11,671)
Investing activities	(200,708)	(26,428)
Financing activities	259,041	12,187
Net increase (decrease) in cash and cash equivalents	$ 32,569	$ (25,912)

Operating activities

For the nine months ended September 30, 2015 and 2014, we used $25.8 million and $11.7 million, respectively, of net cash in operating activities. The $14.1 million increase in cash used in operating activities was primarily due to the $18.5 million increase in net loss, partially offset by a $3.0 million increase in stock-based compensation expense and a $1.5 million increase in the amortization of investment premiums.

Investing activities

Net cash used in investing activities during the nine months ended September 30, 2015 consisted primarily of $285.4 million invested in short-term available-for-sale investments, offset by maturities and sales of $84.7 million. Net cash used in investing activities during the nine months ended September 30, 2014 consisted primarily of $28.6 million invested in short-term available-for-sale investments, offset by maturities of $2.2 million.

Financing activities

Net cash provided by financing activities for the nine months ended September 30, 2015 was $259.0 million, consisting primarily of $263.4 million proceeds from the sale of common stock, net of offering costs. These net proceeds were offset by $4.6 million used to pay taxes related to the net share settlement of restricted stock units in 2015. Net cash provided by financing activities for the nine months ended September 30, 2014 was $12.2 million, consisting primarily of the $13.5 million proceeds from the sale of shares of Series B convertible preferred stock, net of offering costs.

Operating Capital Requirements and Plan of Operations

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

We expect that our existing cash and cash equivalents will be sufficient to enable us to complete planned preclinical and clinical trials for our lead product candidates through the second half of 2018. In order to complete the process of obtaining regulatory approval for our lead product candidates and to build the sales, marketing and distribution infrastructure that we believe will be necessary to commercialize our lead product candidates, if approved, we will require substantial additional funding.

We have based our projections of operating capital requirements on assumptions that may prove to be incorrect and we may use all of our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the timing and costs of our planned clinical trials for our product candidates;
- the timing and costs of our planned preclinical studies of our product candidates;
- our success in establishing and scaling commercial manufacturing capabilities;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- subject to receipt of regulatory approval, revenues received from commercial sales of our product candidates;
- the terms and timing of any future collaborations, licensing, consulting or other arrangements that we may establish;
- the amount and timing of any payments we may be required to make in connection with the licensing, filing, prosecution, maintenance, defense and enforcement of any patents or patent applications or other intellectual property rights; and
- the extent to which we in-license or acquire other products and technologies.

Contractual Obligations and Commitments and Off-Balance Sheet Arrangements

Contractual Obligations and Commitments

During the nine months ended September 30, 2015, there were no material changes to our contractual obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2014 except as follows:

- In September 2015, we amended our lease agreement for office and laboratory facilities in Westlake Village, California to add additional office space and extend the term of the agreement to April 2019.

As of September 30, 2015, future minimum commitments for all of our operating leases are as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in thousands)		
Operating lease commitments	$ 1,697	$ 606	$ 853	$ 238	—

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the nine months ended September 30, 2015, there were no material changes to our market risk disclosures reported in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) of the Exchange Act as of September 30, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2015 to ensure that information required to be disclosed by us 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 our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussion regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the three months ended September 30, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by the collusion of two or more people or by management override of controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider all of the risk factors and uncertainties described below, in addition to the other information contained in this Quarterly Report on Form 10-Q, including the section of this report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated and combined financial statements and related notes, before investing in our common stock. If any of the following risks materialize, our business, financial condition and results of operations could be seriously harmed. In these circumstances, the market price of our common stock could decline, and you may lose all or a part of your investment.

Risks Related to Our Financial Results and Capital Needs

We have incurred substantial losses since our inception and anticipate that we will continue to incur substantial and increasing losses for the foreseeable future.

We are a clinical-stage biopharmaceutical company. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a product candidate will fail to prove effective, gain regulatory approval or become commercially viable. We do not have any products approved by regulatory authorities and have not generated any revenues from product sales to date, and have incurred significant research, development and other expenses related to our ongoing operations and expect to continue to incur such expenses. As a result, we have not been profitable and have incurred significant operating losses in every reporting period since our inception. For the nine months ended September 30, 2015, we reported a net loss of $36.0 million and we had an accumulated deficit of $76.9 million at September 30, 2015.

We do not expect to generate revenues for many years, if at all. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate these losses to increase as we continue to research, develop and seek regulatory approvals for our product candidates and any additional product candidates we may acquire, and potentially begin to commercialize product candidates that may achieve regulatory approval. 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 revenues. If any of our product candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. We anticipate that our expenses will increase in the future as we continue to invest in research and development of our existing product candidates, investigate and potentially acquire new product candidates and expand our manufacturing and commercialization activities.

We have a limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Our company was formed in August 2012. Our operations to date have been limited to organizing and staffing our company, acquiring product and technology rights and conducting product development activities for our product candidates. We have not yet demonstrated our ability to successfully complete any Phase 2 or Phase 3 clinical trials, obtain regulatory approval, manufacture a commercial scale product or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful commercialization for any of our product candidates. In addition, the adoptive immunotherapy technology underlying our T-cell product candidates, EBV-CTL, CMV-CTL and WT1-CTL, is new and largely unproven. Any predictions about our future success, performance or viability, particularly in view of the rapidly evolving cancer immunotherapy field, may not be as accurate as they could be if we had a longer operating history or approved products on the market.

In addition, as a young business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition at some point from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition. We expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, you should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

We currently have no source of revenues. We may never generate revenues or achieve profitability.

To date, we have not generated any revenues from product sales or otherwise. Even if we are able to successfully achieve regulatory approval for our product candidates, we do not know when we will generate revenues or become profitable, if at all. Our ability to generate revenues from product sales and achieve profitability will depend on our ability to commercialize products, including any of our current product candidates, and other product candidates that we may develop, in-license or acquire in the future. Our ability to generate revenues and achieve profitability also depends on a number of additional factors, including our ability to:

- successfully complete development activities, including the necessary clinical trials;
- complete and submit biologics license applications, or BLAs, to the FDA and obtain U.S. regulatory approval for indications for which there is a commercial market;
- complete and submit applications to, and obtain regulatory approval from, foreign regulatory authorities in Europe, Asia and other jurisdictions;
- obtain coverage and adequate reimbursement from third parties, including government and private payors;
- set a commercially viable price for our products, if any;
- establish and maintain supply and manufacturing relationships with reliable third parties and ensure adequate, legally compliant manufacturing of bulk drug substances and drug products to maintain that supply;
- develop manufacturing and distribution processes for our novel T-cell product candidates;
- obtain commercial quantities of our products at acceptable cost levels;
- achieve market acceptance of our products, if any;
- attract, hire and retain qualified personnel;
- protect our rights in our intellectual property portfolio;
- develop a commercial organization capable of sales, marketing and distribution for any products we intend to sell ourselves in the markets in which we choose to commercialize on our own; and
- find suitable distribution partners to help us market, sell and distribute our approved products in other markets.

Our revenues for any product candidate for which regulatory approval is obtained will be dependent, in part, upon the size of the markets in the territories for which we gain regulatory approval, the accepted price for the product, the ability to get reimbursement at any price, and whether we own the commercial rights for that territory. If the number of our addressable disease patients is not as significant as we estimate, the indication approved by regulatory authorities is narrower than we expect, or the reasonably accepted population for treatment is narrowed by competition, physician choice or treatment guidelines, we may not generate significant revenues from sales of such products, even if approved. In addition, we anticipate incurring significant costs associated with commercializing any approved product candidate. As a result, even if we generate revenues, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and may be forced to reduce our operations.

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

We expect to expend substantial resources for the foreseeable future to continue the clinical development and manufacturing of PINTA 745, STM 434, EBV-CTL, CMV-CTL and WT1-CTL and the advancement and expansion of our preclinical research pipeline, including ATA 842. We also expect to expend resources for the development and manufacturing of product candidates and the technology we recently licensed from QIMR Berghofer Medical Research Institute. These expenditures will include costs associated with research and development, potentially acquiring new product candidates or technologies, conducting preclinical studies and clinical trials and potentially obtaining regulatory approvals and manufacturing products, as well as marketing and selling products approved for sale, if any. Under the terms of our license agreements with Amgen and MSK, we are obligated to make milestone payments of up to $85.0 million to Amgen and up to $33.0 million to MSK with respect to the three licensed clinical stage T-cell programs upon the achievement of certain development and regulatory approval milestones. We are also obligated to make payments for certain commercial milestones. In addition, other unanticipated costs may arise. Because the design and outcome of our planned and anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates.

Our future capital requirements depend on many factors, inc luding:

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

Based on our current operating plan, we believe that our existing cash and cash equivalents and short-term investments will be sufficient to fund our projected operating requirements through the second half of 2018. As of September 30, 2015, we had cash and cash equivalents and short-term investments of $334.3 million. However, our operating plan may change as a result of many factors currently unknown to us, and we may need additional funds sooner than planned. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. We do not have any committed external source of funds. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate preclinical studies, clinical trials or other development activities for one or more of our product candidates or delay, limit, reduce or terminate our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize our product candidates.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates on unfavorable terms to us.

We may seek additional capital through a variety of means, including through private and public equity offerings and debt financings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds from third parties, we may have to relinquish valuable rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts for our product candidates, or grant to others the rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

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

We have incurred substantial losses during our history and do not expect to become profitable in the near future and we may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. At December 31, 2014, we had federal and state net operating loss, or NOL, carryforwards of approximately $20.6 million, which, if not utilized, begin to expire in various amounts beginning in the year 2032. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if over a rolling three-year period, the cumulative change in our ownership exceeds 50% (as determined under applicable Treasury regulations), our ability to utilize our U.S. NOL carryforwards and other pre-change tax attributes (such as research tax credits) to offset future taxable income or taxes may be limited. We have experienced at least one ownership change since inception and our utilization of NOL carryforwards will therefore be subject to annual limitation. Our ability to utilize our NOL carryforwards may be further limited as a result of subsequent ownership changes. Similar rules may apply under state tax laws. Further, other provisions of the Code may limit our ability to utilize NOLs incurred before our recapitalization to offset income or gain realized after the recapitalization, unless such income or gain is realized by the same entity that originally incurred such NOLs. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited. Such limitations could result in the expiration of our NOL carryforwards before they can be utilized and, if we are profitable, our future cash flows could be adversely affected due to our increased tax liability.

Risks Related to the Development of Our Product Candidates

We are very early in our development efforts and have only five product candidates in clinical development. All of our other product candidates are still in preclinical development. If we or our collaborators are unable to successfully develop and commercialize product candidates or experience significant delays in doing so, our business may be materially harmed.

We are very early in our development efforts. We have five product candidates, PINTA 745, STM 434, EBV-CTL, CMV-CTL and WT1-CTL, in clinical development. All of our other product candidates are currently in preclinical development. We have invested substantially all of our efforts and financial resources in identifying and developing potential product candidates and conducting preclinical studies, clinical trials and manufacturing activities. Our ability to generate revenues, which we do not expect will occur for many years, if ever, will depend heavily on the successful development and eventual commercialization of our product candidates. The success of our product candidates will depend on several factors, including the following:

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

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

Our future success is dependent on the regulatory approval of our product candidates.

We do not have any products that have gained regulatory approval. Currently, our only clinical-stage product candidates are PINTA 745, EBV-CTL and CMV-CTL, which are in Phase 2 clinical trials, and STM 434 and WT1-CTL, which are in Phase 1 clinical studies. Our business is substantially dependent on our ability to obtain regulatory approval for, and, if approved, to successfully commercialize our product candidates in a timely manner. We cannot commercialize product candidates in the United States without first obtaining regulatory approval for the product from the FDA; similarly, we cannot commercialize product candidates outside of the United States without obtaining regulatory approval from comparable foreign regulatory authorities. Before obtaining regulatory approvals for the commercial sale of any product candidate for a target indication, we must demonstrate with substantial evidence gathered in preclinical and clinical studies, generally including two well-controlled Phase 3 trials, that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate with respect to such product candidate.

The time required to obtain approval by the FDA and comparable foreign regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate and it is possible that none of our existing product candidates or any future product candidates will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval from the FDA or a comparable foreign regulatory authority for many reasons, including:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- the insufficiency of data collected from clinical trials of our product candidates to support the submission and filing of a BLA or other submission or to obtain regulatory approval;
- failure to obtain approval of the manufacturing processes or facilities of third-party manufacturers with whom we contract for clinical and commercial supplies; or
- changes in the approval policies or regulations that render our preclinical and clinical data insufficient for approval.

The FDA or a comparable foreign regulatory authority may require more information, including additional preclinical or clinical data to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. If we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request (including failing to approve the most commercially promising indications), may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate.

Even if a product candidate were to successfully obtain approval from the FDA and comparable foreign regulatory authorities, any approval might contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for one of our product candidates in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding to continue the development of that product or generate revenues attributable to that product candidate. Also, any regulatory approval of our current or future product candidates, once obtained, may be withdrawn.

Our T-cell product candidates, EBV-CTL, CMV-CTL and WT1-CTL, represent new therapeutic approaches that present significant challenges.

Our future success is dependent in part on the successful development of T-cell immunotherapies in general and our EBV-CTL, CMV-CTL and WT1-CTL product candidates in particular. Because these programs represent a new approach to immunotherapy for the treatment of cancer and other diseases, developing and commercializing our product candidates subject us to a number of challenges, including:

- obtaining regulatory approval from the FDA and other regulatory authorities, which have very limited experience with the development and commercialization of T-cell therapies;
- developing and deploying consistent and reliable processes for procuring blood from consenting third-party donors, isolating T-cells from the blood of such donors, activating the isolated T-cells against a specific antigen, characterizing and storing the resulting activated T-cells for future therapeutic use, selecting and delivering an appropriate partially HLA matched cell line from among the available T-cell lines, and finally infusing these activated T-cells into patients;
- utilizing these product candidates in combination with other therapies, which may increase the risk of adverse side effects;
- educating medical personnel regarding the potential side effect profile of each of our product candidates;
- developing processes for the safe administration of these products, including long-term follow-up for all patients who receive these product candidates;
- sourcing clinical and, if approved, commercial supplies for the materials used to manufacture and process these product candidates;
- developing a manufacturing process and distribution network with a cost of goods that allows for an attractive return on investment;

- establishing sales and marketing capabilities after obtaining any regulatory approval to gain market acceptance, and obtaining adequate coverage, reimbursement and pricing by third-party payors and government authorities; and
- developing therapies for types of diseases beyond those initially addressed by our current product candidates.

We cannot be sure that the manufacturing processes used in connection with our T-cell product candidates, EBV-CTL, CMV-CTL and WT1-CTL, will yield satisfactory products that are safe and effective, comparable to those T-cells produced by MSK historically, scalable or profitable.

Moreover, public perception of safety issues, including adoption of new therapeutics or novel approaches to treatment, may adversely influence the willingness of subjects to participate in clinical trials, or if approved, of physicians to subscribe to the novel treatment mechanics. Physicians, hospitals and third-party payors often are slow to adopt new products, technologies and treatment practices that require additional upfront costs and training. Physicians may not be willing to undergo training to adopt this novel therapy, may decide the therapy is too complex to adopt without appropriate training and may choose not to administer the therapy. Based on these and other factors, hospitals and payors may decide that the benefits of this new therapy do not or will not outweigh its costs.

The results of preclinical testing or earlier clinical studies are not necessarily predictive of future results. Our existing product candidates in clinical studies or trials, and any other product candidate we advance into clinical studies or trials, may not have favorable results in later clinical studies or trials or receive regulatory approval.

Success in preclinical studies and early clinical trials does not ensure that later clinical trials will generate adequate data to demonstrate the efficacy and safety of an investigational drug. A number of companies in the pharmaceutical and biotechnology industries, including those with greater resources and experience than us, have suffered significant setbacks in clinical trials, even after seeing promising results in earlier preclinical studies or clinical studies or trials. Despite the results reported in earlier preclinical studies or clinical studies or trials for our product candidates, we do not know whether the clinical trials we may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market PINTA 745, STM 434, EBV-CTL, CMV-CTL or WT1-CTL or any of our other product candidates in any particular jurisdiction. For example, our EBV-CTL, CMV-CTL and WT1-CTL product candidates have only been evaluated in single-center studies under investigator-sponsored INDs held by MSK, utilizing a different response criteria and endpoints from those we may utilize in later clinical studies. The findings may not be reproducible in multi-center studies conducted under commercially-sponsored INDs. In addition, the Phase 2 clinical trials with EBV-CTL enrolled a heterogeneous group of patients with a variety of EBV-associated malignancies, including but not limited to EBV-PTLD after HCT and EBV-PTLD after SOT. These Phase 2 studies were not prospectively designed to evaluate the efficacy of EBV-CTL in the treatment of a single disease state for which we may later seek approval. Efficacy data from prospectively designed studies may differ significantly from those obtained from retrospective subgroup analyses. If later-stage clinical trials do not produce favorable results, our ability to achieve regulatory approval for any of our product candidates may be adversely impacted. Even if we believe that we have adequate data to support an application for regulatory approval to market any of our product candidates, the FDA or other regulatory authorities may not agree and may require that we conduct additional clinical trials.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome.

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. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical and clinical studies and early clinical trials.

We may experience delays in our ongoing or future clinical studies or trials and we do not know whether planned clinical studies or trials will begin or enroll subjects on time, will need to be redesigned or will be completed on schedule, if at all. There can be no assurance that the FDA will not put clinical studies or trials of any of our product candidates on clinical hold in the future. Clinical studies or trials may be delayed, suspended or prematurely terminated for a variety of reasons, such as:

- delay or failure in reaching agreement with the FDA or a comparable foreign regulatory authority on a study or trial design that we are able to execute;
- delay or failure in obtaining authorization to commence a study or trial or inability to comply with conditions imposed by a regulatory authority regarding the scope or design of a study or trial;
- delay or failure in reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical study or trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and study or trial sites;
- delay or failure in obtaining institutional review board, or IRB, approval or the approval of other reviewing entities, including comparable foreign regulatory authorities, to conduct a clinical study or trial at each site;

- withdrawal of clinical study or trial sites from our clinical studies or trials or the ineligibility of a site to participate in our clinical studies or trials;
- delay or failure in recruiting and enrolling suitable subjects to participate in a study or trial;
- delay or failure in subjects completing a study or trial or returning for post-treatment follow-up;
- clinical sites and investigators deviating from trial protocol, failing to conduct the study or trial in accordance with regulatory requirements, or dropping out of a study or trial;
- inability to identify and maintain a sufficient number of study or trial sites, many of which may already be engaged in other clinical study or trial programs, including some that may be for the same indication;
- failure of our third-party clinical study or trial managers to satisfy their contractual duties, meet expected deadlines or return trustworthy data;
- delay or failure in adding new study or trial sites;
- interim results or data that are ambiguous or negative or are inconsistent with earlier results or data;
- feedback from the FDA, the IRB, data safety monitoring boards or a comparable foreign regulatory authority, or results from earlier stage or concurrent preclinical and clinical studies, that might require modification to the protocol for a study or trial;
- a decision by the FDA, the IRB, a comparable foreign regulatory authority, or us, or a recommendation by a data safety monitoring board or comparable foreign regulatory authority, to suspend or terminate clinical studies or trials at any time for safety issues or for any other reason;
- unacceptable risk-benefit profile, unforeseen safety issues or adverse side effects;
- failure to demonstrate a benefit from using a product candidate;
- difficulties in manufacturing or obtaining from third parties sufficient quantities of a product candidate for use in studies or trials;
- lack of adequate funding to continue a study or trial, including the incurrence of unforeseen costs due to enrollment delays, requirements to conduct additional studies or increased expenses associated with the services of our CROs and other third parties; or
- changes in governmental regulations or administrative actions or lack of adequate funding to continue a clinical study or trial.

Patient enrollment, a significant factor in the timing of clinical studies or trials, is affected by many factors including the size and nature of the patient population, the severity of the disease under investigation, the proximity of subjects to clinical sites, the patient referral practices of physicians, the eligibility criteria for the study or trial, the design of the clinical study or trial, ability to obtain and maintain patient consents, risk that enrolled subjects will drop out before completion, competing clinical studies or trials and clinicians' and patients' perceptions as to the potential advantages and risks of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating. We may not be able to initiate or continue to support clinical trials of PINTA 745, EBV-CTL or CMV-CTL or clinical studies for STM 434 or WT1-CTL or any future product candidates if we are unable to locate and enroll a sufficient number of eligible participants in these studies or trials as required by the FDA or other regulatory authorities. Even if we are able to enroll a sufficient number of patients in our clinical studies or trials, if the pace of enrollment is slower than we expect, the development costs for our product candidates may increase and the completion of our studies may be delayed or our studies or trials could become too expensive to complete. We rely on CROs, other vendors and clinical study or trial sites to ensure the proper and timely conduct of our clinical studies and trials, and while we have agreements governing their committed activities, we have limited influence over their actual performance.

If we experience delays in the completion or termination of any clinical study or trial of our product candidates, the approval and commercial prospects of such product candidate will be harmed, and our ability to generate product revenues from such product candidate will be delayed. In addition, any delays in completing our clinical studies or trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any delays in completing our clinical studies or trials for the product candidates we have licensed from Amgen or MSK may also decrease the period of commercial exclusivity under our corresponding product candidate license from Amgen or MSK. In addition, many of the factors that could cause a delay in the commencement or completion of clinical studies or trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Our product candidates, the methods used to deliver them or their dosage levels may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following any regulatory approval.

Undesirable side effects caused by our product candidates, their delivery methods or dosage levels 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 authority. As a result of safety or toxicity issues that we may experience in our clinical studies or trials in the future, we may not receive approval to market any product candidates, which could prevent us from ever generating revenues or achieving profitability. Results of our studies or trials could reveal an unacceptably high severity and prevalence of side effects. In such an event, our studies or trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may have a material adverse effect on our business, results of operations, financial condition, cash flows and future prospects.

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

- we may be forced to suspend marketing of such product;
- regulatory authorities may withdraw their approvals of such product;
- regulatory authorities may require additional warnings on the label that could diminish the usage or otherwise limit the commercial success of such products;
- we may be required to conduct post-marketing studies;
- we may be required to change the way the product is administered;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved.

We may not be able to obtain orphan drug exclusivity for our product candidates.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States. We have received from the FDA orphan drug status for STM 434 for ovarian cancer and have applied to the FDA for orphan drug status for EBV-CTL for EBV-PTLD. We have also applied for orphan drug status with the EMA for EBV-associated lymphoproliferative disorder following allogeneic hematopoietic cell transplant. In addition, we may seek orphan drug status for EBV-CTL in EBV-PTLD after SOT, for CMV-CTL in refractory CMV infection after HCT and for WT1-CTL in AML and multiple myeloma.

Generally, if a product with an orphan drug designation subsequently receives the first regulatory approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the European Medicines Agency, or EMA, or the FDA from approving another marketing application for the same drug for that time period. The applicable period is seven years in the United States and ten years in Europe. The European exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve a new drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Failure to obtain regulatory approval in international jurisdictions would prevent our product candidates from being marketed abroad.

In addition to regulations in the United States, to market and sell our products in the European Union, many Asian countries and other jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. Clinical trials accepted in one country may not be accepted by regulatory authorities in other countries. In addition, many countries outside the United States require that a product be approved for reimbursement before it can be approved for sale in that country. We may not be able to obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market. If we are unable to obtain approval of any of our product candidates by regulatory authorities in the European Union, Asia or elsewhere, the commercial prospects of that product candidate may be significantly diminished, our business prospects could decline and this could materially adversely affect our business, results of operations and financial condition.

Even if our product candidates receive regulatory approval, they may still face future development and regulatory difficulties.

Even if we obtain regulatory approval for a product candidate, it would be subject to ongoing requirements by the FDA and comparable foreign regulatory authorities governing the manufacture, quality control, further development, labeling, packaging, storage, distribution, adverse event reporting, safety surveillance, import, export, advertising, promotion, recordkeeping and reporting of safety and other post-market information. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance by our contract manufacturing organizations, or CMOs, and CROs for any post-approval clinical trials that we conduct. For example, if labeling is ultimately approved for PINTA 745, it will likely include restrictions on use due to the specific patient population and manner of use in which the product candidate was evaluated and the safety and efficacy data obtained in those evaluations. In addition, PINTA 745 may be required to include a boxed warning, or "black box," regarding PINTA 745 being teratogenic, or causing fetal or embryotic malformations, in animal studies. The safety profile of any product will continue to be closely monitored by the FDA and comparable foreign regulatory authorities after approval. If the FDA or comparable foreign regulatory authorities become aware of new safety information after approval of any of our product candidates, they may require labeling changes or establishment of a risk evaluation and mitigation strategy, impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance.

In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with current good manufacturing practices, or cGMP, current Good Clinical Practices, or GCP, current good tissue practices, or GTPs, and other regulations. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters or untitled letters;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical studies;
- refuse to approve pending applications or supplements to applications filed by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products, refuse to permit the import or export of products, or require us to initiate a product recall.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our products and generate revenues.

Advertising and promotion of any product candidate that obtains approval in the United States will be heavily scrutinized by the FDA, the Department of Justice, or the DOJ, the Office of Inspector General of the Department of Health and Human Services, or HHS, state attorneys general, members of Congress and the public. Additionally, advertising and promotion of any product candidate that obtains approval outside of the United States will be heavily scrutinized by comparable foreign regulatory authorities. For example, in the event PINTA 745 obtains regulatory approval, we believe these authorities will closely monitor the use of this product candidate to determine whether it is being used impermissibly as a muscle-builder by athletes and others. Violations, including actual or alleged promotion of our products for unapproved or off-label uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the FDA. Any actual or alleged failure to comply with labeling and promotion requirements may have a negative impact on our business.

In the United States, engaging in impermissible promotion of our products for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines and agreements that would materially restrict the manner in which we promote or distribute our drug products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a pharmaceutical company on behalf of the federal government alleging submission of false or fraudulent claims, or causing to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. Since 2004, these False Claims Act lawsuits against pharmaceutical companies have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements based on certain sales practices promoting off-label drug uses. This growth in litigation has increased the risk that a pharmaceutical company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from the Medicare, Medicaid and other federal and state healthcare programs. If we do not lawfully promote our approved products, we may become subject to such litigation and, if we are not successful in defending against such actions, those actions could compromise our ability to become profitable or adversely affect our ability to operate our business.

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

Concurrent with the license of our existing product candidates, we acquired manufacturing process know-how and certain intermediates, as well as certain supplies intended for clinical use, from Amgen and MSK. We are in the process of transferring this know-how to our CMOs to facilitate the manufacture of additional drug substance and drug product for our preclinical and clinical studies using the know-how and supplies we received from Amgen and MSK. Transferring manufacturing processes and know-how is complex and involves review and incorporation of both documented and undocumented processes that may have evolved over time. In addition, transferring production to different facilities may require utilization of new or different processes to meet the specific requirements of a given facility. We and our CMOs will need to conduct significant development work to transfer these processes and manufacture each of our product candidates for studies, trials and commercial launch readiness. We cannot be certain that all relevant know-how has been adequately incorporated into the manufacturing process until the completion of studies intended to demonstrate the comparability of material previously produced by Amgen or MSK with that generated by our CMO. The inability to manufacture comparable drug substance at our CMOs could delay the continued development of our product candidates.

The processes by which our product candidates are manufactured were initially developed by Amgen and MSK for clinical purposes. We intend to evolve these existing processes for more advanced clinical trials or commercialization. Developing commercially viable manufacturing processes is a difficult and uncertain task, and there are risks associated with scaling to the level required for advanced clinical trials or commercialization, including cost overruns, potential problems with process scale-out, process reproducibility, stability issues, lost consistency and timely availability of reagents or raw materials. The manufacturing facilities in which our product candidates will be made could be adversely affected by earthquakes and other natural disasters, equipment failures, labor shortages, power failures, and numerous other factors.

Additionally, the process of manufacturing biologics and cellular therapies is complex, highly regulated and subject to several risks, including but not limited to:

- the process of manufacturing biologics and cellular therapies is extremely susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, or vendor or operator error. Even minor deviations from normal manufacturing processes for any of our product candidates could result in reduced production yields, product defects, and other supply disruptions. Product defects can also occur unexpectedly. For example, in April 2014, we encountered a small number of cracked vials in certain STM 434 drug product lots. If microbial, viral, or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to allow us to investigate and remedy the contamination; and

- because EBV-CTL, CMV-CTL and WT1-CTL are manufactured from the blood of third-party donors, the process of developing products that can be commercialized may be particularly challenging, even if they otherwise prove to be safe and effective. The manufacture of these product candidates involves complex processes. Some of these processes require specialized equipment and highly skilled and trained personnel. The process of manufacturing these product candidates will be susceptible to additional risks, given the need to maintain aseptic conditions throughout the manufacturing process. Contamination in the donor material or ingress of microbiological material at any point in the process may result in contaminated and unusable product. Furthermore, the product ultimately consists of many individual cell lines, each with a different HLA profile. As a result, the selection and distribution of the appropriate cell line for therapeutic use in a patient will require close coordination between clinical and manufacturing personnel.

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

We may not successfully identify, acquire, develop or commercialize new potential product candidates.

Part of our business strategy is to expand our product candidate pipeline by identifying and validating new product candidates, which we may develop ourselves, in-license or otherwise acquire from others. In addition, in the event that our existing product candidates do not receive regulatory approval or are not successfully commercialized, then the success of our business will depend on our ability to expand our product pipeline through in-licensing or other acquisitions. We may be unable to identify relevant product candidates. If we do identify such product candidates, we may be unable to reach acceptable terms with any third party from which we desire to in-license or acquire them.

We may not realize the benefits of strategic alliances that we may form in the future.

We may form strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that we believe will complement or augment our existing business. These relationships, or those like them, may require us to incur nonrecurring 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 alliances and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic alliance or other alternative arrangements for any future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort and third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. If we license products or acquire businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. We cannot be certain that, following a strategic transaction or license, we will achieve the revenues or specific net income that justifies such transaction. Any delays in entering into new strategic alliances agreements related to our product candidates could also delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market.

Risks Related to Our Dependence on Third Parties

We rely on third parties to conduct our preclinical and clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, or if we lose any of our CROs, we may not be able to obtain regulatory approval for or commercialize our product candidates on a timely basis, if at all.

We have relied upon and plan to continue to rely upon third-party CROs and contractors to monitor and manage data for our ongoing preclinical and clinical programs. For example, our collaborating investigators at MSK manage the conduct of the ongoing clinical studies and trials of EBV-CTL, CMV-CTL and WT1-CTL as well as perform the analysis, publication and presentation of data and results related to these programs. We are also relying on CROs to perform similar services for our ongoing clinical trial of PINTA 745 and clinical study of STM 434. We have also relied on studies previously conducted by Amgen and MSK. We also intend to utilize a CRO for our planned studies and trials for EBV-PTLD after HCT and SOT. We rely on these parties for the execution of our preclinical and clinical trials, and we control only some aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We also rely on third parties to assist in conducting our preclinical studies in accordance with Good Laboratory Practices, or GLP, and the Animal Welfare Act requirements. We and our CROs are required to comply with federal regulations, GCP, which are international standards meant to protect the rights and health of patients that are enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area and comparable foreign regulatory authorities for all of our products in clinical development, and cGTP, which are standards designed to ensure that cell and tissue based products are manufactured in a manner designed to prevent the introduction, transmission and spread of communicable diseases. Regulatory authorities enforce GCP and cGTP through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP or cGTP, 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 regulatory applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP or cGTP requirements. In addition, our clinical trials must be conducted with product produced under cGMP requirements. We are also required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database, clinicaltrials.gov, within a specified timeframe. Failure to comply with these regulations may require us to repeat preclinical and clinical trials, which would delay the regulatory approval process and result in adverse publicity.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources, including experienced staff, to our ongoing clinical, nonclinical and preclinical programs. They may also have relationships with other entities, some of which may be our competitors. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. For example, there was an error in the randomization of patients and inventory distribution to our clinical sites for our Phase 2 clinical trial for PINTA 745, resulting in the unblinding of the initial six patients and a restart of the trial. CRO or contractor errors could cause our results of operations and the commercial prospects for our product candidates to be harmed, our costs to increase and our ability to generate revenues to be delayed.

Our internal capacity for clinical trial execution and management is limited and therefore we have relied on third parties. Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results or data in a timely manner or may fail to perform at all. For example, in July 2014, we became aware of a draft report for a preclinical study conducted with STM 217, a compound similar to STM 434 that we also licensed from Amgen. Results from this study led to the amendment of our planned clinical trial for STM 434. Other data from studies previously conducted by Amgen or MSK may emerge in the future. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. Identifying, qualifying and managing performance of third-party service providers can be difficult, time consuming and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. If any of our relationships with our third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so timely or on commercially reasonable terms.

We have no experience manufacturing our product candidates on a clinical or commercial scale and have no manufacturing facility. We are dependent on third parties for the manufacturing of our product candidates and our supply chain, and if we experience problems with any of these third parties, the manufacturing of our product candidates could be delayed.

We do not own or operate facilities for the manufacturing of our product candidates. We currently have no commitments to build our own clinical or commercial scale manufacturing capabilities. We currently rely on single source CMOs for the production of the product candidates we have licensed from Amgen and on single source suppliers of some of the materials incorporated in these product candidates. In the case of EBV-CTL, CMV-CTL and WT1-CTL, we currently rely on MSK for the production of these product candidates and acquisition of the materials incorporated in these product candidates. To meet our projected needs for clinical supplies to support our activities through regulatory approval and commercial manufacturing of PINTA 745, STM 434 and the other product candidates we have licensed from Amgen, the CMOs with whom we currently work will need to increase the scale of production and demonstrate comparability of the material produced by these CMOs to the material that was previously produced by Amgen. To meet our projected needs for clinical and commercial materials to support our activities through regulatory approval and commercial manufacturing of EBV-CTL, CMV-CTL and WT1-CTL, we will need to transition the manufacturing of such materials to a CMO or our own facility, and such CMOs or we will need develop relationships with suppliers of critical starting materials, increase the scale of production and demonstrate comparability of the material produced at these facilities to the material that was previously produced by MSK. Moreover, we will need to transfer the manufacturing know-how developed by and housed at MSK. We are in the process of transferring the manufacturing of EBV-CTLs to our CMO. Transferring manufacturing processes and know-how is complex and involves review and incorporation of both documented and undocumented processes that may have evolved over time. In addition, transferring production to different facilities may require utilization of new or different processes to meet the specific requirements of a given facility. We cannot be certain that all relevant know-how has been adequately incorporated into the manufacturing process until the completion of studies intended to demonstrate the comparability of material previously produced by Amgen or MSK with that generated by our CMO. If we are not able to successfully transfer this know-how our ability to manufacture EBV-CMV, CMV-CTL and WT1-CTL may be negatively impacted. We need to identify CMOs for the production of CMV-CTL and WT1-CTL and may need to identify additional CMOs for continued production of supply for all of our product candidates. In addition, given the manufacturing process for our T-cell product candidates, the number of CMOs who possess the requisite skill and capability to manufacture our T-cell product candidates is limited. We have not yet identified alternate suppliers in the event the current CMOs that we utilize are unable to scale production, or if we otherwise experience any problems with them. Manufacturing biologic drugs is complicated and tightly regulated by the FDA and comparable regulatory authorities around the world, and although alternative third-party suppliers with the necessary manufacturing and regulatory expertise and facilities exist, it could be expensive and take a significant amount of time to arrange for alternative suppliers, transfer manufacturing procedures to these alternative suppliers, and demonstrate comparability of material produced by such new suppliers. New manufacturers of any product would be required to qualify under applicable regulatory requirements. These manufacturers may not be able to manufacture our compounds at costs, or in quantities, or in a timely manner necessary to complete development of our product candidates or make commercially successful products. If we are unable to arrange for alternative third-party manufacturing sources, or to do so on commercially reasonable terms or in a timely manner, we may not be able to complete development of our product candidates, or market or distribute them. In addition, should the FDA not agree with our physical quality specifications and comparability assessments for these materials, further clinical development of our product candidate could be substantially delayed and we would incur substantial additional expenses.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured product candidates ourselves, including reliance on the third party for regulatory compliance and quality assurance, the possibility that the third-party manufacturer does not maintain the financial resources to meet its obligations under the manufacturing agreement, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control, including a failure to synthesize and manufacture our product candidates or any products we may eventually commercialize in accordance with our specifications, misappropriation of our proprietary information, including our trade secrets and know-how, and the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or damaging to us. In addition, the FDA and other regulatory authorities require that our product candidates and any products that we may eventually commercialize be manufactured according to GMP, and GTP-and similar foreign standards. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. The FDA or similar foreign regulatory agencies may also implement new standards at any time, or change their interpretations and enforcement of existing standards for manufacture, packaging or testing of products. We have little control over our manufacturers' compliance with these regulations and standards. Any failure by our third-party manufacturers to comply with GMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of product candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our product candidates. In addition, such failure could be the basis for the FDA to issue a warning letter, withdraw approvals for product candidates previously granted to us, or take other regulatory or legal action, including recall or seizure of outside supplies of the product candidate, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention or product, refusal to permit the import or export of products, injunction or imposing civil and criminal penalties.

Any significant disruption in our supplier relationships could harm our business. Any significant delay in the supply of a product candidate for an ongoing clinical study could considerably delay initiation or completion of our clinical studies, product testing and potential regulatory approval of our product candidates. If our manufacturers or we are unable to purchase these key materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates could be delayed or there could be a shortage in supply, which could impair our ability to generate revenues from the sale of our product candidates.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain sufficient intellectual property protection for our product candidates, or if the scope of the intellectual property protection is not sufficiently broad, our ability to commercialize our product candidates successfully and to compete effectively may be adversely affected.

We rely upon a combination of patents, trade secrets and confidentiality agreements to protect the intellectual property related to our technology and product candidates. For our two most advanced molecularly targeted product candidates, PINTA 745 and STM 434, we own or license a number of issued patents and pending patent applications covering the product candidates' compositions of matter and methods of use. For PINTA 745, the expected expiration dates range from 2026 to 2035 for U.S. patents and patent applications, if issued, and from 2023 to 2035 for patents and patent applications, if issued, in jurisdictions outside the United States, exclusive of possible patent term extensions. For STM 434, the expected expiration dates range from 2027 through 2035 for U.S. patents and patent applications, if issued, and from 2026 through 2035 for patents and patent applications, if issued, in jurisdictions outside the United States, exclusive of possible patent term extensions. The T-cell product candidates and platform technology we have licensed from MSK are protected primarily as confidential know-how and trade secrets. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. The patentability of inventions and the validity, enforceability and scope of patents in the biotechnology field is generally uncertain because it involves complex legal, scientific and factual considerations, and it has in recent years been the subject of significant litigation. Moreover, the standards applied by the U.S. Patent and Trademark Office, or USPTO, and non-U.S. patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in biotechnology patents.

Consequently, the patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates in the United States or in other countries. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found. We may be unaware of prior art that could be used to invalidate an issued patent or prevent our pending patent applications from issuing as patents. There also may be prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim of one of our patents or patent applications, which may, nonetheless, ultimately be found to affect the validity or enforceability of such claim.

Even if patents have issued or do successfully issue from patent applications, and even if such patents cover our product candidates, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held to be unenforceable. No assurance can be given that if challenged, our patents would be declared by a court to be valid or enforceable. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our product candidates or prevent others from designing around our claims. The possibility exists that others will develop products on an independent basis which have the same effect as our product candidates and which do not infringe our patents or other intellectual property rights, or that others will design around the claims of patents that we have had issued that cover our product candidates. If the breadth or strength of protection provided by the patents and patent applications we hold, license or pursue with respect to our product candidates is threatened, it could jeopardize our ability to commercialize our product candidates. In addition, 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. Any of these outcomes could have an adverse impact on our business.

If patent applications that we hold or in-license with respect to our technology or product candidates fail to issue, if their breadth or strength of protection is threatened, or if they fail to provide meaningful exclusivity for our product candidates, it could dissuade companies from collaborating with us. We have recently filed several patent applications covering our product candidates. We cannot offer any assurances about which, if any, patents will be issued with respect to these pending patent applications, the breadth of any such patents, whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any successful challenge to these patents or any other patents owned by or exclusively licensed to us could deprive us of rights necessary for the successful commercialization of any product candidate that we or our collaborators may develop. Because patent applications in the United States and most other countries are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we were the first to file any patent application related to a product candidate. Furthermore, if third parties have filed such patent applications entitled to a priority earlier than March 16, 2013, an interference proceeding in the United States can be initiated by the USPTO or a third party to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. Similarly, we could become involved in derivation proceedings before the USPTO to determine inventorship with respect to our patent applications. We may also become involved in opposition proceedings in the European Patent Office or counterpart offices in other jurisdictions regarding our intellectual property rights. In addition, patents have a limited lifespan. In the United States, the natural expiration of a patent generally occurs 20 years after it is filed. Although various extensions may be available if certain conditions are met, the life of a patent and the protection it affords is limited. If we encounter delays in our clinical trials or in obtaining regulatory approvals, the period of time during which we could exclusively market any of our product candidates under patent protection, if approved, could be reduced. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be vulnerable to competition from biosimilar products. Any loss of patent protection could have a material adverse impact on our business. We may be unable to prevent competitors from entering the market with a product that is similar or identical to our product candidates, which could harm our business and ability to achieve profitability.

Furthermore, the research resulting in certain of our licensed patent rights and technology was funded by the U.S. government. As a result, the government has certain rights, such as march-in rights, to such patent rights and technology. When new technologies are developed with government funding, the government generally obtains certain rights in any resulting patents, including a non-exclusive license authorizing the government to practice the invention for or on behalf of the U.S. These rights may permit the government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. In addition, our rights in such inventions may be subject to certain requirements to manufacture products embodying such inventions in the United States. Any exercise by the government of such rights could harm our competitive position, business, results of operations, financial condition and future prospects.

If we are sued for infringing the intellectual property rights of third parties, such litigation could be costly and time-consuming and could prevent or delay our development and commercialization efforts.

Our commercial success depends, in part, on us and our collaborators not infringing the patents and proprietary rights of third parties. There is a substantial amount of litigation and other adversarial proceedings, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interference or derivation proceedings, oppositions, and *inter partes* and post-grant review proceedings before the USPTO and non-U.S. patent offices. Numerous U.S. and non-U.S. issued patents and pending patent applications owned by third parties exist in the fields in which we are developing and may develop our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of third parties' patent rights as it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform or predictable.

Third parties may assert infringement claims against us based on existing or future intellectual property rights, alleging that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacturing of our product candidates that we failed to identify. For example, applications filed before November 29, 2000, and certain applications filed after that date that will not be filed outside the United States, remain confidential until issued as patents. Except for the preceding exceptions, patent applications in the United States and elsewhere are generally published only after a waiting period of approximately 18 months after the earliest filing date. Therefore, patent applications covering our product candidates could have been filed by others without our knowledge. In addition, pending patent applications that have been published, including some of which we are aware, could be later amended in a manner that could cover our product candidates or their use or manufacture. We may analyze patents or patent applications of our competitors that we believe are relevant to our activities and believe that we are free to operate in relation to any of our product candidates, but our competitors may obtain issued claims, including in patents we consider to be unrelated, which may block our efforts or potentially result in any of our product candidates or our activities infringing such claims. If we are sued for patent infringement, we would need to demonstrate that our product candidates, products and methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving that a patent is invalid is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted, which could have a material adverse effect on us. If any issued third-party patents were held by a court of competent jurisdiction to cover aspects of our materials, formulations, methods of manufacture or methods for treatment, we could be forced, including by court order, to cease developing, manufacturing or commercializing the relevant product candidate until such patent expired. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and to continue developing, manufacturing or marketing the infringing product candidate. However, we may not be able to obtain any required license on commercially reasonably terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property licensed to us. Ultimately, we could be prevented from commercializing a product candidate, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This could harm our business significantly.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defending against claims of patent infringement or misappropriation of trade secrets could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. In addition, litigation or threatened litigation could result in significant demands on the time and attention of our management team, distracting them from the pursuit of other company 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 if we are found to have willfully infringed a patent, or to redesign our infringing product candidates which may be impossible or require substantial time and monetary expenditure. We may also elect to enter into license agreements in order to settle patent infringement claims prior to litigation, and any such license agreement may require us to pay royalties and other fees that could be significant.

We may face claims that we misappropriated the confidential information or trade secrets of a third party. If we are found to have misappropriated a third party's trade secrets, we may be prevented from further using such trade secrets, which could limit our ability to develop our product candidates. We are not aware of any material threatened or pending claims related to these matters, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management. During the course of any patent or other intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our product candidates, programs or intellectual property could be diminished. Accordingly, the market price of our common stock may decline.

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

Filing, prosecuting, enforcing and defending patents on all of our product candidates in all countries throughout the world would be prohibitively expensive. Our or our licensors' intellectual property rights in certain countries outside the United States may be less extensive than those in the United States. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we and our licensors may not be able to prevent third parties from practicing our and our licensors' inventions in countries outside the United States, or from selling or importing infringing products made using our and our licensors' inventions in and into the United States or other jurisdictions. Competitors may use our and our licensors' 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 and our licensors have patent protection but where enforcement is not as strong as that in the United States. These infringing products may compete with our product candidates in jurisdictions where we or our licensors have no issued patents and our patent claims and other intellectual property rights may not be effective or sufficient to prevent them from so competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us and our licensors to stop the infringement of our and our licensors' patents or marketing of competing products in violation of our and our licensors' proprietary rights generally. Proceedings to enforce our and our licensors' patent rights in foreign jurisdictions could result in substantial costs and divert our attention from other aspects of our business, could put our and our licensors' patents at risk of being invalidated or interpreted narrowly, could put our and our licensors' patent applications at risk of not issuing, and could provoke third parties to assert claims against us or our licensors. We or our licensors may not prevail in any lawsuits that we or our licensors initiate, and even if we or our licensors are successful the damages or other remedies awarded, if any, may not be commercially meaningful.

We have in-licensed a significant portion of our intellectual property from Amgen and MSK. If we breach any of our license agreements with Amgen or MSK, we could lose the ability to continue the development and potential commercialization of one or more of our product candidates.

We hold rights under a number of license agreements with Amgen and MSK that are important to our business. Our discovery and development platform is built, in part, around patent rights exclusively in-licensed from Amgen and MSK. The Amgen agreements generally grant us an exclusive (except as to the licenses to Amgen know-how, which are non-exclusive and limited as to their field of use), worldwide (except with regard to PINTA 745 in Japan, which was previously licensed to Takeda Pharmaceutical Company Limited) license to research, develop, improve, make, use, offer for sale, sell, import, export or otherwise exploit several classes of novel compounds, including PINTA 745 and STM 434. The MSK agreement generally grants us an exclusive license to research, develop, make, use, offer for sale, sell and import, EBV-CTL, CMV-CTL and WT1-CTL. Under our existing Amgen and MSK license agreements, we are subject to various obligations, including diligence obligations with respect to development and commercialization activities, payment obligations upon achievement of certain milestones and royalties on product sales, as well as other material obligations. If there is any conflict, dispute, disagreement or issue of nonperformance between us and Amgen or MSK regarding our rights or obligations under the license agreements, including any such conflict, dispute or disagreement arising from our failure to satisfy diligence or payment obligations under any such agreement, we may be liable to pay damages and Amgen or MSK may have a right to terminate the affected license. The loss of any or all of our license agreements with Amgen or our license agreement with MSK could materially adversely affect our ability to proceed to utilize the affected intellectual property in our drug discovery and development efforts, our ability to enter into future collaboration, licensing and/or marketing agreements for one or more affected product candidates and our ability to commercialize the affected product candidates. The risks described elsewhere pertaining to our patents and other intellectual property rights also apply to the intellectual property rights that we license, and any failure by us or our licensors to obtain, maintain and enforce these rights could have a material adverse effect on our business.

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

Third parties may infringe our patents, the patents of our licensors, or misappropriate or otherwise violate our or our licensors' intellectual property rights. Our and our licensors' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology. In the future, we or our licensors may elect to initiate legal proceedings to enforce or defend our or our licensors' intellectual property rights, to protect our or our licensors' trade secrets or to determine the validity or scope of intellectual property rights we own or control. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. In addition, third parties may initiate legal proceedings against us or our licensors to challenge the validity or scope of intellectual property rights we own or control. The proceedings can be expensive and time-consuming. Many of our or our licensors' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors can. Accordingly, despite our or our licensors' efforts, we or our licensors may not be able to prevent third parties from infringing upon or misappropriating intellectual property rights we own or control, particularly in countries where the laws may not protect our rights as fully as in the United States. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, in whole or in part, or may refuse to stop the other party from using the technology at issue on the grounds that our or our licensors' patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our or our licensors' patents at risk of being invalidated, held unenforceable or interpreted narrowly.

Interference or derivation proceedings provoked by third parties, brought by us or our licensors or collaborators, or brought by the USPTO or any non-U.S. patent authority may be necessary to determine the priority of inventions or matters of inventorship with respect to our patents or patent applications. We may also become involved in other proceedings, such as reexamination or opposition proceedings, *inter partes* review or other preissuance or post-grant proceedings in the USPTO or its foreign counterparts relating to our intellectual property or the intellectual property of others. An unfavorable outcome in any such proceeding could require us or our licensors to cease using the related technology and commercializing our product candidates, 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 or our licensors a license on commercially reasonable terms if any license is offered at all. Even if we or our licensors obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors. In addition, if the breadth or strength of protection provided by our or our licensors' patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Even if we successfully defend such litigation or proceeding, we may incur substantial costs and it may distract our management and other employees. We could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent.

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 shares of our common stock.

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

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time-consuming, and inherently uncertain. The Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. Depending on future decisions by the U.S. Congress, the federal courts and/or the USPTO, the laws and regulations governing patents could change in unpredictable ways that may weaken our and our licensors' ability to obtain new patents or to enforce existing patents and patents we and our licensors or collaborators may obtain in the future.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' patent applications and the enforcement or defense of our or our licensors' issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors' patent applications and the enforcement or defense of our or our licensors' issued patents, all of which could have a material adverse effect on our business and financial condition.

If we are unable to protect the confidentiality of our trade secrets and other proprietary information, the value of our technology could be materially adversely affected and our business could be harmed.

In addition to seeking the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce, and other elements of our technology, discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. The T-cell product candidates and platform technology we have licensed from MSK are protected primarily as confidential know-how and trade secrets. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, including by enabling them to develop and commercialize products substantially similar to or competitive with our EBV-CTL, CMV-CTL or WT1-CTL product candidates, thus eroding our competitive position in the market. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements and invention assignment agreements with our employees, consultants, and outside scientific advisors, contractors and collaborators. These agreements are designed to protect our proprietary information. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, or outside scientific advisors might intentionally or inadvertently disclose our trade secrets or confidential, proprietary information to competitors. In addition, competitors may otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. If any of our confidential proprietary information were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position.

Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, the laws of certain foreign countries do not protect proprietary rights such as trade secrets to the same extent or in the same manner as the laws of the United States. Misappropriation or unauthorized disclosure of our trade secrets to third parties could impair our competitive advantage in the market and could materially adversely affect our business, results of operations and financial condition.

Risks Related to Commercialization of Our Product Candidates

Our commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, patients, healthcare payors and major operators of dialysis and cancer clinics.

Even if we obtain regulatory approval for any of our product candidates that we may develop or acquire in the future, the product may not gain market acceptance among physicians, healthcare payors, patients or the medical community, including major operators of dialysis and cancer clinics. Market acceptance of any of our product candidates for which we receive approval depends on a number of factors, including:

- the efficacy and safety of such product candidates as demonstrated in clinical trials;
- the clinical indications and patient populations for which the product candidate is approved;
- acceptance by physicians, major operators of cancer and dialysis clinics and patients of the drug as a safe and effective treatment;
- the adoption of novel cellular therapies by physicians, hospitals and third-party payors;
- the potential and perceived advantages of product candidates over alternative treatments;
- the safety of product candidates seen in a broader patient group, including its use outside the approved indications;
- any restrictions on use together with other medications;
- the prevalence and severity of any side effects;

- product labeling or product insert requirements of the FDA or other regulatory authorities;
- the timing of market introduction of our products as well as competitive products;
- the development of manufacturing and distribution processes for our novel T-cell product candidates;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement and pricing by third-party payors and government authorities;
- relative convenience and ease of administration; and
- the effectiveness of our sales and marketing efforts and those of our collaborators.

If any of our product candidates are approved but fail to achieve market acceptance among physicians, patients, healthcare payors or major operators of dialysis and cancer clinics, we will not be able to generate significant revenues, which would compromise our ability to become profitable. In particular, the dialysis industry is dominated by two companies, DaVita Healthcare Partners and Fresenius. In the event PINTA 745 fails to be accepted by either of these companies, our ability to generate revenues from PINTA 745 and become profitable could be adversely affected.

Even if we are able to commercialize our product candidates, the products may not receive coverage and adequate reimbursement from third-party payors in the United States and in other countries in which we seek to commercialize our products, which could harm our business.

Our ability to commercialize any product successfully will depend, in part, on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations.

Government authorities and third-party payors, such as private health insurers and health maintenance organizations, determine which medications they will cover and establish reimbursement levels. A primary trend in the healthcare industry is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Third-party payors may also seek additional clinical evidence, beyond the data required to obtain regulatory approval, demonstrating clinical benefits and value in specific patient populations before covering our products for those patients. We cannot be sure that coverage and adequate reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain regulatory approval. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize any product candidate for which we obtain regulatory approval.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may only be temporary. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors in the United States often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Recently enacted and future legislation, including potentially unfavorable pricing regulations or other healthcare reform initiatives, may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect the prices we may obtain.

The regulations that govern, among other things, regulatory approvals, coverage, pricing and reimbursement for new drug products vary widely from country to country. In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to successfully sell any product candidates for which we obtain regulatory approval.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for physician- administered drugs. In particular, all Medicare payments for dialysis treatments to ESRD patients are now made under a single bundled payment rate that provides a fixed payment rate to encompass all goods and services provided during the dialysis treatment, including pharmaceuticals that were historically separately reimbursed to the dialysis providers, irrespective of the level of pharmaceuticals administered or additional services performed. Most lab services that used to be paid directly to laboratories are also included in the bundled payment. Unless we are able to secure an exemption, PINTA 745 may be subject to the bundled payment system. In recent years, Congress has considered further reductions in Medicare reimbursement for drugs administered by physicians. The Center for Medicare and Medicaid Services, or CMS, the agency that runs the Medicare program, also has the authority to revise reimbursement rates, including under the bundled payment system, and to implement coverage restrictions for some drugs. Cost reduction initiatives and changes in coverage implemented through legislation or regulation could decrease utilization of and reimbursement for any approved products, which in turn would affect the price we can receive for those products. While the Medicare Modernization Act and Medicare regulations apply only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from federal legislation or regulation may result in a similar reduction in payments from private payors.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010, or the Affordable Care Act, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on pharmaceutical and medical device manufacturers and impose additional health policy reforms. The Affordable Care Act expanded manufacturers' rebate liability to include covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations, increased the minimum rebate due for innovator drugs from 15.1% of average manufacturer price, or AMP, to 23.1% of AMP, and capped the total rebate amount for innovator drugs at 100% of AMP. The Affordable Care Act and subsequent legislation also changed the definition of AMP. Furthermore, the Affordable Care Act imposes a significant annual, nondeductible fee on companies that manufacture or import certain branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may affect our business practices with healthcare practitioners, and a significant number of provisions are not yet, or have only recently become, effective. Although it is too early to determine the effect of the Affordable Care Act, it appears likely to continue the pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. More recently, in August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, creates the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 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, starting in 2013. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In March 2013, the President signed an executive order implementing sequestration, and in April 2013, the 2% Medicare reductions went into effect. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our customers and accordingly, our financial operations. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be.

In the United States, the European Union and other potentially significant markets for our product candidates, government authorities and third-party payors are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices. Furthermore, the increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the European Union will put additional pressure on product pricing, reimbursement and usage, which may adversely affect our future product sales and results of operations. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement policies and pricing in general.

Price controls may be imposed in foreign markets, which may adversely affect our future profitability.

In some countries, particularly member states of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of regulatory approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we or our collaborators may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be adversely affected.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

We face competition from numerous pharmaceutical and biotechnology enterprises, as well as from academic institutions, government agencies and private and public research institutions for our current product candidates. Our commercial opportunities will be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects or are less expensive than any products that we may develop. Competition could result in reduced sales and pricing pressure on our product candidates, if approved, which in turn would reduce our ability to generate meaningful revenues and have a negative impact on our results of operations. In addition, significant delays in the development of our product candidates could allow our competitors to bring products to market before us and impair any ability to commercialize our product candidates.

Products are currently marketed or used off-label for the muscle wasting-related indications for which the products in our pipeline are being developed, and a number of companies are or may be developing new treatments for muscle wasting indications. These products, as well as promotional efforts by competitors and clinical trial results of competitive products, could significantly diminish any ability to market and sell PINTA 745 and other product candidates focused on muscle wasting-related indications. Today's treatment for protein-energy wasting and cancer cachexia often involves the administration of readily available nutritional supplements and appetite stimulants including, in some jurisdictions, medical marijuana. In addition, there are two commercially available steroids, nandrolone and oxandrolone, that are sometimes prescribed off-label for the treatment of weight loss in cancer patients. A number of companies are developing drug candidates for muscle wasting applications, including, but not limited to: Eli Lilly & Co., which is conducting Phase 1 clinical studies and Phase 2 clinical trials for LY2495655, and Pfizer Inc., which is conducting Phase 1 clinical studies for PF-06252616, both of which are myostatin antibodies, to evaluate their ability to increase and improve muscle mass in various patient populations; Novartis Corporation, which is conducting Phase 1 clinical studies and Phase 2 clinical trials for BYM338, an ActR2B antibody, to evaluate its ability to build muscle in patients with various muscle-wasting conditions; Ligand Pharmaceuticals, which is developing LGD-4033, a selective androgen receptor modulator, for muscle wasting; Regeneron Pharmaceuticals, Inc., which is developing REGN1033, a myostatin antibody, in collaboration with Sanofi-Aventis for sarcopenia; Acceleron Pharma, Inc., which is developing ACE-083, a modified cysteine knot ligand trap of the TGF-ß superfamily, for diseases in which improved muscle strength may provide a clinical benefit, such as inclusion body myositis and certain forms of muscular dystrophy; and GTx, Inc., which is developing ostarine, a selective androgen receptor modulator for cachexia.

There are numerous approved products and therapies for ovarian cancer, and a number of companies are or may be developing new treatments for ovarian cancer and other solid tumors. These therapies, as well as promotional efforts by competitors and clinical trial results of competitive products, could significantly diminish any ability to market and sell STM 434. Approved drug therapies for ovarian cancer include: chemotherapy with platinum compounds such as cisplatin or carboplatin and taxane compounds such as paclitaxel or docetaxel; bevacizumab in combination with a chemotherapy compound such as liposomal doxorubicin, paclitaxel or topotecan; olaparib in patients with deleterious or suspected deleterious germline breast cancer susceptibility gene, known as BRCA, mutated advanced ovarian cancer who have been treated with three or more prior lines of chemotherapy; and hormone therapies including goserelin, leuprolide, tamoxifen, letrozole, anastrozole and exemestane. A number of companies are developing drug candidates for ovarian cancer and other solid tumors, including, but not limited to Genentech/Roche, which is developing bevacizumab (Avastin) and other potential drug therapies.

There currently are no FDA or EMA approved products for the treatment of EBV-PTLD. However, some approved products and therapies are used off-label in the treatment of EBV-PTLD, such as rituximab and combination chemotherapy regimens. In addition, a number of companies and academic institutions are developing drug candidates for EBV-PTLD and other EBV associated diseases including: Cell Medica Ltd., or Cell Medica, which is conducting Phase 2 clinical studies for Cytorex EBV, an autologous EBV specific T-cell therapy in NK/T-cell lymphoma; Children's Hospital Medical Center and Children's Research Institute, which are conducting Phase 2 clinical trials for a third party cell therapy product with specificity for EBV; Baylor University, which is conducting Phase 2 clinical trials for a multivirus-specific cell therapy product derived from unrelated donors; and New York Medical College, Baylor University and Children's Research Institute, which are conducting Phase 1 clinical trials for allogeneic cell therapy products.

Drug therapies approved or commonly used for CMV infection include antiviral compounds such as ganciclovir, valganciclovir, cidofovir and foscarnet. In addition, a number of companies and academic institutions are developing drug candidates for CMV infection and other CMV-associated diseases, including: Shire Plc, or Shire, which has completed Phase 2 clinical trials of maribavir, a UL97 protein kinase inhibitor; Merck & Co. Inc., or Merck, which is conducting Phase 3 clinical trials of letermovir, a CMV terminase inhibitor; Chimerix, Inc., or Chimerix, which is conducting Phase 2 and Phase 3 clinical trials for brincidofovir, a lipid conjugated nucleotide analogue of cidofovir; Vical Inc., or Vical, which is conducting Phase 3 clinical trials for ASP0113, a bivalent plasma DNA CMV vaccine; Baylor University, which is conducting Phase 2 clinical trials for an "off-the-shelf" virus-specific cell therapy product; Children's Hospital Medical Center and Children's Research Institute, which are conducting Phase 1 and Phase 2 clinical trials for a CMV-specific third party cell therapy product; M.D. Anderson, which is conducting Phase 2 clinical trials for a CMV-specific cell therapy product derived from unrelated donors; and ViraCyte, which is conducting Phase 1 clinical trials for Viralym-C, a CMV-specific allogeneic cell therapy product.

Many of the approved or commonly used drugs and therapies for muscle wasting, ovarian cancer, EBV-PTLD and CMV are well-established and are widely accepted by physicians, patients and third-party payors. Some of these drugs are branded and subject to patent protection, and other drugs and nutritional supplements are available on a generic basis. Insurers and other third-party payors may encourage the use of generic products or specific branded products. We expect that, if any of these product candidates is approved, it will be priced at a significant premium over competitive generic products. This pricing premium may make it difficult for us to differentiate these products from currently approved or commonly used therapies and impede adoption of our product, which may adversely impact our business. In addition, many companies are developing new therapeutics, and we cannot predict what the standard of care will become as our products continue in clinical development.

Many of our competitors or potential competitors have significantly greater established presence in the market, financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do, and as a result may have a competitive advantage over us. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or advantageous to our business.

As a result of these factors, these competitors may obtain regulatory approval of their products before we are able to obtain patent protection or other intellectual property rights, which will limit our ability to develop or commercialize our product candidates. Our competitors may also develop drugs that are safer, more effective, more widely used and cheaper than ours, and may also be more successful than us in manufacturing and marketing their products. These appreciable advantages could render our product candidates obsolete or noncompetitive before we can recover the expenses of development and commercialization.

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

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our product candidates, we may be unable to generate any revenue.

We do not currently have an organization for the sale, marketing and distribution of pharmaceutical products and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. In order to market any products that may be approved by the FDA and comparable foreign regulatory authorities, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. There are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel and effectively manage a geographically dispersed sales and marketing team. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of these products. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenues and may not become profitable. We will be competing with many companies that currently have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, we may be unable to compete successfully against these more established companies. If we are not successful in commercializing our current or future product candidates either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we would incur significant additional losses.

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

As of September 30, 2015, we had 41 employees. We need to grow the size of our organization in order to support our continued development and potential commercialization of our product candidates. In particular, we will need to add substantial numbers of additional personnel and other resources to support our development and potential commercialization of EBV-CTL, CMV-CTL and WT1-CTL. As our development and commercialization plans and strategies continue to develop, or as a result of any future acquisitions, our need for additional managerial, operational, manufacturing, sales, marketing, financial and other resources will increase. Our management, personnel and systems currently in place may not be adequate to support this future growth. Future growth would impose significant added responsibilities on members of management, including:

- managing our clinical studies and trials effectively;
- identifying, recruiting, maintaining, motivating and integrating additional employees;
- managing our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors and other third parties;
- improving our managerial, development, operational, information technology, and finance systems; and
- expanding our facilities.

As our operations expand, we will also need to manage additional relationships with various strategic partners, suppliers and other third parties. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical studies and trials effectively and hire, train and integrate additional management, research and development, manufacturing, administrative and sales and marketing personnel. Our failure to accomplish any of these tasks could prevent us from successfully growing our company.

Our future success depends on our ability to retain our executive officers and to attract, retain and motivate qualified personnel.

We are highly dependent upon our personnel, including Isaac E. Ciechanover, M.D., our President, Chief Executive Officer and founder, and Christopher Haqq, Ph.D., M.D., our Chief Medical Officer. Our employment agreements with Drs. Ciechanover and Haqq are at-will and do not prevent them from terminating their employment with us at any time. The loss of the services of either of them could impede the achievement of our research, development and commercialization objectives.

Our future growth and success depend on our ability to recruit, retain, manage and motivate our employees. The loss of any member of our senior management team or the inability to hire or retain experienced management personnel could compromise our ability to execute our business plan and harm our operating results. Because of the specialized scientific and managerial nature of our business, we rely heavily on our ability to attract and retain qualified scientific, technical and managerial personnel. The competition for qualified personnel in the pharmaceutical field is intense and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors will play a primary role in the recommendation and prescription of any product candidates for which we obtain regulatory approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we would market, sell and distribute our products. As a pharmaceutical company, even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. Restrictions under applicable federal and state healthcare laws and regulations that may affect our ability to operate include the following:

- the federal healthcare Anti-Kickback Statute will constrain our marketing practices, educational programs, pricing policies, and relationships with healthcare providers or other entities, by prohibiting, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- federal civil and criminal false claims laws and civil monetary penalty laws impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also created federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statements in connection with the delivery of or payment for healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal physician sunshine requirements under the Affordable Care Act requires manufacturers of drugs, devices, biologics and medical supplies to report annually to HHS information related to payments and other transfers of value to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members and applicable group purchasing organizations; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or
- marketing expenditures; and state and foreign laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any physicians or other healthcare providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, provide accurate information to the FDA or comparable foreign regulatory authorities, comply with manufacturing standards we have established, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

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

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. Product liability claims may be brought against us by subjects enrolled in our clinical trials, patients, healthcare providers or others using, administering or selling our products. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- termination of clinical trial sites or entire trial programs;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial subjects or patients;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize any products that we may develop.

We currently hold product liability insurance coverage at a level that we believe is customary for similarly situated companies and adequate to provide us with insurance coverage for foreseeable risks, but which may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. We intend to expand our insurance coverage for products to include the sale of commercial products if we obtain regulatory approval for our product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products that receive regulatory approval. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us, particularly if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

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

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

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials with a policy limit that we believe is customary for similarly situated companies and adequate to provide us with insurance coverage for foreseeable risks, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological or hazardous materials.

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

Our business and operations would suffer in the event of computer system failures or security breaches.

Our internal computer systems, and those of MSK, our CROs, our CMOs, and other business vendors on which we rely, are vulnerable to damage from computer viruses, unauthorized access, natural disasters, fire, terrorism, war and telecommunication and electrical failures. We exercise little or no control over these third parties, which increases our vulnerability to problems with their systems. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed, ongoing or planned 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 results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, the further development of our product candidates could be delayed and our business could be otherwise adversely affected.

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

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

Risks Related to Ownership of Our Common Stock

Our stock price has been and will likely continue to be volatile and may decline regardless of our operating performance.

Our stock price has fluctuated in the past and can be expected to be volatile in the future. From October 16, 2014, the first date of trading of our common stock, through October 31, 2015, the reported sale price of our common stock has fluctuated between $9.66 and $65.56 per share. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may experience losses on their investment in our common stock. The market price of our common stock may be influenced by many factors, including the following:

- the success of competitive products or technologies;
- regulatory actions with respect to our product candidates or products or our competitors' product candidates or products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- results of clinical trials of our product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to in-license or acquire additional product candidates or products;

- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other risks described in this "Risk Factors" section.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our common stock has been volatile, and in the past companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

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

As of September 30, 2015, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates together owned more than 50% of our outstanding voting stock, assuming no exercise of outstanding options. These stockholders may be able to determine the outcome of all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

Sales of a substantial number of shares of our common stock 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 could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of October 31, 2015, we had 28,631,144 shares of common stock outstanding. Moreover, certain holders of shares of our common stock will have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have registered and intend to continue to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

We are an "emerging growth company" and are taking advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in our common stock being less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we are taking advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote 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 will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company, which in certain circumstances could be for up to five years. We will cease to be an "emerging growth company" upon the earliest of: (1) December 31, 2019; (2) the last day of the first fiscal year in which our annual gross revenues are $1 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities; and (4) the date on which we are deemed to be a "large accelerated filer" as defined in the Exchange Act.

Our status as an "emerging growth company" under the JOBS Act may make it more difficult to raise capital as and when we need it.

Because of the exemptions from various reporting requirements provided to us as an "emerging growth company" we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

We have incurred and will continue to incur increased costs as a result of being a public company and our management expects to devote substantial time to public company compliance programs.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses. We are subject to the reporting requirements of the Exchange Act, which require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and The Nasdaq Stock 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, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted and will adopt additional rules and regulations, such as mandatory "say on pay" voting requirements, that will apply to us when we cease to be an emerging growth company. Stockholder activism, the current political environment and the potential for future 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.

The rules and regulations applicable to public companies have substantially increased our legal and financial compliance costs and make some activities more time-consuming and costly. To the extent these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. 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.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

Prior to the completion of our initial public offering, we were a private company with limited accounting personnel and other resources to address our internal control over financial reporting. During the course of preparing for our initial public offering, we determined that we had a material weakness in our internal control over financial reporting as of December 31, 2013 relating to the design and operation of our closing and financial reporting processes.

While we have remediated this weakness, if we are unable to successfully maintain effective control over financial reporting, and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable listing requirements of The Nasdaq Stock Market.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of potential gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, 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 will be needed in the future to continue our planned operations. To raise capital, we may sell substantial amounts of common stock or securities convertible into or exchangeable for common stock. These future issuances of common stock or common stock-related securities, together with the exercise of outstanding options and any additional shares issued in connection with acquisitions or in-licenses, if any, may result in material dilution to our investors. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common stock.

Pursuant to our equity incentive plans, our compensation committee is authorized to grant equity-based incentive awards to our employees, non-employee directors and consultants. Future grants of RSUs, options and other equity awards and issuances of common stock under our equity incentive plans will result in dilution and may have an adverse effect on the market price of our common stock.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation, or certificate of incorporation, and amended and restated bylaws, or bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, or remove our current management. These include provisions that will:

- permit our board of directors to issue up to 20,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that all vacancies on our board of directors, including as a result of newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide advance notice in writing, and also specify requirements as to the form and content of a stockholder's notice;
- not provide for cumulative voting rights, thereby allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election; and
- provide that special meetings of our stockholders may be called only by the board of directors or by such person or persons requested by a majority of the board of directors to call such meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management. Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may discourage, delay or prevent someone from acquiring us or merging with us whether or not it is desired by or beneficial to our stockholders. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. In the event securities or industry analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds

In October 2014, we completed our initial public offering in which 5,750,000 shares of our common stock (including 750,000 shares from the full exercise by the underwriters of their option to purchase additional shares) were sold at a price to the public of $11.00 per share, resulting in net proceeds of $55.8 million to the Company. All of the shares issued and sold in the offering were registered under the Securities Act pursuant to a Registration Statement on Form S-1 (File No.333-196936), which was declared effective by the SEC on October 15, 2014. There has been no material change in the planned use of proceeds from our initial public offering as described in the final prospectus dated October 15, 2014 and filed with the SEC on October 16, 2014. As of September 30, 2015, we had used approximately $35.2 million of the proceeds from our initial public offering.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Atara Biotherapeutics, Inc.	S-1	333-196936	3.2	6/20/2014	
3.2	Amended and Restated Bylaws of Atara Biotherapeutics, Inc.	S-1	333-196936	3.4	6/20/2014	
4.1	Form of Atara Biotherapeutics, Inc. Common Stock Certificate.	S-1/A	333-196936	4.1	7/10/2014	
4.2	Investor Rights Agreement of Atara Biotherapeutics, Inc., dated March 31, 2014.	S-1	333-196936	4.2	6/20/2014	
10.33	Office Lease, by and between Atara Biotherapeutics, Inc. and BPG Rock Westlake, LLC, dated January 7, 2015					X
10.34	First Amendment to Lease, by and between Atara Biotherapeutics, Inc. and BPG Rock Westlake, LLC, dated September 9, 2015					X
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1(1)	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Schema Document					X
101.CAL	XBRL Calculation Linkbase Document					X
101.LAB	XBRL Labels Linkbase Document					X
101.PRE	XBRL Presentation Linkbase Document					X
101.DEF	XBRL Definition Linkbase Document.					X

(1) The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Atara Biotherapeutics, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATARA BIOTHERAPEUTICS, INC.

Date: November 5, 2015

By: /s/ Isaac Ciechanover
Isaac Ciechanover
President and Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

By: /s/ John F. McGrath, Jr.
John F. McGrath, Jr.
Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Index to Exhibits

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Exhibit 10.33

4360 PARK TERRACE DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91361

LESSOR:

BPG ROCK WESTLAKE, LLC
a Delaware limited liability company
and

LESSEE:

ATARA BIOTHERAPEUTICS, INC.
a Delaware corporation

Dated: January 7, 2015

4360 PARK TERRACE DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91361

SUMMARY OF BASIC LEASE INFORMATION

This Summary of Basic Lease Information (the "Summary") is hereby incorporated into and made a part of the attached Office Lease ("Office Lease") (this Summary and the Office Lease to be known collectively as the "Lease") which pertains to the "Project" (as that term is defined in the Office Lease) located at 4330-4360 Park Terrace Drive, Westlake Village, CA 91361. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used in this Summary and not otherwise defined herein shall have the meaning as set forth in the Office Lease.

	TERMS OF LEASE (References are to the Office Lease)	**DESCRIPTION**
1.	Date:	January 7, 2015
2.	Lessor:	BPG Rock Westlake, LLC a Delaware limited liability company
3.	Address of Lessor:	
	3.1Address for Notices:	c/o Barker Pacific Group, Inc. 626 Wilshire Boulevard Suite 900 Los Angeles, CA 90017 Attention: Michael D. Barker
	3.2Address for Payment of Rent	BPG Rock Westlake, LLC PO BOX 31001-2209 Pasadena, CA 91110-2209
4.	Lessee:	Atara Biotherapeutics, Inc. a Delaware corporation
5.	Address of Lessee:	701 Gateway Blvd. Suite 200 South San Francisco, CA 94080 Attention: Joshua Higa (Prior to Commencement Date) and 4360 Park Terrace Drive, Suite 100 Westlake Village, CA 91361 Attention: Joshua Higa (After Commencement Date)

6. Building; Premises (Article 1):

6.1 Building(s): 107,372 rentable square feet of office space.
4330-4360 Park Terrace Drive
Westlake Village, CA 91361

6.2 Premises: 4,843 rentable square feet of space located on the first (1st) floor of the 4360 building of the Project as set forth in **Exhibit A** attached hereto and commonly known as Suite 100.

7. Term (Article 3):

7.1 Lease Term: Approximately thirty-nine (39) months from the Lease Commencement Date. If the Lease Commencement Date is other than the first day of a calendar month then, solely for purposes of determining the length of the Lease Term (as opposed to the commencement of the Lease Term, which shall nevertheless commence on the Lease Commencement Date), the partial month commencing on the Lease Commencement Date and ending on the last day of said calendar month shall be disregarded in computing the length of the Lease Term and in determining the Lease Expiration Date. Month 1 of the Lease Term shall be the first full calendar month following the Lease Commencement Date. Notwithstanding anything to the contrary in the foregoing, Base Rent and any applicable Additional Rent shall be payable for said partial month (prorated as provided in the Lease) in the same amount as is due and payable hereunder for the first full calendar month of the Lease Term for which Base Rent is payable and any Rent Abatement Period shall commence with Month 2 of the Lease Term as determined in accordance with this Paragraph.

7.2 Lease Commencement Date: January 1, 2015 or the date that the space is delivered to Lessee as substantially completed, whichever date is later; provided, however, in all events the Lease Commencement Date shall be any earlier date that Lessee occupies the Premises for the purposes of doing business. Notwithstanding the foregoing, if the Lease Commencement Date does not occur by February 1, 2015, Lessee will receive two (2) days of additional free rent for every day the space is delayed in delivery. In addition, if the Lease Commencement Date does not occur by March 1, 2015, Lessee shall have the right, but not the obligation, to terminate this Lease and, thereafter, shall owe no amounts to Lessor and shall have no further obligations to Lessor hereunder.

7.3Lease Expiration Date: The last day of the thirty-ninth (39th) full calendar month

of the Lease Term.

8.Base Rent (Article 4):

Lease Years:	Monthly Rental Rate per Rentable Square Foot:	Monthly Installment of Base Rent:	Annual Base Rent:
Month 1	$2.00 RSF	$9,686.00	$116,232.00
Subject to Article 4.1 of the Office Lease, Month 2 through Month 4 (the "Rent Abatement Period")	$0	$0	N/A
Months 5-12	$2.00 RSF	$9,686.00	$116,232.00
Year 2	$2.06 RSF	$9,976.58	$119,718.96
Year 3	$2.12 RSF	$10,267.16	$123,205.92
Months 37-39	$2.18 RSF	$10,557.74	$126,692.88

As used in this Lease, "Lease Year" shall mean each consecutive twelve (12) month calendar period during the Lease Term, with the first Lease Year commencing as provided in Item 7.1 of this Summary.

9. Additional Rent (Article 4)

9.1Base Year: Calendar year 2015.

9.2Lessee's Percentage Share of Basic Costs: 4.510%

10. Security Deposit (Article 4): $30,801.48

11. Parking (Article 20) Fifteen (15) unreserved parking spaces.

12. Brokers (Article 21.13):

Lessor Agent:
CBRE
Tom Dwyer
771 East Daily Drive, Suite 300
Camarillo, CA 93010

Lessee Agent:
CBRE
Michael Slater
771 East Daily Drive, Suite 300
Camarillo, CA 93010

13. Permitted Use (Article 3.2):	First Class Office Use
14. Moving Allowance:	Lessor agrees to pay Lessee a one-time moving allowance in the amount of four thousand and eight hundred and forty-three dollars ($4,843.00), payable to Lessee within thirty (30) days of the Lease Commencement Date.

4360 PARK TERRACE DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91361

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4360 PARK TERRACE DRIVE
WESTLAKE VILLAGE, CALIFORNIA 91361

OFFICE LEASE

This Office Lease, which includes the preceding Summary of Basic Lease Information (the "Summary") attached hereto and incorporated herein by this reference (this Office Lease and Summary to be known, collectively, as the "Lease"), dated as of the Effective Date set forth in Item 1 of the Summary, is made by and between the parties identified in the Summary as Lessor and as Lessee.

ARTICLE 1

PROJECT, BUILDING AND PREMISES

1.1 Project, Building and Premises.

Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the premises set forth in Item 6 of the Summary (the "Premises"), which Premises are located in the Project (as defined in this Article 1.1). The outline of the floor plan of the Premises is set forth in Exhibit A attached hereto and made a part hereof. The Premises are a part of the office building located at 4330-4360 Park Terrace Drive, Westlake Village, CA 91361 (the "Building"). The land on which the office building is located is more particularly described in Exhibit B attached hereto and made a part hereof. The Building, land and other improvements surrounding the Building which are designated from time to time by Lessor as common areas appurtenant to or servicing the Building and the land upon which any of the foregoing are situated, are herein sometimes collectively referred to as the "Project."

1.2 Condition of the Premises.

Except as expressly set forth in this Lease and in the Work Letter attached hereto as Exhibit C, Lessor shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the improvement, remodeling or refurbishment of the Premises, and Lessee shall accept the Premises in its "AS IS, WHERE IS" condition on the Lease Commencement Date. Notwithstanding anything to the contrary in the foregoing, Lessor shall deliver possession of the Premises to Lessee with all Building systems serving and located therein (including standard ceiling lighting and electrical outlets) in good operating condition and working order. Subject to the foregoing, Lessor makes no representation or warranty, express or implied, with respect to the condition of the Premises, the Building or the Project, the suitability of the Premises, the Building or the Project for Lessee's particular use, or any other conditions that may affect Lessee's use and enjoyment of the Premises, the Building or the Project. Without limiting the foregoing, neither the Premises nor the Common Areas have undergone inspection by a Certified Access Specialist (CASp) within the meaning of California Civil Code Section 1938, and Lessor is not providing any representations or warranties regarding whether the Premises or the Common Areas (or any portions thereof) meets all applicable construction-related accessibility standards. No construction conducted on, and/or development of, any adjoining property, whether or not performed or developed under the direction of Lessor or other persons, including any attendant noise and dust associated with such activity, shall affect the obligations of Lessee under this Lease or constitute a constructive eviction or a breach of the covenant of quiet enjoyment. No rights to any view or to light or air over any other portion of the Project or any other property, whether belonging to Lessor or any other person, are granted to Lessee by this Lease or are deemed an appurtenance to Lessee's use and/or occupancy of the Premises. Lessor reserves from the leasehold estate hereunder, in addition to all other rights reserved by Lessor under this Lease: (i) all exterior walls and windows bounding the Premises and rights to the use of the roof of the Building, and (ii) all space above the ceiling tiles (and commonly referred to as the "plenum").

1.3 Common Areas.

Appurtenant to the occupancy of the Premises and subject to the Project Rules (as that term is defined in Article 3.3), Lessee is hereby granted the right to the nonexclusive use of the following common areas ("Common

Areas").

(a) Building Common Area. The common stairways, corridors and access-ways, vending and mail areas, lobbies and foyers, entrances, stairs, elevators, and common area restrooms (including, but not limited to any common showers and lockers made available to tenants) of the Building.

(b) Land Common Area. The common walkways and sidewalks necessary for access to the Project, together with any courtyards and landscaped areas.

(c) Parking. The right to use the parking facility of the Building (the "Parking Facility") subject to and in accordance with the terms of Article 20.

1.4 Lessor's Reserved Rights in Premises and Common Areas.

Lessor reserves the right from time to time to undertake the following in a manner that does not materially alter the quality and character of the Premises:

(a) Project Changes. To install, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Building above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas, and to relocate any pipes, ducts, conduits, wires and appurtenant meters and equipment in the Premises which are so located or located elsewhere outside the Premises, to make alterations or additions to or to change the location of elements of the Project and the common areas thereof, including, without limitation, the location and size of any and all hallways, corridors, lobby areas and other common areas of the Building, the manner of ingress and egress to and from the Project and/or the Building, and the location, size, shape and number of the Project's driveways, entrances, parking facilities, walkways and other common areas of the Project.

(b) Boundary Changes. To change the lines of the parcel of land on which the Project stands and make other reasonable changes and grant others rights thereto, including without limitation the granting of easements, rights of way and rights of ingress and egress and similar rights for utilities, and/or for other public or private uses consistent with the purposes of the Project.

1.5 Rentable Area.

The parties hereby stipulate that the Premises and the Building contain the rentable square feet set forth in Items 6.1 and 6.2 of the Summary and, except as hereinafter provided, such square footage amount is not subject to adjustment or remeasurement under this Lease notwithstanding any subsequent remeasurement by Lessee for whatever reason; Base Rent has been determined for separate consideration independent of actual rentable square footage. The rentable square footage of the Premises has been determined in accordance with BOMA's Standard Method of Measuring Floor Area in Office Buildings (ANSI/BOMA Z.65.1-1996), as modified by Lessor for uniform use in the Building (the "BOMA Modified Standard"). The parties acknowledge that the general expressions "rentable square feet" and "Rentable Area", as used in this Lease, refer to the determination of rentable square footage in accordance with the BOMA Modified Standard. Lessor may remeasure the Building based on changes in the BOMA Modified Standard, or any additions or deletions from the rentable area of the Building using the BOMA Modified Standard, which remeasurement may result in an adjustment to Lessee's Percentage Share; provided, however no such adjustment shall operate to increase Base Rent. Subject to the foregoing, the square footage figures contained in this Lease shall be final and binding on the parties.

1.6 Lessee's Percentage Share.

The term "Lessee's Percentage Share" shall mean the percentage figure specified in the Summary which represents the ratio that the Rentable Area of the Premises bears to one hundred percent (100%) of the Rentable Area of the Buildings. In the event Lessee's Percentage Share is changed during a Calendar Year by reason of a change in the Rentable Area of the Premises or a change in the total Rentable Area of the Building or leased portion thereof, Lessee's Percentage Share shall be re-calculated pursuant to the aforementioned formula and shall be

determined on the basis of the number of days during such Calendar Year at each such percentage.

(i) Right of First Offer.

Lessee shall have the right to expand the Premises according to the terms of the Right of First Offer set forth in Exhibit I, which is attached to and incorporated in this Lease.

ARTICLE 2

PLANS AND CONSTRUCTION

2.1 Lessee Improvements.

The design and construction of, and payment for, the "Lessee Improvements" (set forth in Exhibit C) to be constructed prior to the Lease Commencement Date shall be governed by the provisions of the work letter attached hereto as Exhibit C (the "Work Letter"). Lessor shall deliver the Premises to Lessee on the Lease Commencement Date with the Lessee Improvements Substantially Complete (as that term is defined in the Work Letter).

2.2 Early Access.

Provided such entry does not interfere with Lessor's performance of the Lessee Improvements, Lessee is granted the right of early access to the Premises for a period of not less than fourteen (14) days prior to the anticipated Lease Commencement Date (the "Early Occupancy Date"); provided, however, any such early access shall be subject to Lessee's delivery of evidence of insurance satisfying the requirements of this Lease and such access shall be for the sole purpose of enabling Lessee and its agents, employees and contractors to install in the Premises Lessee's Property necessary for Lessee's occupancy of the Premises (subject to the terms of this Lease), and to complete the physical relocation of Lessee's files, books, records, papers and miscellaneous furnishings to the Premises. All of the terms of this Lease shall be binding on and apply to Lessee during such early occupancy period, except that Lessee's obligation to pay Base Rent shall only commence on the Lease Commencement Date.

ARTICLE 3

TERM; USE; COMPLIANCE WITH LAWS

3.1 Commencement of Term.

Subject to and upon the terms and conditions set forth herein, the term of this Lease shall be for a period specified in the Summary as "Lease Term," commencing upon the Lease Commencement Date. In the event of the inability of Lessor to deliver possession of the Premises at the time for the commencement of the Lease Term for any reason whatsoever, neither Lessor nor its agents shall be liable for any damage caused thereby, nor shall this Lease thereby become void or voidable unless and until the Lease Commencement Date has not occurred prior to March 1, 2015 (in which case Lessee may terminate this Lease as set forth in Section 7.2 of the Summary), nor shall the Lease Term be in any way extended, but in such event Lessee shall not be liable for any Rent until such time as Lessor actually delivers possession of the Premises in the condition required by this Lease

Promptly following the Lease Commencement Date, Lessor and Lessee shall execute a Notice of Lease Term Dates, substantially in the form of Exhibit E attached hereto and made a part hereof setting forth, among other things, the Lease Commencement Date and the Lease Expiration Date.

Provided Lessee is not in default under this Lease (after any applicable notice and lapse of applicable cure periods) Lessee shall have the right to extend the Lease Term by exercise of the Extension Option as set forth in Exhibit H attached to this Lease and made a part hereof.

3.2 General Use.

Lessee shall only use the Premises for the Permitted Use provided in Item 13 of the Summary and for no other use. At Lessee's sole cost and expense, Lessee shall comply with and faithfully observe all of the requirements of municipal, county, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force ("Laws"), pertaining to Lessee's use and occupancy of the Premises, and shall secure any necessary permits pertaining to Lessee's specific use of the Premises. In Lessee's use and occupancy of the Premises, Lessee shall not subject the Premises to any use that would cause any cancellation of any insurance policy of Lessor covering the Project or any portion thereof and Lessee shall, at its sole cost and expense, comply with any and all reasonable requirements of Lessor's insurers. Lessee shall not do or permit anything to be done in or about the Premises which shall in any way obstruct or interfere with the rights of other tenants of the Project, nor shall Lessee or Lessee's agents cause, maintain or permit any nuisance in, on or about the Premises or commit or suffer to be committed any waste in, on or about the Premises. The Building is a "no smoking" building and Lessee shall not permit any persons under the control of Lessee to smoke in the Building. Except for normal office equipment and furnishings, Lessee shall not bring into the Building, or keep or arrange in the Premises any furniture, equipment, materials or other objects which individually or collectively overload the Premises or the Building or that would cause noise and/or vibration that may be transmitted to the structure of the Building or to any other tenants in the Building. Lessor reserves the right to prescribe the weight and position of all safes, fixtures and heavy installations that Lessee desires to place in the Premises so as to distribute properly the weight, or to require plans prepared by a qualified structural engineer for such heavy objects at Lessee's sole cost and expense. Notwithstanding the foregoing, Lessor shall have no liability for damage caused by the installation of such safes and heavy equipment.

3.3 Rules and Regulations.

Lessee shall faithfully observe and comply with such rules and regulations adopted from time to time by Lessor and provided in writing to Lessee for the safety, care and general conduct of business at the Project ("Rules and Regulations"), including rules implementing environmental sustainable practices in Building operations and management and energy efficiency and waste management. The current Rules and Regulations for the Project are attached to this Lease as Exhibit F and made a part hereof (collectively, the "Project Rules"). Lessor reserves the right from time to time in its sole discretion upon written notice to Lessee to make all reasonable additions and modifications to the Project Rules. Any additions and modifications to the Project Rules shall be binding on Lessee only when written notice thereof is delivered to Lessee. Lessor shall not be liable to Lessee for violation of any such Project Rules, or for the breach of any covenant or condition in any lease by any other tenant in the Building; however, Lessor shall make a reasonable effort to encourage compliance therewith by all Building tenants in a non-discriminatory manner. In the event of any conflict between this Lease and the Project Rules, the terms of this Lease shall govern. A waiver by Lessor of any rule or regulation for any other tenant shall not constitute nor be deemed a waiver of the rule or regulation for Lessee.

3.4 Hazardous Substances.

(a) Restricted Use of Hazardous Substances. Except for general office supplies typically used in an office area in the ordinary course of business, such as copier toner, liquid paper, glue, ink, and cleaning solvents, for use in the manner for which they were designed, in such amounts as may be normal for the office business operations conducted by Lessee in the Premises, neither Lessee nor its agents, employees, contractors, licensees, sublessees, assignees, concessionaires or invitees shall use, handle, store or dispose of any Hazardous Substances in, on, under or about the Premises or the Project. Furthermore, Lessee shall immediately notify Lessor of any inquiry, test, investigation or enforcement proceeding naming or against Lessee or the Premises that concerns the use, generation, storage, release or disposition of any Hazardous Substance.

(b) Indemnification and Reimbursement of Release Related Costs and Expenses. If any Hazardous Substances are used, stored, generated, or disposed of on or in the Premises including those customarily used in connection with general office uses, or if the Premises become affected by any release or discharge of a Hazardous Substance, Lessee shall indemnify, defend and hold harmless Lessor from and against any and all Claims (including, without limitation, a decrease in value of the Premises, damages caused by loss or restriction of rentable or usable space, or any damages caused by adverse impact on

marketing of the space, and any and all sums paid for settlement of claims, attorneys' fees, consultant, and expert fees) arising during or after the Lease Term as a result of such use, storage, disposal, generation, release or discharge. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the site or any clean-up, remediation, removal, or restoration mandated by federal, state or local agency or political subdivision. Without limitation of the foregoing, if Lessee causes or permits the use, storage, generation, or disposal of any Hazardous Substances in or about the Premises and the same results in any release or discharge of Hazardous Substances, Lessee shall promptly, at its sole expense, take any and all necessary actions to return the Premises to the condition existing prior to the use, storage, generation, or disposal of any such Hazardous Substances. Lessee shall first obtain Lessor's approval for any such remedial action. Lessee acknowledges that Lessor, at Lessor's election, shall have the sole right, at Lessee 's expense, to negotiate, defend, approve and appeal any action taken or order issued by any governmental authority with regard to any Hazardous Substance release or discharge for which Lessee is obligated hereunder.

(c) Definition of Hazardous Substance. As used herein, "Hazardous Substance" means asbestos, any petroleum fuel, radioactive material, polychorobiphenyls, biological pathogens, and any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States government, including, but not limited to, any material or substance defined as a "hazardous waste," "extremely hazardous waste," "restricted hazardous waste," "hazardous substance," "hazardous material" or "toxic pollutant" under the California Health and Safety Code, under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. section 9601, *et. seq*., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq*.; and the Toxic Substances Control Act, 15 U.S.C. §2601 et seq.

ARTICLE 4

RENT

4.1 Rent.

Lessee shall pay the following sums as Rent:.

(a) Base Rent.

(i) The amounts specified in Item 8 of the Summary as the Base Rent for the applicable portions of the Lease Term indicated, commencing on the Lease Commencement Date.

(ii) Subject to the terms of this Article 4.1(a)(ii), Lessor grants to Lessee an abatement in Base Rent for the period identified in the Summary (the "Base Rent Abatement"). The Base Rent Abatement is being granted to Lessee in consideration of the timely and faithful performance by Lessee of all the terms and conditions of the Lease throughout the entire Lease Term. If an Event of Default is declared under this Lease, (A) all portions of the Base Rent Abatement credited to Lessee prior to the occurrence of the Event of Default shall become due and payable to Lessor upon demand; and (B) from and after the occurrence of such Event of Default, Base Rent shall be payable by Lessee as if no Base Rent Abatement had been contemplated in this Lease. No such recapture by Lessor of the Base Rent Abatement shall constitute a waiver of any Event of default of Lessee or any election of remedies by Lessor.

(b) Expense Rent. In addition to the Base Rent owed pursuant to Item 8 of the Summary, for each Calendar Year following the Base Year, Lessee shall pay an amount ("Expense Rent") equal to Lessee's Percentage Share of Basic Costs of the Project in excess of Lessee's Percentage Share of Basic Costs of the Project for the Base Year. Notwithstanding any contrary provision hereof, Controllable Basic Costs (defined below) shall not increase after the Base Year by more than five percent (5%) per calendar year, as determined an a compounding and cumulative basis. By way of example and not of limitation, if Controllable Basic Costs for the Base Year are $10.00 per rentable square foot, then Controllable Basic Costs for the first Calendar Year after the Base Year shall not exceed $10.50 per rentable square foot; Controllable Basic Costs for the second Calendar Year after the Base Year shall not

exceed $11.025 per rentable square foot; and so on. As used herein, "Controllable Basic Costs" means all Basic Costs other than (i) cost of utilities, (ii) insurance premiums and deductibles, (iii) capital expenditures, (iv) any market-wide cost increases resulting from extraordinary circumstances, including Force Majeure, boycotts, strikes, conservation surcharges, embargoes and shortages, (v) the cost of any repair or replacement that Landlord reasonably expects with not recur on an annual or more frequent basis, (vi) costs of materials, supplies and removal of debris, (vii) costs of real property taxes, (viii) costs of union labor (including labor that is unionized after the date hereof), (ix) janitorial service, and (x) costs incurred to comply with Law. For purposes of determining Controllable Basic Costs, any management fee shall be calculated without regard to any free rent, abated rent, or the like.

(c) Additional Rent. All such other sums of money as shall become due and payable by Lessee to Lessor under this Lease ("Additional Rent").

All of the foregoing are deemed to be obligations in the nature of rent whether or not such obligations are expressly so designated, and are collectively referred to herein as "Rent."

4.2 Rent Adjustment.

(a) Base Rent Adjustment. The only Base Rent increases during the Term shall be the annual increases in Base Rent set forth in Item 8 of the Summary.

(b) Expense Rent Adjustment. Commencing with the Calendar Year following the Base Year and continuing each year thereafter, Lessee's payment of Expense Rent shall be estimated and adjusted in accordance with the following procedures and the provisions of Article 4.5.

(i) Prior to the commencement of each Calendar Year following the Base Year, or as soon thereafter as practicable, Lessor shall give Lessee written notice of its estimate of Expense Rent for the ensuing Calendar Year; provided that if such notice is not given at least twenty (20) days prior to the commencement of the Calendar Year, Lessee shall continue to pay on the basis of the then applicable Expense Rent until the month after such notice is given, at which time Lessee shall pay Expense Rent based on the amount set forth in such notice plus, if the new Expense Rent is greater than the previous Expense Rent, the difference accrued from January 1 of such Calendar Year. If the new Expense Rent is less than the previous Expense Rent, the difference accrued from January 1 of such Calendar Year shall be credited against Expense Rent next coming due under this Lease. On or before the first day of each calendar month during each Calendar Year, Lessee shall pay to Lessor one-twelfth (1/12th) of such estimated Expense Rent amounts; provided, however, that, not more often than quarterly, Lessor may, by written notice to Lessee, revise its estimate for such Calendar Year.

(ii) Within ninety (90) days after the close of each Calendar Year or as soon thereafter as possible, Lessor shall deliver to Lessee a statement setting forth the actual amount of Expense Rent for that Calendar Year (the "Reconciliation Statement"). If the Expense Rent estimates paid by Lessee for such Calendar Year are less than the actual Expense Rent for such Calendar Year, Lessee shall pay the difference to Lessor within thirty (30) days of the delivery of the Reconciliation Statement. If the Expense Rent estimates paid by Lessee for such Calendar Year are greater than the actual Expense Rent for such Calendar Year, provided there shall be no Event of Default by Lessee beyond any applicable notice or cure period, Lessor shall credit such difference against Expense Rent next coming due under this Lease, or if the Lease is terminated, Lessor shall refund the difference to Lessee within thirty (30) days of the delivery of the Reconciliation Statement. Each Reconciliation Statement furnished by Lessor to Lessee shall be conclusive and binding upon Lessee unless, within ninety (90) days after receipt thereof, Lessee gives written notice to Lessor that Lessee disputes the correctness of such Reconciliation Statement, specifying the particular respects in which such Reconciliation Statement is claimed to be incorrect. Such notice shall be deemed ineffective unless Lessee has timely paid, and pending the determination of any such dispute continues to timely pay all Expense Rent in accordance with the terms of the disputed Reconciliation Statement, which payments shall be without prejudice to Lessee's position.

Nothing contained in this Article 4.2 shall be construed at any time so as to reduce the monthly installments of Base Rent payable by Lessee below the amount set forth in Article 4.1 of this Lease.

4.3 Definitions.

As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

(a) "Base Year" shall mean the Calendar Year set forth in Item 9.1 of the Summary.

(b) "Calendar 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.

4.4 Basic Costs.

(a) Basic Costs. The term "Basic Costs" shall consist of all expenses, costs and disbursements of every kind and nature which Lessor shall pay or become obligated to pay each Calendar Year because of or in connection with the ownership, management, operation, maintenance and repair of the Project, the Building and/or the Premises, including without limitation the following:

(i) Expenses relating to the ownership, management, maintenance, repair, replacement and/or operation of the Common Areas, including, without limitation, parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, rail spurs, landscaped areas, striping, bumpers, irrigation systems, drainage systems, lighting facilities, fences and gates, exterior signs, and/or tenant directories.

(ii) Premiums and all applicable deductibles for the insurance policies maintained by Lessor under Article 9.1.

(iii) The costs of capital improvements undertaken in (or capital assets acquired for) the Project or any portion thereof during or after the Base Year, to the extent such capital items (A) are reasonably anticipated by Lessor to effect economies in the operation or maintenance of the Project, or any portion thereof; (B) are undertaken for the purpose of enhancing energy conservation, environmentally sustainable practices and/or the general security, health, safety and welfare of occupants of the Project; or (C) are required under any Law going into effect on or after the Lease Commencement Date (individually and collectively, a "Permitted Capital Expense"). Basic Costs each Calendar Year shall include the amortized portion of the cost of each Permitted Capital Improvement over its useful life (as reasonably estimated by Lessor) at interest at the Interest Rate; provided, however, in no event shall such interest rate exceed the maximum interest rate permitted by applicable Law. For the avoidance of doubt, capital improvements that do not constitute Permitted Capital Expenses under this subsection (iii) shall not be included in the calculation of Basic Costs.

(iv) Maintenance of the Building, including, but not limited to, painting, caulking, and repair and replacement of Building components, including, but not limited to, roof membrane, elevators, windows, and fire detection and sprinkler systems.

(v) Wages, salaries, taxes, insurance and related expenses and benefits of all on-site and off-site employees directly engaged in the operation, maintenance, security or access control of the Project.

(vi) All supplies, tools, equipment and materials used in the operation and maintenance of the Project, including any lease payments therefore, and replacements thereof.

(vii) Utility Expenses for the Project or any portion thereof, including the cost of water, power, sewer, heating, lighting, air conditioning and ventilation for the Project or any portion thereof.

(viii) Janitorial, building engineering, landscaping, security, and other vendor services for the Project and the equipment therein, including without limitation alarm service, window cleaning and elevator maintenance.

(ix) Amounts payable by Lessor under any easement, license, operating agreement, declaration, restrictive covenant or instrument encumbering the Land and pertaining to the sharing of costs by the Project; provided, however, to the extent Lessee has paid its share of such costs under items (i) through (viii) of this Article 4.4, Lessee shall not also pay for such costs under this item (ix) (i.e., no "double dip").

(x) All Real Property Taxes.

(xi) Lessor's central accounting costs and audit fees attributable to the Project, together with legal and other consulting fees.

(xii) Building office rent or rental value of office space reasonably necessary for the proper management and operation of the Project.

(xiii) A management cost recovery equal to three percent (3%) of Project Rent collections.

(b) Exclusions from Basic Costs. Notwithstanding anything to the contrary contained herein, for purposes of this Lease, the term "Basic Costs" shall not include the following:

(i) costs (including permit, license, and inspection fees) incurred in renovating, improving, decorating, painting, or redecorating vacant space or space for other tenants within the Building;

(ii) leasing commissions, advertising expenses, legal fees and other costs incurred in connection with the original leasing of the Project or future re-leasing of any portion of the Project;

(iii) depreciation of the Building or any other improvements situated within the Project (except as permitted above with respect to Permitted Capital Expenses);

(iv) any items for which Lessor is actually and directly reimbursed by any other tenant of the Project;

(v) costs of repairs or other work necessitated by fire, windstorm or other casualty (excluding any deductibles) and/or costs of repair or other work necessitated by the exercise of the right of eminent domain to the extent insurance proceeds or a condemnation award, as applicable, is actually received by Lessor for such purposes;

(vi) other than any interest charges as expressly provided for in this Lease, any interest or payments on any financing or mortgage debt for any portion of the Project, interest and penalties incurred as a result of Lessor's late payment of any invoice, and any bad debt loss, rent loss or reserves for same;

(vii) any payments under a ground lease or master lease;

(viii) overhead and profit paid to subsidiaries or affiliates of Lessor for management or other services on or to the Project or for supplies or other materials, to the extent the amounts incurred are in excess of those which would have been incurred if such supplies, or services were obtained from unrelated third parties;

(ix) costs associated with the operation of the corporation or other entity which constitutes the Lessor, as distinguished from costs of operation of the Project;

(x) any cost related to any Hazardous Substance not caused to be present by Lessee or any Lessee Party;

(xi) costs arising from the replacement of the roof, foundation, or structural elements of the improvements comprising the Building;

(xii) the cost of services provided to tenants materially in excess of services customarily provided to Lessee, whether or not Lessor is entitled to reimbursement therefore, or expenses attributable solely to retail tenants; and

(xiii) Lessor's legal costs and expenses in connection with any lease dispute, litigation with any tenant, or the defense of Lessor's title to or interest in the Building.

(c) Gross Up. Notwithstanding any other provision herein to the contrary, it is agreed that in the event the Building is not at least ninety-five percent (95%) occupied during any Calendar Year of the Lease Term, an adjustment shall be made in computing the Basic Costs for such year so that the Basic Costs shall be computed for such year as though the Building had been ninety-five percent (95%) occupied during such entire Calendar Year. Lessor's determination of any adjustments hereunder shall be made in good faith, based on its business judgment and supported by reasonable documentation of such Basic Costs.

(d) Real Property Taxes.

(i) As used herein, the term "Real Property Taxes" shall mean any and all real property taxes, assessments and impositions levied against the Project and the various estates therein, all personal property taxes levied on personal property of Lessor used in the management, operation, maintenance and repair of the Project, all taxes, assessments and reassessments of every kind and nature whatsoever levied or assessed in lieu of or in substitution for existing or additional real or personal property taxes and assessments on the Project, service payment in lieu of taxes, excises, transit charges and fees, housing, park and child care assessments, development and other assessments, reassessments, levies, fees or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind which are assessed, levied, charged, confirmed, or imposed by any public authority upon the Project, its operations or the rent received from the Project, or amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits, or any other purposes which are assessed, levied, confirmed, imposed or become a lien upon the Premises or Project or become payable during the Lease Term (collectively "Impositions"). In the case of any Impositions which may be evidenced by improvement or other bonds or which may be paid in annual or other periodic installments, Lessor shall elect to cause such bonds to be issued or cause such assessment to be paid in installments over the maximum period permitted by law, and such installment payments would be applicable for determining amounts to be included with and paid as Basic Costs. Nothing contained in this Lease shall require Lessee to pay any franchise, estate, inheritance or succession transfer tax of Lessor, or any income, profits or revenue tax or charge, upon the net income of Lessor from all sources; provided, however, that if at any time during the Lease Term under the laws of the United States government or the State of California, or any political subdivision thereof, a tax or excise on Rent is levied or assessed by any such political body against Lessor on account of collection of Rent from the Project, Real Property Taxes shall include one hundred percent (100%) of any such tax or excise as Additional Rent, based on Lessee's pro-rata share.

(e) Utility Expenses. "Utility Expenses" means all costs and expenses paid or incurred by or on behalf of Lessor in connection with the provision of heating, ventilating and air conditioning, electricity, water (including chilled water and water for heating), gas and other fuel, steam, sewer and other utilities serving the Project or any part thereof (collectively, "Utilities"), and any amounts, taxes, charges, surcharges, assessments or impositions levied, assessed or imposed upon those areas of the Building or the Project or any part thereof, other than the Premises or the separately demised premises of other tenants of the Building, as a result of the use of Utilities. Utility Expenses do not include costs paid or incurred in connection with repair or maintenance of the Base Building Systems through which the Utilities are provided, all of which costs are deemed to be Utility Expenses.

(f) Taxes of Lessee's Personal Property and Above Standard Improvements. Lessee shall be liable for and shall pay not less than ten (10) days before delinquency, all taxes assessed against and levied upon Lessee's Property and any Above Standard Improvements. If any of Lessee's Property and/or Above Standard Improvements is taxed or assessed with the Project, Lessor may pay the taxing authority all amounts billed to Lessor as a result thereof and Lessor may, but shall have no

obligation to, determine the validity of any such assessment or otherwise object thereto. Lessee shall pay all such amounts to Lessor as Additional Rent within ten (10) days following Lessor's invoice therefor. Lessee shall pay, prior to delinquency, any taxes assessed upon this transaction or any document to which Lessee is a party creating or transferring an interest or an estate in the Premises. The term "Above Standard Improvements" shall mean the extent to which the existing and future alterations, additions and improvements in the Leased Premises exceed or would exceed in quality or quantity Building Standard improvements, had Building Standard improvements been constructed in the Premises.

(g) Cost Pools. Lessor reserves the right to, in good faith, establish classifications for the equitable allocation of Basic Costs that are incurred for the direct benefit of specific types of tenants or users in the Building ("Cost Pools"). Such Cost Pools may include, but shall not be limited to, Basic Costs applicable only to ground floor retail tenants of the Building or office tenants of the Building. Lessor's determination of such allocations in a manner consistent with the terms and conditions of this section shall be final and binding on Lessee. Lessee acknowledges that the allocation of Basic Costs among Cost Pools does not affect all Basic Costs, and is limited to specific items that are incurred or provided to tenants of Cost Pools which Lessor determines, in good faith, it would be inequitable to share, in whole or in part, among tenants of other Cost Pools in the Building.

4.5 Monthly Rent Payments.

Lessee's obligation to pay Base Rent shall commence on the Lease Commencement Date, subject to the rent abatement set forth herein, and shall thereafter be due and payable in advance on the first day of each month during the Lease Term and any extensions or renewals thereof, without demand or prior written notice; provided, however, Lessee shall pay Base Rent for the first month of the Lease Term for which Base Rent shall be due concurrently with Lessee's execution of this Lease, and such payment of Base Rent shall be credited to Base Rent due and payable for the first month for which Base Rent is payable, provided, however, if said month is a partial calendar month (due to the fact that the Lease Commencement Date is other than the first day of a calendar month) any unapplied Base Rent shall be credited towards Base Rent due for the next following month. In addition, if the Lease Term commences on a day other than the first day of a month or ends on a day other than the last day of a month, then Rent payable under Articles 4.1(a) and (b), as the case may be, for the first and last fractional months shall be appropriately prorated based on a 30 day calendar month.

4.6 Additional Rent Payments.

Except for amounts billed to Lessee under the terms of the Work Letter (which shall be payable pursuant to the terms of the Work Letter), Lessee shall pay to Lessor all amounts of Additional Rent within fifteen (15) days of Lessee's receipt of a bill therefore.

4.7 Payment of Rent.

Rent shall be paid to Lessor, without abatement, deduction or offset, in lawful money of the United States of America at Lessor's address as set forth in the Summary or to such other person or at such place as Lessor may from time to time designate in writing. No payment by Lessee or receipt by Lessor of a lesser amount of Rent shall be other than on account of the earliest rent or payment due, nor shall any endorsement or statement on any check or letter accompanying any such check or payment constitute an accord and satisfaction, and Lessor may accept any such check or payment or pursue any other remedy under this Lease, at law or in equity.

4.8 Late Payment and Interest.

If any installment of Rent is not paid within five (5) days of the date when due, all such past due installments of Rent shall bear interest from the due date until paid at a rate (the "Interest Rate") equal to the lesser of (a) six percent (6%) per annum, or (b) the maximum lawful rate. In addition, if any installment of Rent is not paid within five (5) days of the date when due, Lessee shall pay to Lessor a late charge equal to five percent (5%) of the overdue amount. The parties agree that such late charge represents a reasonable estimate of the expenses that Lessor will incur because of any late payment of Rent, the exact amount of which are unascertainable and difficult

to prove. The payment by Lessee and receipt by Lessor of late payment charges and interest is not a release or waiver by Lessor of a default by Lessee.

4.9 Security Deposit.

(a) Nature of Deposit. Upon execution of this Lease, Lessee shall deposit the amount specified in the Summary as a security deposit (the "Security Deposit") with Lessor. The Security Deposit may be adjusted downward during the Term of this Lease as set forth in Section 4.9(b) below. The Security Deposit shall secure Lessee's obligations under this Lease to pay Rent and other monetary amounts, to maintain the Premises and repair damages thereto, to surrender the Premises to Lessor in clean condition and repair upon termination of this Lease and to discharge Lessee's other obligations hereunder. If Lessee fails to perform Lessee's obligations hereunder, Lessor may, but without any obligation to do so, apply all or any portion of the Security Deposit towards fulfillment of Lessee's unperformed obligations. If Lessor does so apply any portion of the Security Deposit, Lessee, upon demand by Lessor, shall immediately pay Lessor a sufficient amount in cash to restore the Security Deposit to the original amount. Lessee's failure to forthwith remit to Lessor an amount in cash sufficient to restore the Security Deposit to the original sum deposited within five (5) days after receipt of such demand shall constitute an "Event of Default." The Security Deposit shall be held by Lessor without liability for interest on the same. Lessor is entitled to commingle the security deposits with its own funds and Lessor is not to be deemed a trustee or fiduciary for Lessee in respect of the security deposit. Upon termination of the original Lessor's or any successor owner's interest in the Premises or the Building, the original Lessor or such successor owner shall be released from further liability with respect to the Security Deposit upon the original Lessor's or such successor owner's complying with California Civil Code Section 1950.7.

(b) Reduction of Security Deposit. Provided that at the applicable time no Event of Default exists or would exist but for the passage of time or the giving of notice, the Security Deposit shall be reduced in the following manner (i) $9,976.58 of the Security Deposit shall be applied toward the Base Rent otherwise owed by Lessee in Month 13 of the Lease Term, and (ii) $10,267.16 of the Security Deposit shall be applied toward the Base Rent otherwise owed by Lessee in Month 25 of the Lease Term.

(c) Return of Deposit. Provided Lessee is not in default at the expiration or sooner termination of this Lease, and except to the extent necessary to cure any defaults or perform any continuing obligation of Lessee hereunder, the remaining amount of the Security Deposit shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder), within thirty (30) days following the later of the expiration of the Lease Term or Lessee's surrender of the Premises in the condition required under this Lease; provided, however, Lessor may retain a portion of the Security Deposit, in an amount up to Two Thousand Dollars ($2,000.00), until the Reconciliation Statement pursuant to Article 4.2 shall have been completed for the Calendar Year in which the Lease Term Expiration occurs, and within ninety (90) days thereafter Lessor shall return to Lessee any remaining portion of the Security Deposit not applied to any amounts owed to Lessor thereunder. Lessor's return of the Security Deposit, or any part thereof, shall not be construed as an admission that Lessee has performed all of its obligations under this Lease.

ARTICLE 5

SERVICES AND UTILITIES

5.1 Basic Services.

Lessor shall provide the following services ("Basic Services") to the Project on all days during the Lease Term, unless otherwise stated below.

(a) Subject to all governmental rules, regulations and guidelines applicable thereto, heating, air ventilation and air conditioning ("HVAC") when necessary for normal comfort for normal office use in the Premises, from Monday through Friday, during the period from 7:00 a.m. to 6:00 p.m. ("Normal Business Hours"), except for the date of observation of New Year's Day, Presidents' Day,

Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, Christmas Day and other locally or nationally recognized holidays (collectively the "Holidays"). Lessor will also make reasonable efforts to provide HVAC during the hours of 9:00 a.m. and 1:00 p.m. on Saturdays, except for Saturdays which fall on Holidays.

(b) Lessor shall provide adequate electrical wiring and facilities and power for normal general office use as determined by Lessor. Lessor shall replace, as part of Basic Costs, lamps, starters and ballasts for Building standard lighting fixtures within the Premises.

(c) Lessor shall provide city water from the regular Building outlets for lavatory and plumbing requirements within the Premises.

(d) Lessor shall provide janitorial services five (5) days per week, except the date of observation of the Holidays, in and about the Premises, and window washing services, in a manner consistent with such services provided by owners of comparable office buildings ("Comparable Buildings") of comparable condition located in the Westlake Village/Thousand Oaks, California office market.

(e) Lessor shall provide nonexclusive automatic passenger elevator service at all times.

(f) Lessor shall maintain a reasonable access control and supervision program for the Project, which may include, without limitation, unarmed personnel, cameras, roving patrols, a keyboard system and/or any other access control measures which Lessor deems appropriate. Such access control measures are intended solely for the protection of Lessor and its interest in the Building and the Project, and not for the protection of Lessee, Lessee's interest in the Premises or any property of Lessee or any other party, it being agreed that, except as specifically set forth herein to the contrary, Lessee shall be responsible for such security equipment, locking mechanisms, systems and procedures as may reasonably be required for the protection of Lessee, its employees, contractors, agents, invitees and property located in the Premises.

5.2 Over Standard Use.

(a) Lessee shall not, without Lessor's prior written consent, use any apparatus, equipment or device, including, without limitation, computers, servers, copiers, custom lighting, kitchen appliances or other machines, that use or consume electricity, water or other resources in excess of that determined by Lessor to be reasonably necessary for general office use during Normal Business Hours, nor shall any Lessee's equipment, machines or devices unduly affect the temperature otherwise maintained in the Premises by Lessor for general office use. Without limiting the generality of the foregoing, equipment that consumes more than .5 kilowatts at rated capacity or requires voltage other than 120 volts, single phase, or that is operated for the conduct of Lessee's business on a regular basis during hours other than Normal Business Hours, is deemed in excess of general office use. Lessor shall have the right to separately meter electrical and water usage for the Premises and to measure electrical and water usage by survey or other commonly accepted methods in order to assess any excess utility usage by Lessee. If Lessor gives its consent to the use of any apparatus, equipment or device that makes excess use of water or electricity (or if any use by Lessee is determined by Lessor to be an excess use), Lessor shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, to measure such usage.

(b) If Lessee uses water, electricity or HVAC in excess of that provided in Article 5.1 (whether pursuant to the prior consent of Lessor or if any use by Lessee is determined by Lessor to be an excess use), Lessee shall pay to Lessor as Additional Rent, upon billing by Lessor, the cost of such excess consumption, including the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, including supplementary or additional metering devices, and the cost of the increased wear and tear on existing equipment caused by such excess consumption. In no event shall Lessor be required to provide any utility service in excess of the capacity of the existing panels, circuits, conduits, pipes or lines serving the Premises (taking into account the

anticipated needs of other existing and future tenants served by such panels and circuits). In addition to, and without limitation of, the foregoing, if Lessee desires to use HVAC during hours other than those specified in Article 5.1 of this Lease, Lessee shall give Lessor such prior notice as Lessor shall from time to time establish as appropriate, of Lessee's desired use and Lessor shall supply such after-hours HVAC to Lessee subject to Lessee 's payment to Lessor of such hourly cost as Lessor shall from time to time establish.

5.3 Interruption of Use.

Except for instances caused by Lessor's gross negligence or willful misconduct, Lessee agrees that Lessor shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), 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 repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water or other fuel at the Project after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Lessee or other tenants, or by any other cause beyond Lessor's reasonable control, and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Lessee's use and possession of the Premises or relieve Lessee from paying Rent or performing any of its obligations under this Lease. Furthermore, Lessor shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Lessee's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities.

5.4 Additional Services.

Lessor shall also have the exclusive right, but not the obligation, to provide any additional services which may be requested by Lessee, including, without limitation, locksmithing, lamp replacement for non-Building standard lamps or fixtures, additional janitorial service, and additional repairs and maintenance, provided that Lessee shall pay to Lessor upon billing, the actual cost to Lessor of providing such additional services, plus a reasonable administration fee, and same shall be deemed Additional Rent hereunder and shall be billed on a monthly basis.

5.5 Keys and Locks.

Lessor shall furnish to Lessee, at no cost to Lessee, up to twenty (20) keys for each corridor door entering the Premises. Additional keys shall be furnished at a charge by Lessor on an order signed by Lessee. All such keys shall remain the property of Lessor. No additional locks shall be allowed on any door of the Premises without Lessor's prior written permission, and Lessee shall not make or permit to be made any duplicate keys, except those furnished by Lessor. Upon termination of this Lease, Lessee shall surrender to Lessor all keys of the Premises, and give to Lessor the combination of all locks for safes, safe cabinets and vault doors, if any, remaining in the Premises.

ARTICLE 6

REPAIRS

6.1 Lessor Obligations.

Subject to Lessee's repair obligations set forth in Article 6.2, and the provisions of Article 4, Lessor shall operate and maintain the Project, including the structural and exterior components of the Project and the mechanical and electrical systems of the Building serving the Premises, and keep such areas, elements and systems in a first-class manner and in good working condition.

6.2 Lessee Obligations.

Lessee shall, at Lessee's own expense, keep the Premises, including all improvements, fixtures and furnishings therein, in good order, repair and condition at all times during the Lease Term. In addition, Lessee shall, at Lessee's own expense but under the supervision and subject to the prior approval of Lessor, and within any

reasonable period of time specified by Lessor, promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken fixtures and appurtenances caused by the act or omission of Lessee or any of Lessee's employees, contractors, agents, licensees and invitees; provided however, that, at Lessor's option, or if Lessee fails to make su ch repairs, Lessor may, but need not, make such repairs and replacements, and Lessee shall pay Lessor the cost thereof, together with an additional seven percent (7%) of the cost thereof, as reimbursement to Lessor for all overhead, general conditions, fees and other actual costs or expenses arising from Lessor's management and coordination of repairs and replacements upon being billed for same.

6.3 Compliance with Laws.

Without limiting the generality of the terms of Article 6.2, Lessee shall be responsible, at its sole cost and expense, for the making of all alterations, additions or improvements to or in the Premises as are required to comply with applicable Laws, to the extent the compliance obligation relates to or is triggered by (i) Lessee's particular use of the Premises (for other than general office use), or any of Lessee's Property installed therein, or (ii) any Lessee Improvements (following delivery of the Premises as contemplated by this Lease) or Alterations, whether now in effect or enacted in the future and whether or not now foreseeable. Notwithstanding the foregoing, Lessee shall not be required to make structural changes to the Premises unless they arise or are required because of or in connection with Lessee's specific use of the Premises (for other than general office use), the installation of any item of Lessee's Property, or any Alterations.

6.4 Waiver of Statutory Provisions.

Lessee waives all rights to make repairs at the expense of Lessor or to terminate this Lease, as provided in California Civil Code §§1941 and 1942, and 1932(l), respectively, and any similar Law.

ARTICLE 7

ADDITIONS AND ALTERATIONS

7.1 Lessor's Consent to Alterations.

Lessee shall not make any improvements, alterations, additions or changes to the Premises (collectively, the "Alterations") without first procuring the prior written consent of Lessor to such Alterations, which consent shall be requested by Lessee not less than thirty (30) days prior to the commencement of making Alterations. Lessor's consent shall not be unreasonably withheld with respect to proposed Alterations that (i) comply with all applicable laws, ordinances, rules and regulations, (ii) are compatible with the Building and its mechanical, electrical, and life safety systems; (iii) will not interfere with the use and occupancy of any other portion of the Building by any other tenant or their invitees; (iv) do not affect the structural portions of the Building; and (v) do not and will not, whether alone or taken together with other improvements, require the construction of any other improvements or alterations within the Building. Subject to the foregoing, Lessor's consent to any other Alterations shall be in the sole discretion of Lessor.

The construction of the initial improvements to the Premises shall be completed by Lessor and shall be governed by the terms of the Work Letter.

7.2 Manner of Construction.

Lessor may impose, as a condition of its consent to all Alterations or repairs in, of or about the Premises, such requirements as Lessor in its sole discretion may deem desirable, including, but not limited to, the requirement that upon Lessor's request, Lessee shall, at Lessee's expense, remove such Alterations upon the expiration or any early termination of the Lease Term and repair any damage done by the removal of such Alterations, or the requirement that Lessee utilize for such purposes only contractors, materials, mechanics and management selected by Lessee and approved by Lessor (which approval shall not be unreasonably withheld); provided, however, that Lessee shall utilize subcontractors of Lessor's selection to perform all work that may affect the Project systems and equipment, structural aspects of the Project, or exterior appearance of the Project or Common Areas. Lessee shall construct such Alterations and perform such repairs in conformance with any and all applicable rules and regulations

of any federal, state, county or municipal code or ordinance and pursuant to a valid building permit, issued by the City of Los Angeles and in conformance with Lessor's construction rules and regulations. Any Alterations shall be performed in conformance with plans, specifications and working drawings first approved by Lessor. Lessor's approval of the plans, specifications and working drawings for Lessee's Alterations shall create no responsibility or liability on the part of Lessor for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. In performing the work of any such Alterations, Lessee shall have the work performed in such manner as not to obstruct access to the Project for any other lessee of the Project, and as not to obstruct the business of Lessor or other lessees in the Project, or interfere with the labor force working in the Project. In the event that Lessee makes any Alterations, Lessee agrees to carry "Builder's All Risk" insurance in an amount approved by Lessor covering the construction of such Alterations, and such other insurance as Lessor may require, it being understood and agreed that all of such Alterations shall be insured by Lessee pursuant to Article 9 immediately upon completion thereof. In addition, Lessor may, if reasonable and non-discriminatory, require Lessee to obtain a lien and completion bond or some alternate form of security satisfactory to Lessor in an amount sufficient to ensure the lien-free completion of such Alterations and naming Lessor as a co-obligee. Upon completion of any Alterations, Lessee agrees to cause a Notice of Completion to be recorded in the Office of the Recorder of the County of Los Angeles in accordance with section 3093 of the Civil Code of the State of California or any successor statute and Lessee shall deliver to the Building management office a reproducible copy of the "as built" drawings of the Alterations.

7.3 Payment for Improvements.

The cost of all Alterations shall be paid by Lessee. In addition, Lessee shall pay to Lessor, as Additional Rent, within ten (10) days following Lessor's invoice therefor, all fees and costs of Lessor's architects, engineers or other consultants in connection with the review of plans and specifications in connection with any proposed Alteration, whether or not approved, as well as a fee the lesser of $5000 or seven percent (7%) of the cost of the Alterations for Lessor's project management and supervision of the progress of the work. Lessor may, in the exercise of its reasonable discretion, require a deposit of its estimated fees in advance of performing any review.

7.4 Lessee's Property and Fixtures.

Except as provided in Article 7.1 and in this Article 7.4, all Alterations that are or become permanently affixed to or installed in the Premises shall become a part of the Building upon installation and construction. All of Lessee's readily moveable furniture, furnishings, equipment and other personal property in the Premises (or elsewhere in or about the Building), and all Operations Equipment (as hereinafter defined) shall be and remain the property of Lessee and are referred to herein as "Lessee's Property". As used herein, the term "Operations Equipment" shall mean and refer to any and all trade fixtures that are affixed to the floors, walls or ceiling of the Premises (excluding permanently attached lighting fixtures), and all Building signage installed by Lessee pursuant to Article 19. Upon the expiration or sooner termination of this Lease, Lessee shall remove or cause to be removed, at its sole expense, all of Lessee's Property, including Operations Equipment, together with any and all Alterations constructed and installed in the Premises that Lessor, at the time of its approval thereof, conditioned such approval on the requirement that Lessee remove the same upon the expiration or early termination of the Lease Term, and repair any damage to the Premises and Building caused by such removal. If Lessee fails to complete such removal and/or to repair any damage caused by such removal, Lessor may do so and may charge the cost thereof to Lessee, together with an additional seven percent (7%) of the cost of such work to cover overhead, general conditions, fees and other costs and expenses arising from Lessor's involvement with such work. Without limiting the generality of the foregoing, any of Lessee's Property not so removed by Lessee at the expiration or sooner termination of this Lease may be removed by Lessor for storage for the account of Lessee, and Lessee shall reimburse Lessor for the cost of storage, together with an additional seven percent (7%) of the cost of such work to cover overhead. All charges billed to Lessee hereunder shall be due and payable within ten (10) days after receipt of a statement therefor. Lessee's obligations under this Article 7.4 shall survive the termination of this Lease.

7.5 Telecommunications Wiring and Installations.

(a) Wiring and Access. Lessee shall not alter, modify, add to or disturb any telecommunications wiring or cabling in the Building other than that which is located exclusively in the Premises, without Lessor's prior written consent. Any and all telecommunications equipment, lines and cabling serving Lessee and the Premises (collectively, the "Telecommunications Equipment") shall be located solely in the Premises, and Lessee shall only be permitted to access the main point of entry to the Building for telecommunications providers (the "MPOE") and/or any intermediate distribution frame for telecommunications equipment and cabling located outside of the Premises with the prior written consent of Lessor and for purposes of providing Building approved telecommunications providers (each, a "TSP") interconnection to Lessee. Lessor reserves the right to limit the number of TSPs having access to the Building's riser system and infrastructure, to install a cable distribution/riser management system to which Lessee and all TSPs shall connect, and to charge TSPs for the use of Lessor's telecommunications riser system and infrastructure; provided, however, in all cases, Lessor will provide Building and riser access to at least one TSP for voice and data service to tenants of the Building and shall not charge Lessee any access or other riser fee for access to said intrabuilding network cabling. Subject to the foregoing, Lessor shall have no obligation to allow any particular TSP access to the Building or Project; or continue to grant access to any TSP who has previously been given access.

(b) Interference. Without limiting the generality of the foregoing, no installation or use of Telecommunications Equipment by Lessee shall cause interference with any Building systems or with any telecommunications equipment of other occupants of the Project being operated within the technical and frequency transmission and reception parameters specified by its manufacturer and any applicable governmental license or Law. Lessee shall immediately remove, on demand by Lessor, any Telecommunications Equipment installed or used in violation of any provision of this Lease. No approval by Lessor of Lessee's installation of any Telecommunications Equipment shall constitute a representation that such Telecommunications Equipment will function effectively or in compliance with this Article 7.5.

(c) Removal of Wiring. Lessee's installation of Telecommunications Equipment shall be deemed an Alteration. Upon the expiration or earlier termination of this Lease, Lessee shall remove, at its sole cost and expense, all of Lessee's Telecommunications Equipment designated by Lessor for removal.

ARTICLE 8

COVENANT AGAINST LIENS

Lessee has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Lessee, operation of law or otherwise, to attach to or be placed upon the Project or Premises or any part thereof, and any and all liens and encumbrances created by Lessee shall attach to Lessee's interest only. Lessor shall have the right at all times to post and keep posted on the Premises any notice of non-responsibility which it deems necessary for protection from such liens. Lessee covenants and agrees not to suffer or permit any lien of mechanics or material men or others to be placed against the Project or the Premises or any part thereof with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Lessee or the Premises, and in case of any such lien attaching or notice of any lien, Lessee covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this Lease, in the event that such lien is not released and removed on or before the date notice of such lien is delivered by Lessor to Lessee, Lessor, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including attorneys' fees and actual costs, incurred by Lessor in connection with such lien shall be deemed Additional Rent under this Lease and shall immediately be due and payable by Lessee.

ARTICLE 9

INSURANCE

9.1 Lessor Coverage: All Risk.

During the Lease Term, Lessor shall procure and maintain in full force and effect with respect to the Project, a policy or policies of "all-risk" (i.e., "special cause of loss") property insurance (including sprinkler, vandalism and malicious mischief coverage, earthquake and flood coverage at Lessor's option, and any other endorsements required by any ground lessor or the holder of any mortgage) and commercial general liability insurance, written on an occurrence basis, each in an amount customarily carried by owners of comparable office buildings ("Comparable Buildings") of comparable construction and condition located in the Business District of Los Angeles, California. Any or all of Lessor's insurance may be provided by blanket coverage maintained by Lessor or any affiliate of Lessor's (provided that such blanket coverage provides Lessor with the same level of coverage and protection Lessor would have received from a separate policy for the Project). If because of the nature of Lessee's operations the premiums charged Lessor for such insurance exceed the standard premium rates or result in increased exposure, then Lessee, within fifteen (15) days of receipt of appropriate premium invoices, shall reimburse Lessor for such increased amount.

9.2 Lessee Coverage.

(a) All Risk Insurance. During the Lease Term and at its own cost and expense, Lessee shall maintain in full force and effect a policy or policies of all risk property insurance (including sprinkler, vandalism and malicious mischief coverage) in an amount adequate to cover damage to the Premises, including without limitation Lessee's Improvements as defined in the Work Letter, merchandise, fixtures, trade fixtures, furniture, furnishings, equipment, goods, inventory and other personal property located on the Premises or in the Project, insuring the full replacement value of such items.

(b) General Liability. (During the Lease Term and at its own cost and expense, Lessee shall maintain in full force and effect a policy or policies of commercial general liability insurance insuring Lessee's activities with respect to the Premises, Building and/or Project against loss, damage or liability for personal injury or death of any person or loss or damage to property occurring in, upon or about the Premises, Building and/or Project with a combined single limit of Two Million Dollars ($2,000,000); such commercial general liability insurance shall include broad form contractual liability insurance coverage which shall insure Lessee's performance of the indemnity provisions in this Lease.

(c) Workers' Compensation. During the Lease Term and at its own cost and expense, Lessee shall maintain in full force and effect the statutory amount of workers' compensation insurance required by the State of California for the benefit of Lessee's employees, and employer's liability insurance with no less than $1,000,000 per employee per occurrence.

Lessee agrees that if Lessee does not procure and maintain such insurance continuously, Lessor may (but shall not be required to) procure such insurance on Lessee's behalf and Lessee shall pay to Lessor the cost thereof, as Additional Rent, within fifteen (15) days of Lessee's receipt of a bill therefore.

9.3 General Insurance Requirements.

(a) Requirements. All insurance required under this Article 9 shall be issued by such good and reputable insurance companies qualified to do and doing business in California and having a rating of not less than "A-VII" as rated in the most current copy of Best's Insurance report in the form customary to the locality. All such Lessee insurance shall include (i) an endorsement providing that Lessor, its successors, assigns, and nominees holding any interest in the Premises, including without limitation any ground lessor and the holder of any mortgage, shall be named as additional insureds under such General Liability policy of insurance maintained by Lessee pursuant to this Lease, (ii) an endorsement providing that such insurance as is afforded under Lessee's policy is primary as respects Lessor and that any other insurance maintained by Lessor is excess and non-contributing with

other insurance required under this Article 9, (iii) an endorsement deleting any employee exclusion on personal injury covered, (iv) an endorsement including employees as additional insureds, (v) an endorsement providing for coverage of employer's automobile liability. Deductible amounts under all insurance policies required to be carried by Lessee under this Lease shall not exceed $10,000 per occurrence. All such insurance shall provide for severability of interests; shall provide that an act or omission of any insured shall not reduce or avoid coverage to any of the other insureds; and shall afford coverage for all acts, omissions injury and damage which occurred or arose (or the onset of which occurred or arose) in full or in part during the policy period. Expiration of Lessee's policy shall not limit recovery thereunder; "claims made" insurance policies are not acceptable to satisfy Lessee's insurance requirements under this Article 9. Lessee shall endeavor to furnish to Lessor, upon the Commencement Date and thereafter at least ten (10) business days prior to the expiration of each such policy, a Certificate of Insurance and endorsement(s) affording evidence of the above insurance requirements issued by the insurance carrier of each policy of insurance carried by Lessee pursuant hereto. If Lessee shall fail to procure any required insurance, or to deliver such policies or certificates to Lessor as herein provided, Lessor may, at Lessor's option and in addition to Lessor's other remedies in the event of a default by Lessee under this Lease, after ten (10) business days notice, procure the same for the account of Lessee, and the cost thereof shall be paid to Lessor as Rent. In addition, if at any time during the Lease Term the amount or coverage of insurance which Lessee is required to carry under this Article 9 is, in Lessor's reasonable judgment, materially less than the amount or type of insurance coverage typically carried by lessees of Comparable Buildings, Lessor shall have the right to require Lessee to increase the amount or change the types of insurance coverage required under this Article 9.

(b) Lessee's Use. Lessee will not keep, use, sell or offer for sale in, or upon the Premises any article which may be prohibited by any insurance policy periodically in force covering the Project. If Lessee's occupancy or business in or on the Premises, whether or not Lessor has consented to the same, results in any increase in premiums for the insurance periodically carried by Lessor with respect to the Project, Lessee shall pay any such increase in premiums as Additional Rent within ten (10) days after being billed therefore by Lessor. In determining whether increased premiums are a result of Lessee's use of the Premises, a schedule issued by the organization computing the insurance rate on the Project or the Lessee Improvements showing the various components of such rate, shall be evidence of the items which make up such rate.

(c) Waiver of Subrogation. Any policy or policies of property insurance, which either party obtains in connection with the Premises, or Lessee's personal property therein, shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured prior to the occurrence of injury or loss. Lessor and Lessee hereby waive any rights of recovery against the other for injury or loss due to hazards covered by insurance containing such a waiver of subrogation clause or endorsements to the extent of the injury or loss covered thereby and agree to obtain such a waiver from their respective insurance carriers and upon request deliver a copy thereof to the other party; each party shall provide written notice to the other party if such waiver is not obtained and shall indemnify, defend and hold the other harmless from all liabilities, penalties, losses, costs, expenses, demands, causes of action, claims, judgments or damages arising from the indemnifying party's failure to obtain such a waiver from its insurance company unless such a waiver is not customarily available.

9.4 Indemnification and Release.

(a) Indemnification. Except to the extent directly arising out of the gross negligence or willful misconduct of Lessor, Lessee shall defend, protect, indemnify and hold harmless Lessor and each of the Lessor Protected Parties from and against any and all claims, demands, suits, actions, causes of action (whether in contract or in tort, at law or in equity, or otherwise), liabilities, injuries, losses, damages, judgments, liens, charges, cost and expenses (including attorney and expert witness fees and cost, including those incurred in connection with matters on appeal) (hereinafter, individually and collectively, "Claims") from any cause, including, without limitation, except to the extent excluded herein, Claims based in whole or in part on the negligence of Lessor and any of Lessor's investment advisors and agents for asset and property management, and all of such parties' respective partners, shareholders, members, managers, directors, officers, employees and agents (individually and collectively, "Lessor Protected Parties"), arising out of or relating (directly or indirectly) to this Lease, the tenancy created under this Lease, or the Premises, including (i) the use or occupancy, or manner of use or occupancy, of the Premises during the Lease Term (including any period following expiration or termination of the Lease but prior to Lessee's vacating of the Premises); (ii) any negligent or willfully wrongful act or omission of Lessee, any other

Lessee Party, or by anyone else acting at the direction, with the permission, or under the control of Lessee; (iii) any breach of or default under this Lease by Lessee; (iv) the conduct of Lessee's business, including the use of the Premises or any part thereof for storage or shipment of goods not belonging to Lessee; and (v) any action or proceeding brought on account of any matter described above. As used herein, the term "Lessee Party" shall mean Lessee, and any of the employees, agents, contractors and invitees of Lessee.

(b) Release. To the fullest extent permitted by law, and as a material part of the consideration to Lessor for this Lease, except to the extent directly arising out of the gross negligence or willful misconduct of Lessor, Lessee hereby releases Lessor and all Lessor Protected Parties from responsibility for, waives as against Lessor and all Lessor Protected Parties, and assumes all risk of all Claims from any cause (including, without limitation, except to the extent excluded herein, Claims based in whole or in part of the negligence of Lessor or any Lessor Protected Party) arising out of or relating (directly or indirectly) to: (i) damage to property or injury to persons (including death) in the Premises from any cause whatsoever, and (ii) damage to property or injury to persons (including death) as a result of the act or omission of Lessee or any other Lessee Party occurring outside the Premises. Without limiting the generality of the foregoing, except to the extent of any Lessor Protected Party's liability for the acts and omissions of its own agents and employees acting within the scope of their agency or employment, no Lessor Protected Party shall be deemed to have assumed any liability for the acts or omissions of any other Lessor Protected Party. Any other provision of this Lease to the contrary notwithstanding, Lessor shall not be liable to Lessee or any third party for any loss, damage, death or injury to person or property caused by theft, fire, vandalism, assault, battery, act of God, breaches of security, acts of the public enemy, acts of terrorists or criminals, riot, strike, insurrection, war, court order, or order of governmental body or authority, whether or not the negligence of Lessor or any Lessor Protected Party was a cause of, or in any way contributed to, such loss, damage, death or injury. No defense, indemnification or hold harmless obligations hereunder shall relieve any insurance carrier of its obligations under any insurance policies carried by either party pursuant to this Lease. The prevailing party shall be entitled to recover its actual attorney fees and court costs incurred in enforcing such indemnification and release obligations.

(c) Limitation on Lessor's Liability. Notwithstanding anything to the contrary in this Lease, in no event and under no theory of allocation of risk or liability shall Lessor or any Lessor Protected Party be responsible for, and Lessee releases and waives as against Lessor and all Lessor Protected Parties from, any and all Claims for any consequential, indirect, special or punitive damages, whether arising out of any injury or damage to, or interference with, Lessee's business, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use.

ARTICLE 10

DAMAGE AND DESTRUCTION

10.1 Repair of Damage to Premises by Lessor.

Lessee shall promptly notify Lessor of any damage to the Premises resulting from fire or any other casualty. If the Premises or any Common Areas of the Project serving or providing access to the Premises shall be damaged by fire or other casualty, Lessor shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Lessor's reasonable control, and subject to all other terms of this Article 10, restore the Premises and such Common Areas. Such restoration shall be to substantially the same condition of the Premises and common areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Project, or any other modifications to the Common Areas deemed desirable by Lessor. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, Lessee shall assign to Lessor (or to any party designated by Lessor) all insurance proceeds payable to Lessee under Lessee's insurance required under Article 9 of this Lease, and Lessor shall repair any injury or damage to the Lessee Improvements installed in the Premises and shall return such Lessee Improvements to their original condition; provided that if the cost of such repair by Lessor exceeds the amount of insurance proceeds received by Lessor from Lessee's insurance, the cost of such repairs shall be paid by Lessee to Lessor prior to Lessor's repair of the damage. Any other restoration shall be performed by Lessee, at its sole cost and expense, as an Alteration in accordance with the terms of this Lease. Lessor shall not be liable for any inconvenience or annoyance to Lessee or its visitors, or injury to Lessee's business resulting in any way from such damage or the

repair thereof. However, if such fire or other casualty shall have damaged the Premises or Common Areas necessary to Lessee's occupancy, Lessor shall allow Lessee a proportionate and equitable abatement of Rent for any portion of the Premises Lessee cannot and does not use, but only to the extent Lessor is reimbursed from the proceeds of rental interruption insurance purchased by Lessor as a Basic Cost during the time and to the extent the Premises are materially damaged and unfit for use for the Permitted Use under this Lease, and not actually used by Lessee as a result thereof.

10.2 Lessor's Option to Repair.

Notwithstanding the terms of Article 10.1 of this Lease, Lessor may elect not to rebuild and/or restore the Premises and/or Common Areas and instead terminate this Lease by notifying Lessee in writing of such termination within thirty (30) days after the date of damage, such notice to include a termination date giving Lessee ninety (90) days to vacate the Premises, but Lessor may so elect only if the Project shall be damaged by fire or other casualty or cause whether or not the Premises are affected, and one or more of the following conditions is present: (a) repairs cannot reasonably be completed within one hundred eighty (180) days of the date of damage using standard construction methods (when such repairs are made without the payment of overtime or other premiums), (b) the holder of any mortgage on the Building or ground or underlying lessor with respect to the Building shall require that the insurance proceeds or any portion thereof be used to retire or pay down the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (c) the damage is not fully covered, except for deductible amounts, by Lessor's insurance policies.

In addition, in the event that the Premises or the Project are materially destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term, either Lessor or Lessee shall have the option to terminate this Lease by giving written notice to the other of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice.

Upon any such termination of this Lease pursuant to this Article 10.2, Lessee shall pay Rent, properly apportioned up to such date of termination, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term.

10.3 Waiver of Statutory Provisions.

The provisions of this Lease, including this Article 10, constitute an express agreement between Lessor and Lessee with respect to any and all damage to, or destruction of, all or any part of the Premises, the Project or any portion thereof, and any statute or regulation of the State of California, including, without limitation, sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Project or any portion thereof.

ARTICLE 11

NON-WAIVER

No waiver of any provision of this Lease shall be implied by any failure of Lessor to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by Lessor of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Lessor from Lessee after the termination of this Lease shall in any way alter the length of the Lease Term or Lessee'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 Lessee 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, Lessor may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

ARTICLE 12

EMINENT DOMAIN

12.1 Condemnation and Loss or Damage.

If the whole or any material part of the Premises or Project 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, reconstruction or remodeling of any part of the Premises or Project, or if Lessor shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Lessor shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking, condemnation, reconfiguration, vacation, deed or other instrument. If more than twenty-five percent (25%) of the rentable square feet of the premises is taken, or if access to the Premises is substantially impaired, Lessee shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking. Lessor shall be entitled to receive the entire award or payment in connection therewith, except that Lessee shall have the right to file any separate claim available to Lessee for any taking of Lessee's personal property and fixtures belonging to Lessee and removable by Lessee upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses or other claims permitted by applicable Laws, so long as such claim does not diminish the award available to Lessor, its ground lessor with respect to the Project or its mortgagee, and such claim is payable separately to Lessee. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur.

12.2 Temporary Taking.

Notwithstanding anything to the contrary contained in this Article 12, in the event of a temporary taking by power of eminent domain exercised by a competent authority of all or any portion of the Premises for a period of forty-five (45)days or less, then this Lease shall not terminate but Base Rent and 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. Lessor shall be entitled to receive the entire award made in connection with any such temporary taking.

12.3 Total Taking.

The provisions of this Lease, including this Article 12, constitute an express agreement between Lessor and Lessee with respect to any and all condemnation or taking of, all or any part of the Premises, the Project or any portion thereof, and any statute or regulation of the State of California, including, without limitation, Section 1265.130 of the California Code of Civil Procedure, with respect to any rights or obligations concerning condemnation or taking in the absence of an express agreement between the parties, and any other statue or regulation, now or hereafter in effect, shall have no application to this Lease or any condemnation or taking of all or any part of the Premises, the Project or any portion thereof.

ARTICLE 13

ASSIGNMENT AND SUBLETTING

13.1 Transfers.

Lessee shall not, without the prior written consent of Lessor, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder or permit any assignment or other such foregoing transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the use of the Premises by any persons other than Lessee and its employees, agents and licensees (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 Lessee shall be required to obtain Lessor's consent to any Transfer, Lessee shall notify Lessor in writing, which notice (the "Transfer Notice") shall include:

(a) 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;

(b) a description of the portion of the Premises to be transferred (the "Subject Space");

(i) all of the terms of the proposed Transfer and the consideration therefore, including a calculation of the "Transfer Premium," as that term is defined in Article 13.4 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing and/or proposed documentation pertaining to the proposed Transfer, including all operative assignment or subletting documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer; and,

(c) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and any other information reasonably required by Lessor, which will enable Lessor 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, and such other information as Lessor may reasonably require. Any Transfer made without Lessor's prior written consent or not in compliance with this Article 13 shall, at Lessor's option, be null, void and of no effect, and shall, at Lessor's option, constitute a default by Lessee under this Lease.

Lessee shall, within thirty (30) days after written request by Lessor, reimburse Lessor for all reasonable costs and expenses (including reasonable attorneys' fees) incurred by Lessor in connection with its review of a proposed Transfer up to a maximum of $5,000.

13.2 Lessor's Consent.

Lessor shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. The parties hereby agree that it shall be reasonable under this Lease and under any applicable Laws for Lessor to withhold consent to any proposed Transfer where one or more of the following apply:

(i) The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building;

(ii) The Transferee intends to use the Subject Space for other than the Permitted Use or for purposes which are not permitted hereunder;

(iii) The Transferee is either a governmental agency or instrumentality thereof;

(iv) The Transfer will result in more than a reasonable and safe or legal number of occupants per within the Subject Space;

(v) The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities involved under the Lease on the date consent is requested;

(vi) The proposed Transfer would cause Lessor to be in violation of another lease or agreement to which Lessor is a party, or would give an occupant of the Project a right to cancel its lease;

(vii) The terms of the proposed Transfer attempts to allow the Transferee to exercise any right of renewal, right of expansion, right of first offer, or any other similar right held by Lessee (or will allow the Transferee to occupy space leased by Lessee pursuant to any such right);

(viii) Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Building at the time of the request for consent, (ii) is negotiating with Lessor to lease space in the Building at such time, or (iii) has negotiated with Lessor during the twelve (12) month period immediately preceding the Transfer Notice.

If Lessor consents to any Transfer pursuant to the terms of this Article 13.2 (and does not exercise any recapture rights Lessor may have under Article 13.3 of this Lease), Lessee may within six (6) months after Lessor'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 Lessee to Lessor pursuant to Article 13.1 of this Lease, provided that if there are any changes in the terms and conditions for those specified in the Transfer Notice such that (i) Lessor would initially have been entitled to refuse its consent to such Transfer under this Article 13.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Lessee's original Transfer Notice, Lessee shall again submit the Transfer to Lessor for its approval and other action under this Article 13 (including Lessor's right of recapture under Article 13.3 of this Lease).

13.3 Lessor's Option as to Subject Space.

Lessor shall have the option, by giving written notice to Lessee within ten (10) business days after receipt of any Transfer Notice, to recapture the Subject Space and terminate this Lease (as to the entire Lease, if the Transfer is an assignment or a sublease of all or substantially all of the Premises, or as to the Subject Space only, if the Transfer is a sublease of less than substantially all of the Premises). In the event Lessor notifies Lessee that Lessor intends to exercise its recapture right as to the Subject Space, Lessee shall have five (5) business days to withdraw the Transfer Notice and, in such event, Lessor's recapture right shall be ineffective. In the event of a recapture by Lessor, if this Lease shall be canceled with respect to less than the entire Premises, the Base Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Lessee in proportion to the number of rentable square feet contained in the Premises, and Lessee's Percentage Share of Basic Costs shall be similarly adjusted, 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 Lessor declines, or fails to elect in a timely manner to recapture, sublease or take an assignment of the Subject Space, then, provided Lessor has consented to the proposed Transfer, Lessee shall be entitled to proceed to transfer the Subject Space to the proposed Transferee, subject to provisions of the last paragraph of Article 13.2.

13.4 Transfer Premium.

If Lessor consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Lessee shall pay to Lessor fifty percent (50%) of any "Transfer Premium," (as that term is hereinafter defined) received by Lessee from such Transferee. "Transfer Premium" shall mean all rent, additional rent or other consideration of any kind payable by such Transferee in excess of the Rent and Additional Rent payable by Lessee under this Lease, on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Lessee for (i) any changes, alterations and improvements to the Premises in connection with the Transfer or contributions to the cost thereof and (ii) any brokerage commissions, reasonable attorneys' fees and reasonable advertising and marketing costs reasonably incurred by Lessee in connection with the Transfer. "Transfer Premium" shall also include, but not be limited to, key money and bonus money paid by Transferee to Lessee in connection with such Transfer, and any payment in excess of fair market value for services rendered by Lessee to Transferee in connection with the Premises.

13.5 Effect of Transfer.

If Lessor 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 Lessee or a Transferee, (iii) Lessee shall deliver to Lessor, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Lessor, (iv) Lessee shall furnish upon Lessor's request a complete statement, certified by an independent certified public accountant, or Lessee's chief financial officer, setting forth in detail the computation of any premium Lessee has derived and shall derive from

such Transfer, (v) any assignee shall assume for the benefit of Lessor in writing all obligations and covenants of Lessee thereafter to be performed or observed under this Lease, and (vi) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Lessor's consent, shall relieve Lessee or any guarantor of the Lease from liability under this Lease. Lessor or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Lessee relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Lessee shall, within thirty (30) days after demand, pay the deficiency and Lessor's costs of such audit.

13.6 Additional Transfers.

Unless Lessee is a publicly held company whose stock or other voting membership interests is regularly traded on a national stock exchange, or is regularly traded in the over-the-counter market and quoted on NASDAQ, any merger, consolidation or other reorganization (including, without limitation, liquidation or the sale of substantially all of the unencumbered assets) or the sale or other transfer of any of the voting stock, partnership or membership interests, of Lessee or of any direct or indirect parent company that owns a controlling interest in Lessee, whether in one or more transactions, that, in the aggregate, results in a change in control of Lessee or in said parent company, or the dissolution by Lessee or any such parent company, shall be deemed to be an assignment and Transfer of this Lease. The term "control" as used in this Article 13 shall mean the right to exercise, directly or indirectly, more than forty-five percent (45%) of the voting or equity rights attributable to the interest of the controlled entity or the right or power to direct or cause the direction of the management or policies of the controlled person, if the controlling party exercises less than such amount of voting or equity rights.

If Lessee is a partnership, a transfer of the interest of any general partner or of any person that controls said general partner, a withdrawal of one or more general partner(s) from the partnership, or the dissolution of the partnership or of any person that controls said general partner, shall be deemed to be an assignment of this Lease. If Lessee is currently a partnership (either general or limited), joint venture, co-tenancy, joint tenancy or an individual, the conversion of the Lessee entity or person into any type of entity which possesses the characteristics of limited liability such as, by way of example only, a corporation, a limited liability company, limited liability partnership, or limited liability limited partnership, shall be deemed an assignment for purposes of this Lease.

13.7 Intentionally Omitted

13.8 Reasonableness of Restrictions.

Lessee acknowledges and agrees that the restrictions, conditions and limitations imposed by this Article 13 on Lessee's ability to Transfer any interest under this Lease or in the Premises are, for the purposes of California Civil Code §§1951.4 and 1995.010 et seq. (as such Laws may be amended from time to time), and for all other purposes, reasonable at the time that the Lease was entered into, and shall be deemed to be reasonable at the time that Lessee seeks the consent of Lessor to any proposed Transfer. Lessee hereby waives and relinquishes any present or future right (including any right under California Civil Code §1995.310 or any similar Law) to cancel or terminate this Lease in the event Lessor is determined to have unreasonably withheld or delayed its consent to a proposed Transfer.

ARTICLE 14

SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

14.1 Surrender of Premises.

No act or thing done by Lessor or any agent or employee of Lessor during the Lease Term shall be deemed to constitute an acceptance by Lessor of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Lessor. The delivery of keys to the Premises to Lessor or any agent or employee of Lessor shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Lessor, and notwithstanding such delivery, Lessee 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 Lessee, whether accepted by Lessor or not, or a mutual termination hereof, shall not work a merger, and at the option of Lessor shall operate as an assignment to Lessor of all subtenancies affecting the Premises.

14.2 Removal of Lessee Property by Lessee.

Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Lessee shall quit and surrender possession of the Premises to Lessor in as good order and condition as when Lessee took possession and as thereafter improved by Lessor, reasonable wear and tear and repairs which are specifically made the responsibility of Lessor hereunder excepted. Upon such expiration or termination, Lessee shall, without expense to Lessor, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work and other articles of personal property owned by Lessee or installed or placed by Lessee at its expense in the Premises, and such similar articles of any other persons claiming under Lessee, as Lessor may, in its sole discretion, require to be removed, and Lessee shall repair at its own expense all damage to the Premises and Project resulting from such removal. If Lessee does not timely remove such property, then Lessee shall be conclusively presumed to have, at Lessor's election, (i) conveyed such property to Lessor without compensation or (ii) abandoned such property, and Lessor may dispose of or store any part thereof in any manner at Lessee's sole cost, without waiving Lessor's right to claim from Lessee all expenses arising out of Lessee's failure to remove the property, and without liability to Lessee or any other person. Lessor shall have no duty to be a bailee of any such personal property. If Lessor elects to deem such property abandoned by Lessee, Lessee shall pay to Lessor, upon demand, any expenses incurred for disposition. Lessee expressly releases Lessor of and from any and all claims and liability for damage to or destruction or loss of property left by Lessee upon the Premises at the expiration or other termination of this Lease, and to the extent permitted by then applicable law, Lessee shall protect, indemnify, defend and hold Lessor harmless from and against any and all claims and liability with respect thereto.

ARTICLE 15

HOLDING OVER

If Lessee holds over and continues in possession of the Leased Premises after expiration of the Original Term or the Option Term and Lessee fails to cure this hold over within fifteen (15) days after notice from Lessor, the Lessee will be deemed to be occupying the Premises on the basis of a month-to-month tenancy at a rate of 150% of the Base Rent applicable during the last rental period of the Lease Term under this Lease, but otherwise subject to all of the terms and conditions of this Lease. In the event of an unauthorized or deemed holding over, and notwithstanding any agreement of the parties with respect to consequential damages, should Lessor have leased all or any part of the Premises to any successor lessee ("Successor Lessee") effective upon the termination of this Lease, then Lessee shall also indemnify Lessor against (i) all claims for damages by such Successor Lessee and (ii) all lost rents otherwise due from such Successor Lessee which are suffered by Lessor, both of which consequences are agreed by the parties to be actual, direct damages hereunder. Such month-to month tenancy shall be subject to every other term, covenant and agreement contained in this Lease. Nothing contained in this Lease shall be construed as consent by Lessor to any holding over by Lessee, and Lessor expressly reserves the right to require Lessee to surrender possession of the Premises to Lessor as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Lease shall not be deemed to limit or constitute a waiver of any other rights or remedies of Lessor provided herein or at law. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Lessor accruing therefrom, Lessee shall protect, defend, indemnify and hold Lessor 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 Lessee founded upon such failure to surrender, and any lost profits to Lessor resulting therefrom.

ARTICLE 16

ESTOPPEL, ATTORNMENT AND SUBORDINATION

16.1 Estoppel Certificate.

At any time during the Lease Term, within ten (10) days after request therefore by Lessor, Lessee shall

execute and deliver to Lessor an estoppel certificate which shall be substantially in the form of Exhibit H attached hereto and made a part hereof (or such other form as may be required by any mortgagee or prospective mortgagee or purchaser of the Project or any portion thereof) and which shall contain such other information reasonably requested by Lessor or any such mortgagee or purchaser along with any such changes made by Lessee to correct any inaccuracies in such estoppel certificate. Lessee's failure to deliver such statement in time shall constitute an acknowledgment by Lessee that the statements included in the estoppel certificate are true and correct, without exception.

16.2 Financial Statement.

Unless Lessee is a publicly held company whose stock is regularly traded on a national stock exchange and whose quarterly and annual reports are available to the public, within ten (10) days following Lessor's written request therefor, Lessee shall deliver to Lessor, the annual and quarterly financial statements of Lessee (and any Guarantors) for the most recent fiscal year and quarter, which financial statements shall be prepared in accordance with generally accepted accounting principles ("GAAP") (or in accordance with a method other than GAAP, provided that such financial statements fully and accurately reflect the financial condition of Lessee (or Guarantor, as the case may be), and the actual method of preparation is fully disclosed in writing), certified as to accuracy and completeness by Lessee's chief financial officer (in the case of any Guarantor, certified by the Guarantor's chief financial officer, or by Guarantor personally, if Guarantor is an individual).

16.3 Subordination.

This Lease is subject and subordinate to all present and future ground or underlying leases of the Project or any portion thereof, and to the lien of any mortgages or trust deeds, now or hereafter in force against the Project or any portion 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 or trust deeds, or the lessors or underlying leases, require in writing that this Lease be superior thereto. If requested by Lessor's mortgagee or any future mortgagee, Lessee shall execute and deliver to Lessor a Subordination, Non-Disturbance and Attornment Agreement, substantially in the form of Exhibit H attached hereto and made a part hereof confirming the terms of the subordination of this Lease to the interest of the existing holder of mortgage or deed of trust encumbering the Project. Lessee covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or trust deed or, to attorn, without any deductions or setoffs whatsoever, to the purchaser upon any such foreclosure sale upon any such termination if so requested to do so by such purchaser, and to recognize such purchaser, as the lessor under this Lease. Lessee shall, within ten (10) days of request by Lessor, execute such further instruments or assurances as Lessor or any mortgagee may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any mortgages, trust deeds, ground leases or underlying lease.

ARTICLE 17

DEFAULTS; REMEDIES

17.1 Events of Default by Lessee.

The occurrence of any of the following events shall constitute an "Event of Default" on the part of Lessee without notice from Lessor unless otherwise provided:

(a) Abandonment. Abandonment of the Premises as abandonment is defined in Section 1951.3 of the California Civil Code, and fails to pay Rent as and when due;

(b) Payment. Except as provided in subparagraph (f) below, failure to pay any installment of Base Rent, Expense Rent, Additional Rent or other monies due and payable hereunder as Rent upon the date when said payment is due, provided, however that the first two (2) times in any period of twelve (12) consecutive months, there shall be no Event of Default unless such failure continues beyond a period of five (5) days after delivery of written notice from Lessor.

(c) Performance. Default in the performance of any of Lessee's covenants, agreements or obligations hereunder (except default in the payment of Rent), where such default continues for thirty (30) days after written notice thereof from Lessor; provided however, that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30)-day period, Lessee 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 said default as soon as possible; it becomes due, so long as Lessor does not terminate Lessee's right to possession. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Lessor to protect Lessor's interest under this Lease shall not constitute a termination of Lessee's right to possession. At any time subsequent to vacation or abandonment of the Premises by Lessee, Lessor may give notice of termination and shall thereafter have all of the rights set forth in Article 17.2 (b) through (f) below.

(d) Assignment. A general assignment by Lessee for the benefit of creditors.

(e) Bankruptcy. The filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation or reorganization of Lessee under any law relating to bankruptcy, insolvency or other relief of debtors and not removed within ninety (90) days of filing.

(f) Chronic Delinquency. Lessee's failure to make any payment of Rent under this Lease as and when the same is required to be paid, if Lessee has received two (2) or more notices of default from Lessor with respect thereto at any time within the preceding twelve (12) month period, irrespective of whether any such default was cured prior to or after becoming an Event of Default.

(g) [INTENTIONALLY DELETED]

(h) Insolvency or Dissolution. Lessee shall become insolvent or unable to pay its debts, or shall fail generally to pay its debts as they become due; or any court shall enter a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee shall take any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Premises; and,

(i) Attachment. Attachment, execution or other judicial seizure of substantially all of Lessee's assets or the Premises or any interest of Lessee under this Lease.

Lessee agrees that any notice of and Event of Default described above, including any Notice required in order for Lessor to commence an unlawful detainer proceeding, shall replace and satisfy any statutory notice requirement, including any notices required by California Code of Civil Procedure §1161. When a statute requires service of a notice in a particular manner, service of such notice in the manner required by this Lease shall replace and satisfy the statutory service of notice procedures, including those required by California Code of Civil Procedure §1162.

17.2 Lessor's Remedies.

If an Event of Default shall occur, at any time thereafter and without limiting Lessor in the exercise of any other right or remedy at law or in equity, Lessor may elect any of the following remedies:

(a) Continuation of Lease. Notwithstanding Lessee's breach of the Lease and abandonment of the Premises, Lessor may continue the Lease in full force and effect and enforce all of the Lessor's rights and remedies under the Lease, as provided by California Civil Code section 1951.4, including the right to recover rent as it becomes due, so long as Lessor does not terminate Lessee's right to possession the following provision from such California Civil Code Section is hereby repeated: "The lessor has 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 right to sublet or assign, subject only to reasonable limitations)." Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Lessor to protect Lessor's interest under this Lease shall not constitute a termination of Lessee's right to possession. At any time subsequent to vacation or abandonment of the Premises by Lessee, Lessor may give notice of termination and shall thereafter have all of the rights set forth in Article 17.2 (b) below.

(b) Termination. So long as the default continues, Lessor shall have the right to terminate this Lease by written notice to Lessee.

(c) Possession. Following termination of the Lease under Article 17.2(b) and without prejudice to any other remedies Lessor may have by reason of Lessee's default or of such termination, Lessor may then or at anytime thereafter: (i) peaceably re-enter the Premises, or any part thereof, upon voluntary surrender by Lessee or expel or remove Lessee therefrom and any other persons occupying them, using such legal proceedings as are then available; (ii) repossess and enjoy the Premises; or relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the Term) at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property therefrom, store such personal property at Lessee's expense and sell such property and apply the proceeds therefrom pursuant to applicable California law, all as attorney-in-fact for Lessee.

(d) Recovery. Following termination under Article 17.2(b) above, Lessor shall have all the rights and remedies to recover from Lessee damages as provided by California Civil Code Section 1951.2 (or any successor law) including without limitation: (i) the worth at the time of the award of the unpaid Rent and other amounts which had been earned at the time of termination; (ii) 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 the award exceeds the amount of such Rent loss that Lessee proves could have been reasonably avoided; (iii) 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 award exceeds the amount of such Rent loss Lessee proves could be reasonably avoided; (iv) any other amount necessary to compensate Lessor for all detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (v) at Lessor'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 "worth at the time of the award" of the amounts referred to in (i) and (ii) are computed by allowing interest at the Interest Rate applicable to the time of award. The "worth at the time of the award" of the amount referred to in (iii) above 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%). Lessee waives any rights of redemption or relief from forfeiture under California Civil Code Section 3275 and California Code of Civil Procedure Sections 1174 and 1179, or under any other applicable present or future Law if Lessee is evicted or Lessor terminates Lessee's right to possession of the Premises by reason of any Event of Default. Lessee waives California Civil Code Section 1945 pertaining to the renewal of a lease by acceptance of rent.

(e) Additional Remedies. In addition to the foregoing remedies, so long as this Lease is not terminated, Lessor shall have the right to remedy any Event of Default of Lessee, to maintain or improve the Premises without terminating the Lease, to incur expenses on behalf of Lessee in seeking a new subtenant or to cause a receiver to be appointed to administer the Premises and new or existing subleases, and to add to the Rent payable hereunder all of Lessor's reasonable costs in doing so, with interest at the maximum rate set by statute. Lessor may pursue any and all other remedies available to Lessor at law or in equity, by statute or otherwise.

(f) Other Breaches. If Lessee causes or threatens a breach of any of the covenants, agreements, terms or conditions contained in this Lease, Lessor shall be entitled to retain all sums held by Lessor for Lessee's account or in any account provided for herein to enjoin such breach or threatened breach, and to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings and other remedies were not provided for in this Lease.

(g) Cumulative. Each right and remedy of Lessor provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise. The exercise or beginning of the exercise by Lessor of any one or more of the rights or remedies provided for in this Lease, now or hereafter existing at law or in equity or by statute or otherwise, shall not preclude the simultaneous or later exercise by Lessor of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

(h) No Waiver. Notwithstanding anything to the contrary contained herein, no failure by Lessor to insist upon the strict performance of any term hereof or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach shall constitute a waiver of any such breach or of any such term. Efforts by Lessor to mitigate the damages caused by Lessee's breach of this Lease shall not be construed to be a waiver of Lessor's right to recover damages under this Article 17. Nothing in this Article 17 affects the right of Lessor to be indemnified and/or held harmless by Lessee in accordance with the provisions of this Lease for liability arising prior to the termination of this Lease.

ARTICLE 18

LESSOR'S RIGHT TO CURE DEFAULT; PAYMENTS BY LESSEE

18.1 Lessor's Cure.

All covenants and agreements to be kept or performed by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any reduction of Rent. If Lessee shall fail to perform any of its obligations under this Lease, Lessor may, but shall not be obligated to, make any such payment or perform any such act on Lessee's part without waiving its right based upon any default of Lessee and without releasing Lessee from any obligations hereunder.

18.2 Lessee's Reimbursement.

Except as may be specifically provided to the contrary in this Lease, Lessee shall, within fifteen (15) days after delivery by Lessor to Lessee of statements therefore, pay to Lessor the following, as Additional Rent, together with interest at the Interest Rate: (i) sums equal to expenditures reasonably made and obligations incurred by Lessor in connection with the remedying by Lessor of Lessee's defaults pursuant to the provisions of Article 19.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 9 of this Lease; and (iii) sums equal to all expenditures made and obligations incurred by Lessor in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Lessor under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Lessee's obligations under this Article 18.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 19

GRAPHICS

19.1 General.

Lessor, at Lessor's cost, shall provide identification of Lessee's name and suite numerals at the main entrance door to the Premises. All graphics of Lessee visible in or from public corridors or the exterior of the Premises or Project shall be subject to Lessor's prior written approval and consistent with the graphic standards established for the Project by Lessor. Upon the expiration or earlier termination of this Lease, Lessee shall be responsible, at its sole cost and expense, for the removal of such signage and the repair of all damage caused by such removal.

19.2 Building Directory.

At Lessor's cost, Lessee shall be entitled to its proportionate share of lines on the office building directory to display Lessee's name and location in the Project.

19.3 Prohibited Signage and Other Items.

Lessee may not install any signs on the exterior or roof of the Building or the common areas of the Project. Any signs, banners, flags, window coverings, or blinds (even if the same are located behind the Lessor approved

window coverings for the Building), or other items visible from the exterior of the Premises are subject to the prior approval of Lessor, in its sole discretion.

ARTICLE 20

PARKING RIGHTS

20.1 General Use of Parking Facility.

Subject to the Project Rules, Lessee shall be entitled to park on an unreserved basis, Permitted Size Vehicles (as that term is hereinafter defined) in parking spaces located in the Parking Facility during the Lease Term, at Lessor's then regular parking charges. All parking spaces shall be used for parking by vehicles no larger than full-size passenger vehicles, including pickup trucks and small and mid-size sports utility vehicles, herein collectively called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as reasonably directed by Lessor and in accordance with the Project Rules. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities, and no overnight parking shall be permitted. If Lessee permits or allows any of the prohibited vehicular activities described in this Lease or in any Project Rules then in effect, Lessor shall have the right, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be payable within thirty (30) days of demand by Lessor. No disposal of any Hazardous Substances, including, without limitation motor oil or fuel, shall be allowed or performed in the Parking Facility.

20.2 No Policing of Parking Facility by Lessor.

Lessee acknowledges that Lessor does not provide any policing or reconnaissance services associated with the Parking Facility and that Lessee is delegated the sole responsibility for employee safety for access to and from the Premises and the parking of motor vehicles in the Parking Facility. Neither Lessor nor any of Lessor's employees, agents or representatives shall have any liability or responsibility to Lessee or any other party parking in the Parking Facility for any loss or damage that may be occasioned by or may arise out of such parking, including, without limitation, loss or damage to property or damage or injury to person or property from any cause whatsoever, other than to the extent arising from the gross negligence or willful misconduct of Lessor or any of Lessor's employees, agents or representatives. Lessee, in consideration of the parking privileges hereby conferred on Lessee, waives, any and all liabilities against Lessor and any of Lessor's employees, agents and representatives, by reason of occurrences in the Parking Facility and the driveway access and entrances thereto, other than to the extent arising from the gross negligence or willful misconduct of Lessor or any of Lessor's employees, agents or representatives

ARTICLE 21

MISCELLANEOUS PROVISIONS

21.1 Terms.

The necessary grammatical changes required to make the provisions hereof apply either to corporations, partnerships or other entities or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed.

21.2 Binding Effect.

Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Lessor and of Lessee, but also of their respective successors or assigns; provided this clause shall not be construed to permit any assignment by Lessee contrary to the provisions of Article 13 of this Lease.

21.3 Authorization.

If Lessee executes this Lease as a corporation, limited liability company or partnership, then Lessee and the persons executing this Lease on behalf of Lessee represent and warrant that Lessee is duly qualified to do business in California and that the individuals executing this Lease on Lessee's behalf are duly authorized to execute and deliver this Lease on its behalf, which in the case of a corporation shall be in accordance with a duly adopted resolution of the board of directors of Lessee, a copy of which is to be delivered to Lessor on execution hereof, which in the case of a limited liability company, shall be in accordance with Lessee's operating agreement and amendments thereto, if any, copies of which are to be delivered to Lessor upon request, and which in the case of a partnership, shall be in accordance with Lessee's partnership agreement and amendments thereto, if any, copies of which are to be delivered to Lessor upon request.

21.4 Accord and Satisfaction.

No payment by Lessee or receipt by Lessor of a lesser amount than the Rent herein stipulated shall be deemed to be other than on account of the Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such Rent or pursue any other remedy provided in this Lease.

21.5 Peaceful Enjoyment.

Subject to the other terms hereof, Lessee shall and may peacefully have, hold and enjoy the Premises, provided that Lessee pays the Rent and other sums herein to be paid by Lessee and performs all of Lessee's covenants and agreements contained herein. It is understood and agreed that this covenant and any and all other covenants of Lessor contained in this Lease shall be binding upon Lessor and its successors only with respect to breaches occurring when Lessor has an ownership interest in the Project, and shall be binding on Lessor's successors only with respect to breaches occurring when such successors have an ownership interest in the Project.

21.6 Limitation of Lessor's Liability.

The obligations of Lessor under this Lease shall not constitute personal obligations of the partners, directors, members, officers or shareholders of Lessor, and Lessee shall look solely to the real estate that is the subject of this Lease and to no other assets of Lessor for satisfaction of any liability in respect of this Lease and shall not seek recourse against the partners, directors, members, officers or shareholders of Lessor or any of their personal assets for such satisfaction.

21.7 Time, Calendar Year; Calendar Days.

Time is of the essence in the performance of all obligations under this Lease. As used in this Lease, the term "calendar year" shall mean January 1 through December 31. Except as otherwise expressly provided herein, all references to days in this Lease shall mean calendar days, not working or business days; provided, however, that if a certain date falls on a weekend or holiday, the next business day shall be substituted for the applicable date. Reference to "business days" shall be to any day from Monday through Friday, excluding Holidays.

21.8 Severability.

If any term or provision of this Lease, or the application thereof to any person or circumstance, the deletion of which shall not adversely affect the receipt of any material benefit of Lessor or Lessee, shall be invalid, void or unenforceable to any extent, the remainder of this Lease, and the application of such terms or provisions to other persons or circumstances, shall not be affected, impaired or invalidated thereby and shall be enforced to the greatest extent permitted by law.

21.9 Jury Trial: Attorney's Fees.

IF EITHER PARTY COMMENCES LITIGATION AGAINST THE OTHER FOR THE SPECIFIC PERFORMANCE OF THIS LEASE, FOR DAMAGES FOR THE BREACH HEREOF OR OTHERWISE FOR ENFORCEMENT OF ANY REMEDY HEREUNDER, THE PARTIES HERETO AGREE TO AND HEREBY DO WAIVE ANY RIGHT TO A TRIAL BY JURY. If any dispute arises between the parties hereto concerning the breach, enforcement or interpretation of any provision of this Lease, then the party not prevailing in such dispute shall pay any and all court costs, reasonable attorney and expert witness fees and disbursements, and all other costs and expenses incurred by the other party on account thereof, including those incurred in connection with any matters on appeal. Any such fees and other expenses incurred by either party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such obligation is intended to be severable from the other provisions of this Lease and to survive and not be merged into any such judgment.

21.10 Applicable Law.

This Lease, and the rights and obligations of the parties hereto, shall be construed and enforced in accordance with the laws of the State of California.

21.11 Submission of Lease.

The submission of this document for examination and negotiation neither constitutes an offer to lease, nor acceptance of an offer, nor a reservation of, nor option for leasing the Premises. This document shall become effective and binding only upon execution and delivery by Lessor. No act or omission of any employee or agent of Lessor or of Lessor's broker or managing agent shall alter, change or modify any of the provisions hereof.

21.12 No Nuisance.

Lessee shall conduct its business and control its agents, employees, invitees and visitors in such a manner as not to create any nuisance, or interfere with, annoy or disturb any other tenant or Lessor in its operation of the Building.

21.13 Broker.

Lessee warrants that it has had no dealings with any real estate broker or agent other than the brokers set forth in Item 11 of the Summary ("Brokers") in connection with the negotiation of this Lease, and that it knows of no other real estate broker or agent other than Brokers, who may be entitled to any commission or finder's fee in connection with this Lease. Lessee hereby indemnifies, defends, protects and holds Lessor harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses with respect to any leasing commission or equivalent compensation alleged to be owing on account of Lessee's dealings with any real estate broker or agent other than Brokers. Lessor shall pay the Brokers in full for their work in connection with the negotiation of this Lease pursuant to a separate agreement between such Brokers and Lessor.

21.14 Modification for Lender.

If, in connection with obtaining construction, interim or permanent financing for the Project, the lender or shall request reasonable modifications in this Lease as a condition to such financing, Lessee will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications do not increase the obligations of Lessee hereunder or materially adversely affect the leasehold interest hereby created or reduce or limit Lessee's rights hereunder.

21.15 Entry.

Lessor, its agents and representatives, shall have the right to enter the Premises to (i) make such repairs, alterations, improvements and additions to the Premises or to the Project or to any equipment located in the Premises or

the Project as Lessor shall desire or deem necessary or as Lessor may be required to do by governmental or quasi-governmental authority or court order or decree, (ii) inspect the Premises in order to confirm that Lessee is complying with all of the terms and conditions of this Lease and with the Project Rules, (iii) perform such work as may be permitted or required under this Lease, (iv) to show the Premises to prospective purchasers, lenders, or tenants, (v) post such notices as may be permitted or required by Law, and (vi) for any other purpose as Lessor may deem necessary or desirable. Lessee shall not be entitled to any abatement of Rent by reason of the exercise of any such right of entry. Except for entry to the Premises in the event of an emergency or to provide other regularly scheduled Building services, Lessor shall give Lessee reasonable advance notice of Lessor's intent to enter the Premises (with 24-hours' advance notice being deemed reasonable for non-emergency access), and shall, as a general matter, limit its entry to the Premises to Building Hours. Lessor shall at all times have and retain a key with which to unlock all of the doors in, on or about the Premises, and in cases of emergency Lessor shall have the right to use any and all means which Lessor may deem proper to open such doors to obtain entry to the Premises, and any entry to the Premises obtained by any such means shall not under any circumstances be deemed or construed to be a forcible or unlawful entry into or a detainer of the Premises or an eviction, actual or constructive, of Lessee from any part of the Premises.

21.16 Recording.

Neither Lessor nor Lessee may record this Lease nor a short form memorandum thereof.

21.17 No Merger.

The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and at the option of Lessor shall terminate all or any existing assignments, subleases or sub-tenancies, or at the option of Lessor may operate as an assignment to it of any or all such assignments, subleases or sub-tenancies.

21.18 Amendment.

Except as otherwise provided herein, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Lessor or Lessee unless in writing and executed and delivered by Lessor and Lessee.

21.19 Financing.

Lessee shall not execute any document purporting to affect the Premises or any other property of which the Premises are a part, including, without limitation, any financing statement, without prior written consent of Lessor.

21.20 No Warranty.

In executing and delivering this Lease, Lessee has not relied on any representation including, but not limited to, any representation whatsoever as to the amount of any item comprising Rent or the amount of Rent in the aggregate or that Lessor is furnishing the same services to other Lessees, at all, on the same level or on the same basis or any warranty or any statement of Lessor which is not set forth herein or in one or more of the exhibits attached hereto.

21.21 Right to Lease.

Lessor reserves the absolute right to enter into such other tenancies in the Project as Lessor in its sole discretion shall determine, and Lessee is not relying on any representation that any specific tenant or number of tenants will occupy the Project.

21.22 Entire Agreement.

It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Lessor to Lessee with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. This Lease and any

side letter or separate agreement executed by Lessor and Lessee in connection with this Lease and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, and none of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Lease.

21.23 Force Majeure.

Notwithstanding anything to the contrary contained in this Lease, Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor or materials or reasonable substitutes therefore, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform (collectively, “Force Majeure”) 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 Force Majeure. Under no circumstances shall a party's inability to pay any monetary obligation of that party be deemed to be Force Majeure.

21.24 Waiver of Redemption.

Lessee hereby waives for Lessee and for all those claiming under Lessee all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, any right to reclaim or redeem occupancy of the Premises after any termination of this Lease.

21.25 Joint and Several.

If there is more than one Lessee, the obligations imposed upon Lessee under this Lease shall be joint and several.

21.26 Notices.

All notices, demands, statements, approvals or communications (collectively, “Notices”) given or required to be given by either party to the other hereunder shall be in writing, shall be sent by United States certified or registered mail, postage prepaid, return receipt requested, or delivered personally (i) to Lessee at the appropriate address set forth in Item 5 of the Summary, or to such other place as Lessee may from time to time designate in a Notice to Lessor; or (ii) to Lessor at the addresses set forth in Item 3 of the Summary, or to such other firm or to other place as Lessor may from time to time designate in a Notice to Lessee. Any Notice will be deemed given on the date it is deemed received as provided in this Article 21.26 or upon the date personal delivery is made or attempted to be made. If Lessee is notified in writing of the identity and address of Lessor’s mortgagee or ground or underlying lessor, Lessee shall give to such mortgagee or ground or underlying lessor written notice of any default by Lessor under the terms of this Lease by registered or certified mail, and such mortgagee or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Lessee’s exercising any remedy available to Lessee.

21.27 Independent Covenants.

This Lease shall be construed as though the covenants herein between Lessor and Lessee, including without limitation Lessee's obligation to pay Rent, are independent and not dependent on the performance of the obligations of the other party, and Lessee hereby expressly waives the benefit of any statute to the contrary and agrees that if Lessor fails to perform its obligations set forth herein, Lessee shall not be entitled to make any repairs or perform any acts hereunder at Lessor’s expense or to any set-off of the Rent or other amounts owing hereunder against Lessor; provided, however, that the foregoing shall in no way impair the right of Lessee to commence a separate action against Lessor for any violation by Lessor of the provisions hereof so long as notice is first given to Lessor

and any holder of a mortgage or deed of trust covering the Building, Project or any portion thereof, of whose address Lessee has theretofore been notified, and an opportunity is granted to Lessor and such holder to correct such violations as provided above.

21.28 Project Name and Signage.

Lessor shall have the right at any time to change the name of the Project and to install, affix and maintain any and all signs on the exterior and on the interior of the Project as Lessor may, in Lessor's sole discretion, desire.

21.29 No Discrimination.

Lessee covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through Lessee, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, sex, religion, marital status, ancestry or national origin in the leasing, subleasing, transferring, use or employment of the Premises, nor shall Lessee itself, or any person claiming under or through Lessee, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the Premises.

21.30 Confidentiality.

Lessee and Lessor acknowledge and agree that the terms of this Lease and any related documents are confidential and constitute proprietary information of Lessee and Lessor. Both parties shall keep such information strictly confidential and shall not disclose such information to any person or entity other than their respective financial, legal, brokerage and space planning associates or as may be required by law. In no event shall either party or their respective agents, employees or contractors, issue a press release (unless required by law to do so) regarding this transaction without the express prior written consent of the other which may be given or withheld by such party in its sole discretion.

[Signatures on Following Page]

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease to be executed the day and date first above written.

"LESSOR"

BPG ROCK WESTLAKE, LLC
a Delaware limited liability company

By: Barker Pacific Group, Inc.,
a Delaware Corporation
Authorized Manager

By: /s/ Michael D. Barker
Michael D. Barker
Managing Director

"LESSEE:"

Atara Biotherapeutics, **Inc.**
a Delaware corporation

By: /s/ Isaac C. Ciechanover
Its: CEO

EXHIBIT A

4360 Park Terrace Drive,
Westlake Village, CA 91361

OUTLINE OF FLOOR PLAN OF PREMISES

See attached.

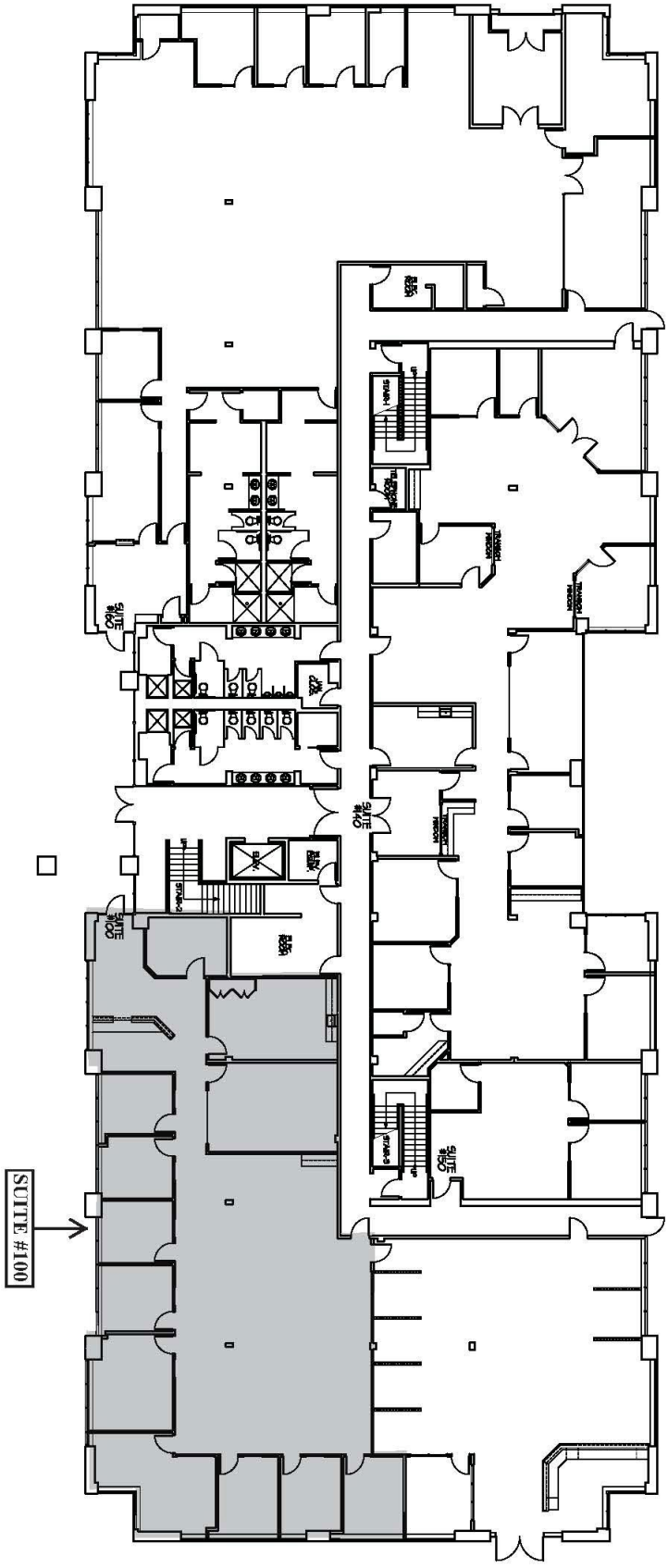

SUITE #100

EXHIBIT B

4330-4360 Park Terrace Drive,

Westlake Village, CA 91361

PROJECT LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

ALL OF LOTS 5 AND 8 OF TRACT 43744, IN THE CITY OF WESTLAKE VILLAGE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1100, PAGES 11 THROUGH 14 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED MORE PARTICULARLY AS FOLLOWS:
BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 5, THENCE ALONG THE SOUTHERLY LINE OF SAID LOTS 5 AND 8.
1ST - NORTH 86 DEGREES 44 MINUTES 54 SECONDS EAST, 617.91 FEET TO THE SOUTHEAST CORNER OF SAID LOT 8; THENCE ALONG THE EAST LINE OF SAID LOT 8.
2ND - NORTH 4 DEGREES 46 MINUTES 26 SECONDS WEST, 148.32 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 30.00 FEET; THENCE
3RD - NORTHERLY AND WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 88 DEGREES 28 MINUTES 40 SECONDS AN ARC LENGTH OF 46.83 FEET TO A POINT IN THE NORTHERLY LINE OF SAID LOT 8; THENCE ALONG THE NORTHERLY LINE OF SAID LOTS 8 AND 5.
4TH - SOUTH 86 DEGREES 44 MINUTES 54 SECONDS WEST 553.98 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 30.00 FEET; THENCE
5TH - WESTERLY AND SOUTHERLY ALONG SAID LAST MENTIONED CURVE THROUGH A CENTRAL ANGLE OF 90 DEGREES 00 MINUTES 00 SECONDS AN ARC LENGTH OF 47.12 FEET TO A POINT IN THE WESTERLY LINE OF SAID LOT 5; THENCE ALONG SAID WESTERLY LINE OF LOT 5.
6TH - SOUTH 3 DEGREES 15 MINUTES 06 SECONDS EAST 147.47 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION, AS DISCLOSED BY A CERTIFICATE OF COMPLIANCE RECORDED SEPTEMBER 16, 1988 AS INSTRUMENT NO. 88-1492596.
EXCEPT THEREFROM ALL THE OIL, GAS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET MEASURED VERTICALLY, FROM THE SURFACE OF SAID LAND WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR INTO THAT PORTION OF THE SUBSURFACE THEREOF LYING ABOVE A DEPTH OF 500 FEET, MEASURED VERTICALLY FROM SAID SURFACE, AS GRANTED AMERICAN-HAWAIIAN STEAMSHIP COMPANY, BY DEED RECORDED APRIL 5, 1966 IN BOOK D-3261, PAGE 937, OFFICIAL RECORDS.
PARCEL 2:
ALL OF LOTS 6 AND 7 OF TRACT 43744, IN THE CITY OF WESTLAKE VILLAGE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1110, PAGES 11 THROUGH 14, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED MORE PARTICULARLY AS FOLLOWS:
BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 6; THENCE ALONG THE WESTERLY LINE OF SAID LOT 6.
1ST - SOUTH 3 DEGREES 15 MINUTES 06 SECONDS EAST 152.90 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 30.00 FEET; THENCE
2ND - SOUTHERLY AND EASTERLY ALONG SAID LAST MENTIONED CURVE THROUGH A CENTRAL ANGLE OF 80 DEGREES 23 MINUTES 08 SECONDS, AN ARC LENGTH OF 42.09 FEET TO A POINT OF REVERSE CURVE, CONCAVE SOUTHERLY AND HAVING A RADIUS OF 300.00 FEET; A RADIAL BEARING TO SAID POINT OF REVERSE CURVE BEARS NORTH 6 DEGREES 21 MINUTES 46 SECONDS EAST; THENCE

3RD - SOUTHEASTERLY ALONG SAID LAST MENTIONED CURVE THROUGH A CENTRAL ANGLE OF 9 DEGREES 13 MINUTES 25 SECONDS AN ARC LENGTH OF 48.29 FEET; THENCE
4TH - SOUTH 74 DEGREES 24 MINUTES 49 SECONDS EAST, 228.42 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 250.00 FEET; THENCE
5TH - EASTERLY AND NORTHERLY ALONG SAID LAST MENTIONED CURVE THROUGH A CENTRAL ANGLE OF 110 DEGREES 21 MINUTES 37 SECONDS AN ARC LENGTH OF 481.54 FEET; THENCE
6TH - NORTH 4 DEGREES 46 MINUTES 26 SECONDS WEST, 24.85 FEET TO THE NORTHEAST CORNER OF SAID LOT 7; THENCE ALONG THE NORTHERLY LINE OF SAID LOTS 7 AND 6.
7TH - SOUTH 86 DEGREES 44 MINUTES 54 SECONDS WEST, 617.91 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION AS DISCLOSED BY A CERTIFICATE OF COMPLIANCE RECORDED SEPTEMBER 16, 1988 AS INSTRUMENT NO. 88-1492596.
EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET MEASURED VERTICALLY, FROM THE SURFACE OF SAID LAND WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR INTO THAT PORTION OF THE SUBSURFACE THEREOF LYING ABOVE A DEPTH OF 500 FEET, MEASURED VERTICALLY FROM SAID SURFACE, AS GRANTED TO AMERICAN-HAWAIIAN STEAMSHIP COMPANY, BY DEED RECORDED APRIL 5, 1966, IN BOOK D-3261 PAGE 937, OFFICIAL RECORDS.

PARCEL 3:

A NON-EXCLUSIVE EASEMENT FOR PARKING, INGRESS AND EGRESS, ALONG WITH THE RIGHT TO 60 PARKING SPACES LOCATED AT THE LAND DESCRIBED AS LOT 9 OF TRACT 43744, IN THE CITY OF WESTLAKE VILLAGE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1110, PAGES 11 THROUGH 14, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED “GRANT OF EASEMENTS AND AGREEMENT (PARKING)”, DATED AS OF MARCH 10, 1999 AND RECORDED ON JUNE 29, 1999 AS INSTRUMENT NO. 99-1191100, AS AMENDED BY THAT CERTAIN FIRST AMENDMENT TO GRANT OF EASEMENTS AND AGREEMENT (PARKING) DATED AS OF OCTOBER 29, 2008 AND RECORDED ON JANUARY 7, 2009 AS INSTRUMENT NO. 200090021387, AND AS FURTHER AMENDED BY THAT CERTAIN SECOND AMENDMENT TO GRANT OF EASEMENTS AND AGREEMENT (PARKING) DATED AS OF NOVEMBER 14, 2013 AND RECORDED ON DECEMBER 6, 2013 AS INSTRUMENT NO.

EXHIBIT C

WORK LETTER

Lessor will perform, at its sole cost and expense, the work described in this **Exhibit C** (the "**Lessee Improvements**"), and shall deliver the Premises to Lessee with the Lessee Improvements Substantially Complete (as such term is defined below),. Concurrently with the execution of the Lease, Lessor and Lessee have approved a schematic plan showing the general location and scope of the Lessee Improvements (the "**Space Plan**"). A true and correct copy of the Space Plan is attached hereto as **Exhibit D** to the Lease and is incorporated herein by this reference. In the event of any conflict or inconsistency between the terms of this **Exhibit C** and the Space Plan, the terms of this **Exhibit C** shall control. "Substantially Complete" shall mean that (i) the Lessee Improvements shall be materially complete in accordance with the Space Plan, subject to customary punch list items, as certified by Lessor, and (ii) the applicable governmental authority has issued a certificate of occupancy allowing Lessee's full occupancy of the Premises.

By its execution of the Lease, Lessee hereby authorizes Lessor to perform and commence the Lessee Improvements through contractors selected and under the supervision and control of Lessor.

1. Lessor to shampoo existing carpet.

2. Lessee to select and Lessor to provide new paint per Building Standard.

3. Replace damaged or stained ceiling tiles and light lenses.

4. Voice and data conduit to the Premises and a phone board in the Premises.

5. All plumbing, electrical and mechanical systems shall be in proper working order.

6. All doors in the space shall be cleaned and have scratches removed, to the extent such repair is possible.

7. All mini blinds should be operable and cleaned.

8. All furniture located on the Premises on the date hereof shall remain on the Premises and shall be cleaned to the extent possible. Lessor agrees to convey title to all furniture at no cost to Lessee and further agrees to allow Lessee to abandon the furniture on the Premises at the end of the Lease term at no additional charge to Lessee.

9. If and to the extent any of Lessee Improvements triggers a requirement to make improvements, modifications or upgrades to any Common Areas within the path of travel for ingress and egress to the Building and/or access to the floor on which the Premises are located to comply with any state or local statutes, regulations or ordinances governing handicap access (and implementing the Federal law commonly known as the Americans with Disabilities Act) (the "**ADA Code Compliance Improvements**"), Lessor shall be solely responsible for the cost of the ADA Code Compliance Improvements.

As used herein, the term "**Building Standard**" refers to the materials maintained in stock by Lessor for use in the improvements of tenant space in the Building. Lessor shall correct and complete punch list items, if any, promptly after written notice from Lessee given within thirty (30) days following the Commencement Date.

Lessor has in good faith obtained cost estimates from third party contractors selected by Lessor for the cost to complete Lessor's Work and, absent any Lessee Delays or changes requested by Lessee to the scope of work

contemplated by the Space Plan, Lessor will complete Lessor's Work at Lessor's sole cost and expense. To the extent that such matters are reasonably within Lessor's control, Lessor shall not use substitute materials for any materials stipulated in the Space Plan without the prior written consent of Lessee.

In the event of any Lessee Delays (as that term is hereinafter defined), the Lease Commencement Date shall be determined as of the date the Lessee Improvements would have been completed without delays attributable to Lessee Delays. As used herein, the term "**Lessee Delays**" shall mean any delay that Lessor may encounter in the performance of Lessor's obligations under this **Exhibit C** or the Lease to install and/or perform the Lessee Improvements solely because of any act or omission of any nature by Lessee or its agents, including, without limitation, delays resulting from changes in or additions to the scope of the Lessee Improvements; delays due to the failure to promptly give authorizations or approvals required to enable Lessor to proceed with any work; or delays due to the postponement of any Lessee Improvements at the request of Lessee.

Lessor shall have the right to cease all work in the event the number of days attributable to Lessee Delays exceeds the aggregate of twenty (20) days, unless Lessee gives unconditional approval to all of the Lessee Improvements in a manner requested by Lessor to allow Lessor to proceed with the immediate construction of the improvements. The failure of Lessee to provide such unconditional approval within three (3) business days after written demand therefor from Lessor shall constitute a non-curable Event of Default under the Lease.

IN WITNESS WHEREOF, the parties have executed this Work Letter as of this 15 day of ___Jan_____, 2015.

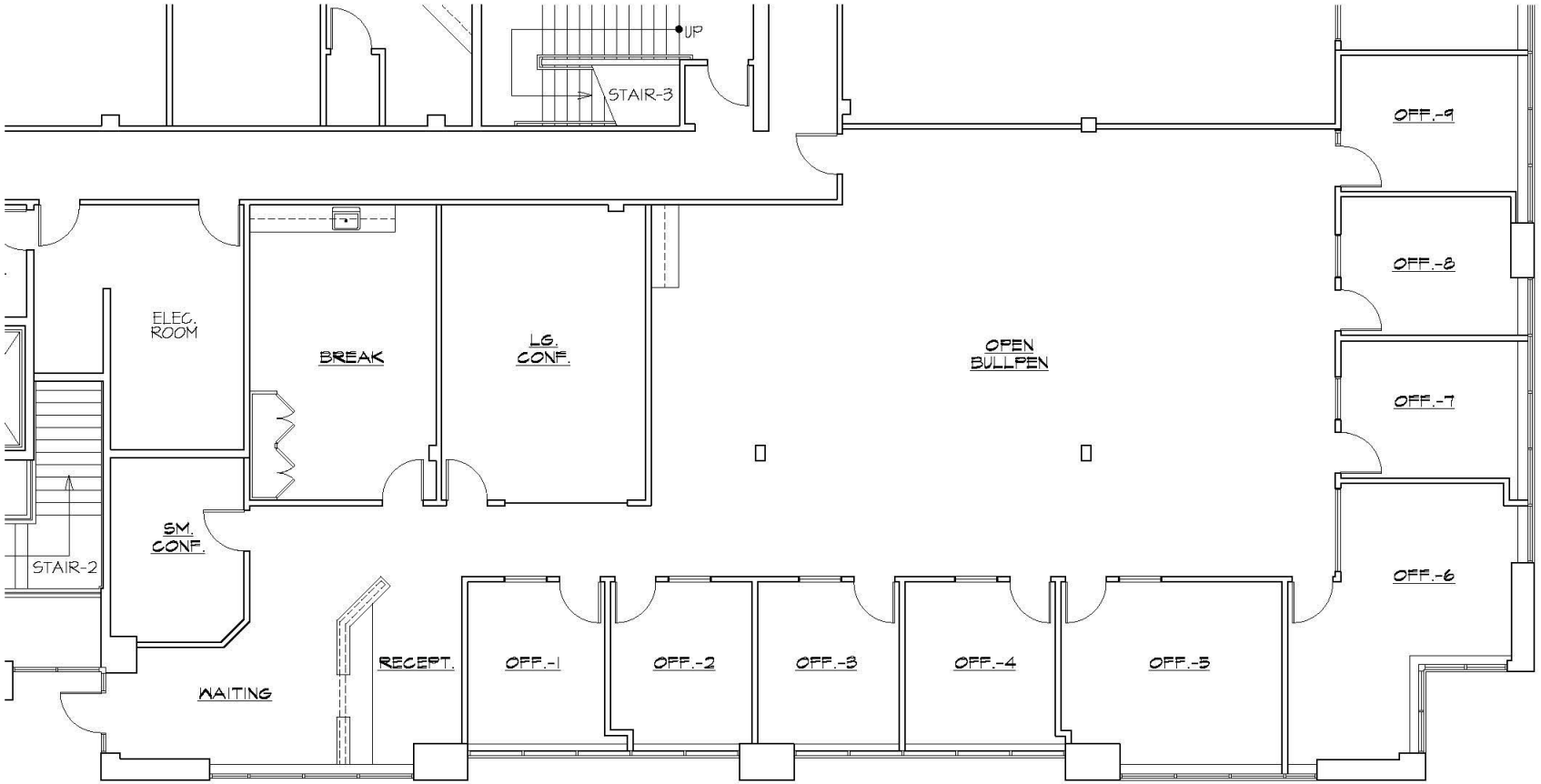
"LESSOR"	**"LESSEE"**
BPG ROCK WESTLAKE, LLC a Delaware limited liability company By:Barker Pacific Group, Inc., a Delaware Corporation Authorized Manager By: /s/ Michael D. Barker Michael D. Barker Managing Director	**Atara Biotherapeutics**, **Inc.** a Delaware corporation By:__/s/ Isaac Ciechanover_____ Its:____CEO_____

EXHIBIT D

4360 Park Terrace Drive,
Westlake Village, CA 91361

LESSEE SPACE PLAN

See attached.



±4,843 R.S.F.

NORTH

ATARA
4360 PARK TERRACE DR., #100
SPACE PLAN

SCALE: NTS NOVEMBER 26, 2014

0' 2' 4' 8' 16'

BN 6446545v1

EXHIBIT E

4360 Park Terrace Drive,

Westlake Village, CA 91361

NOTICE OF LEASE TERM DATES

Re: Office Lease dated _____, between BPG Rock Westlake, LLC, a Delaware limited liability company, Lessor, and Atara Biotherapeutics, Inc., a Delaware corporation, Lessee, concerning Suite _____ located at 4360 Park Terrace Drive, Westlake Village, CA 91361.

In accordance with the subject Lease, this Notice will confirm the following:

1. The Premises have been accepted by Lessee as being substantially complete in accordance with the Lease and there is no deficiency in construction.

2. Lessee has possession of the Premises and acknowledges that under the provisions of the Lease, the term of said Lease commenced as of _____, 201__ for a term of _____ (___) full calendar months ending on _____, 201__.

3. In accordance with the Lease, Rent commenced to accrue on _____, 201__.

4. If the commencement date of the Lease is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in the Lease.

5. Rent is due and payable in advance on the first day of each and every month. Rent checks should be made payable to "BPG Rock Westlake, LLC", and delivered to:

c/o Barker Pacific Group, Inc.
BPG Rock Westlake, LLC
Three Hamilton Landing, Suite 200
Novato, CA 94949

6. The number of rentable square feet in the Premises is ____.

7. Lessee's Percentage Share is ____%. **[carry out three decimals]**

LESSOR:	**LESSEE:**
BPG ROCK WESTLAKE, LLC a Delaware limited liability company By:Barker Pacific Group, Inc., a Delaware Corporation Authorized Manager	**ATARA BIOTHERAPEUTICS, INC.**, a Delaware corporation
By: Michael D. Barker Managing Director	By: (Print Name)
Date:	Date:

EXHIBIT F

4360 Park Terrace Drive,

Westlake Village, CA 91361

RULES, REGULATIONS AND DOG POLICY

Rules and Regulations:

Lessee shall faithfully observe and comply with the following Rules and Regulations. Lessor shall not be responsible to Lessee for the non-performance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project.

1. Lessee shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Lessor's prior written consent. Lessee shall bear the cost of any lock changes or repairs required by Lessee. Two keys will be furnished by Lessor for the Premises, and any additional keys required by Lessee must be obtained from Lessor at a reasonable cost to be established by Lessor.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises, unless electrical hold-backs have been installed.

3. Lessor reserves the right to close and keep locked all entrance and exit doors of the office building during such hours as are customary for comparable buildings in the vicinity of the Project. Lessee, its employees and agents must be sure that the doors to the office building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Project. Any Lessee, its employees, agents or any other persons entering or leaving the Project at any time when it is so locked, or any time when it is considered to be after normal business hours for the Project, may be required to sign the security register when so doing. Access to the Project may be refused unless the person seeking access has proper identification or has made a previous arrangement with regard to the admission to or exclusion from the Project of any person. In case of invasion, mob, riot, public excitement, or other commotion, Lessor reserves the right to prevent access to the Project during the continuance of same by any means it deems appropriate for the safety and protection of life and property.

4. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Project. Safes and other heavy objects shall, if considered necessary by Lessor, stand on supports of such thickness as is necessary to properly distribute the weight. Lessor shall not be responsible for loss of or damage to any such safe or property in any case. All damage done to any part of the Project, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility of Lessee and any expense of said damage or injury shall be borne by Lessee.

5. No large furniture, freight, packages, supplies, equipment or merchandise will be brought into or removed from the Building or carried up or down in the elevators, except upon prior notice to Lessor, and in such manner, in such specific elevator, and between such hours as shall be designated by Lessor. Lessee shall provide Lessor with not less than 24 hours' prior notice of the need to utilize an elevator for any such purpose, so as to provide Lessor with a reasonable period to schedule such use and to install such padding or take such other actions or prescribe such procedures as are appropriate to protect against damage to the elevators or other parts of the Building. In no event shall Lessee's use of the elevators for any such purpose be permitted during the hours of 8:00 a.m. – 5:00 p.m. Monday through Friday.

6. Lessor shall have the right to control and operate the public portions of the Project, the public facilities, the heating and air conditioning, and any other facilities furnished for the common use of tenants, in such manner as is customary for comparable buildings in the vicinity of the Project.

7. The requirements of Lessee will be attended to only upon application at the Office of the Project

or at such office location designated by Lessor. Lessee shall not request employees of Lessor to perform any work or do anything outside of their regular duties unless Lessee has received special instructions from Lessor.

8. Lessee shall not disturb, solicit, or canvass any occupant of the Project and shall cooperate with Lessor or Lessor's agents to prevent same.

9. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Lessee who, or whose employees or agents, shall have caused it.

10. Lessee shall not overload the floor of the Premises, nor mark, drive nails or screws, or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof without Lessor's consent first had and obtained, which consent shall not be unreasonably withheld; provided, however, that Lessee may, without Lessor's prior consent, place pictures and normal wall hangings on the Premises so long as Lessee repairs any damage resulting therefrom and Lessee restores the Premises to its condition prior to the placement of such items.

11. Except for vending machines rented for the sole use of Lessee's employees and invitees, no vending machine or machines of any description other than fractional horsepower office machines, shall be installed, maintained or operated upon the Premises without the written consent of Lessor.

12. Lessee shall not use or keep in or on the Premises or the Project any kerosene, gasoline or other inflammable or combustible fluid or hazardous material.

13. Lessee shall not use any method of heating or air conditioning other than that which may be supplied by Lessor, without the prior written consent of Lessor.

14. Lessee shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Project by reason of noise, odors, or vibrations, or interfere in any way with other tenants or those having business therein.

15. Intentionally omitted.

16. No commercial cooking shall be done or permitted by any Lessee on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages, provided that such use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations, and does not cause odors which are objectionable to Lessor and other tenants.

17. Lessor will approve where and how telephone and telegraph wires are to be introduced to the Premises. No boring or cutting for wires shall be allowed without the consent of Lessor. The location of telephone, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Lessor.

18. Lessor reserves the right to exclude or expel from the Project any person who, in the judgment of Lessor, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

19. Lessee, its employees and agents shall not loiter in the entrances or corridors, nor in any way obstruct the sidewalks, lobby, halls, stairways or elevators, and shall use the same only as a means of ingress and egress for the Premises.

20. Lessee shall cooperate fully with Lessor to ensure the effective operation of the Project's heating

and air conditioning system, and shall refrain from attempting to adjust any controls.

21. Lessee shall store all its trash and garbage within the trash boxes and receptacles provided by Lessor for such purpose. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in Los Angeles without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Lessor shall designate.

22. Lessee shall comply with all safety, fire protection and evacuation procedures and regulations established by Lessor or any governmental agency.

23. Lessee shall assume any and all responsibility for protecting the Premises from robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed when the Premises are not occupied.

24. Lessor may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Lessor shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Lessor from thereafter enforcing any such Rules or Regulations against any or all tenants of the Building.

25. No awnings or other projection shall be attached to the outside walls of the Project without the prior written consent of Lessor. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises without the prior written consent of Lessor. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Project must be fluorescent and/or of a quality, type, design and bulb color approved by Lessor.

26. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Lessee, nor shall any bottles, parcels or other articles be placed on the window sills.

27. Food vendors shall be allowed in the Building upon receipt of a written request from the Lessee. Food vendor shall service only those tenants, which have a written request on file in the Building Management Office. Under no circumstance shall the food vendor display their products in the public or common area of the Building, including corridors and elevator lobbies. Any failure to comply with this rule shall result in immediate, permanent withdrawal of the vendor from the Project.

28. Lessees must comply with requests made by the Lessor relative to informing Lessee's employees of any items of importance affecting them as so deemed by the Lessor.

29. Lessee shall comply with the non-smoking ordinance adopted by any applicable governmental authority.

30. Lessor shall use commercially reasonable efforts to cause observance of these rules and regulations by all tenants of the Building.

Dog Policy:

The ability to bring a dog to the Building is a privilege. A dog owner is expected to respect the needs and desires of the building owner, other employees, visitors and tenants concerning having a dog in the office.

The dog owner is expected to follow the guidelines below:

1. The dog must be under control of its owner or on a leash when inside the leased premises and on a leash within any common area corridors/lobby entrances.

2. The dog must stay with its owner or designated watcher; other employees may allow occasional visits.

3. Any dog with fleas or ticks may not be brought into the office.

4. Owners are responsible to have dogs completely up to date on all immunizations, including rabies, distemper, hepatitis, para-influenza, parvo and bordatella.

5. Owners should find suitable spots off the building site for relieving their dog during walks. The owner is responsible for clean up of solid waste.

6. If a dog has an accident inside the Building, the dog owner is responsible for clean up. After 2 accidents, the dog will not be allowed inside the building until the owner can show that the dog has been through some kind of training program.

7. Aggressive behavior, loud or repetitive barking, eating human food, or other disruptive behavior or persistent odor is unacceptable.

8. If any employee has a problem with the dog, he/she should discuss it directly with the dog's owner.

EXHIBIT G

4360 Park Terrace Drive,

Westlake Village, CA 91361

LESSEE ESTOPPEL CERTIFICATE

[Loan No.]

Lessor: BPG Rock Westlake, LLC, a Delaware limited liability company
Lessee: Atara Biotherapeutics, Inc., a Delaware corporation
Lease: , dated:
Amendment(s) (if applicable): ,
dated:
Term: years commencing , and ending
Extension rights (if applicable):
Monthly Rent: $
Monthly Tax, Insurance and CAM Reimbursement (if applicable): $_____
Base year expense stop (if applicable): $_____
Property Address:
Leased Premises (suite or unit #, square feet):
Security Deposit (if applicable): $
Guarantors (if applicable):

The undersigned Lessee does hereby certify to Capital One, N.A. (together with its successors and assigns, "Lender"), as follows:

1. All the information set forth above is accurate and complete. The Lease is in full force and effect, has not been modified in any respect, other than as described above, and constitutes the complete agreement between the parties as to the Leased Premises. There are no other agreements between the parties with respect to the Leased Premises or the Property. Lessee agrees not to amend or modify the Lease without the prior written consent of Lender.

2. Lessee has unconditionally accepted and is in possession of and occupying the Leased Premises. Lessee is open for business. Monthly rent as set forth above has been paid through _____ and all additional rent due under the Lease has been paid through _____. There is no prepaid rent under the Lease other than _____.* Lessee agrees that it shall not prepay any rents under the Lease more than one month from the date when such rents are due.

3. All obligations of Lessor and Lessee with respect to construction of the Leased Premises and the Property have been fully performed and all construction and move-in allowances owing by Lessor to Lessee (if any) have been fully paid except as follows: _____.* There are no credits, reductions, defenses, free rent, rental concessions or abatements of rent against the payment of rent or other charges under the Lease except as follows: _____.*

4. No event has occurred that does presently, or would with the passage of time or the giving of notice, or both, constitute a breach or default by either party under the Lease, give rise to a right of termination of the Lease by either party, or give rise to any claims, defenses, offsets or counterclaims against Lessor under the Lease.

5. Lessee has not assigned, transferred, mortgaged or hypothecated the Lease or any interest therein or subleased all or any portion of the Leased Premises.

6. Lessee has no purchase options under the Lease or any first refusal rights with respect to the Property or any part thereof, except as follows: _____.*

7. Lessee is not a debtor in any case under bankruptcy or any other insolvency laws.

8. Other: _____.

* If none, write “None.” If not completed, deemed to mean “None.”

Lessee acknowledges that Lender is relying upon the above assurances in connection with providing financing to the Property and/or approving the Lease.

DATED: _____, 2015.

LESSEE Atara Biotherapeutics, Inc.,
a Delaware corporation
Name:
Its:

EXHIBIT H

4360 Park Terrace Drive,

Westlake Village, CA 91361

EXTENSION OPTION

Lessor hereby grants to Lessee (and any permitted Transferee) one (1) option to extend the Lease Term (the '**Extension Option**") on the same terms, conditions and provisions as contained in the Lease, except as otherwise provided herein, for a period of twelve months (12) months (the "**Option Term**"). Except as provided in this Exhibit H, Lessee shall have no other rights to extend the Lease Term. The Extension Option shall be exercised, if at all, by irrevocable and unconditional written notice to Lessor on a date that is no less than six (6) months prior to the date of expiration of the then Lease Term, time being of the essence. If Lessee fails to give such irrevocable and unconditional written notice of its exercise of the Extension Option during such period, the Extension Option shall thereupon expire of its own terms and without any further action by Lessor or Lessee.

The monthly installment of Base Rent to be paid during the Option Term shall be based on a continuation of the annual Base Rent escalations set forth in this agreement at three-percent (3%) increases per annum. The Base Year shall remain as stated in the Summary.

Notwithstanding anything to the contrary in this Exhibit H, in no event shall Base Rent during the Option Term be less than Base Rent payable during the last full month immediately prior to the Option Term.

Notwithstanding anything to the contrary in this Exhibit H, Tenant may only exercise the Extension Option, and an exercise thereof shall only be effective, if at the time of Tenant's exercise of the Extension Option and on the commencement of the Option Term (i) the Lease is in full force and effect, and (ii) an Event of Default is not continuing. Additionally, the Extension Option is personal to the initial Tenant named herein (i.e., Atara Biotherapeutics, Inc.) and its permitted Transferee and may not be exercised or assigned, voluntarily or involuntarily, by or to, any person or entity other than such initial Tenant named herein or its permitted Transferee.

EXHIBIT I

4360 Park Terrace Drive,

Westlake Village, CA 91361

RIGHT TO EXPAND

Provided that as of the date of the giving of the Offer Notice (as defined below), (a) Lessee is the Lessee originally named herein, and (b) no Event of Default exists or would exist but for the passage of time or the giving of notice, or both, then Lessor shall hold Suite 120 ("the Expansion Space") vacant for Lessee's right to expand for the sixteen (16) months that immediately follow the date on which Aspyra, LLC vacates such space, (the "Option Window"). Lessor shall notify promptly Lessee in writing when the Option Window commences. Lessor agrees to make all commercially reasonable efforts to have Aspyra timely vacate the Expansion Space in accordance with the terms of the lease agreement between Lessor and Aspyra, LLC, dated December 8, 2014.

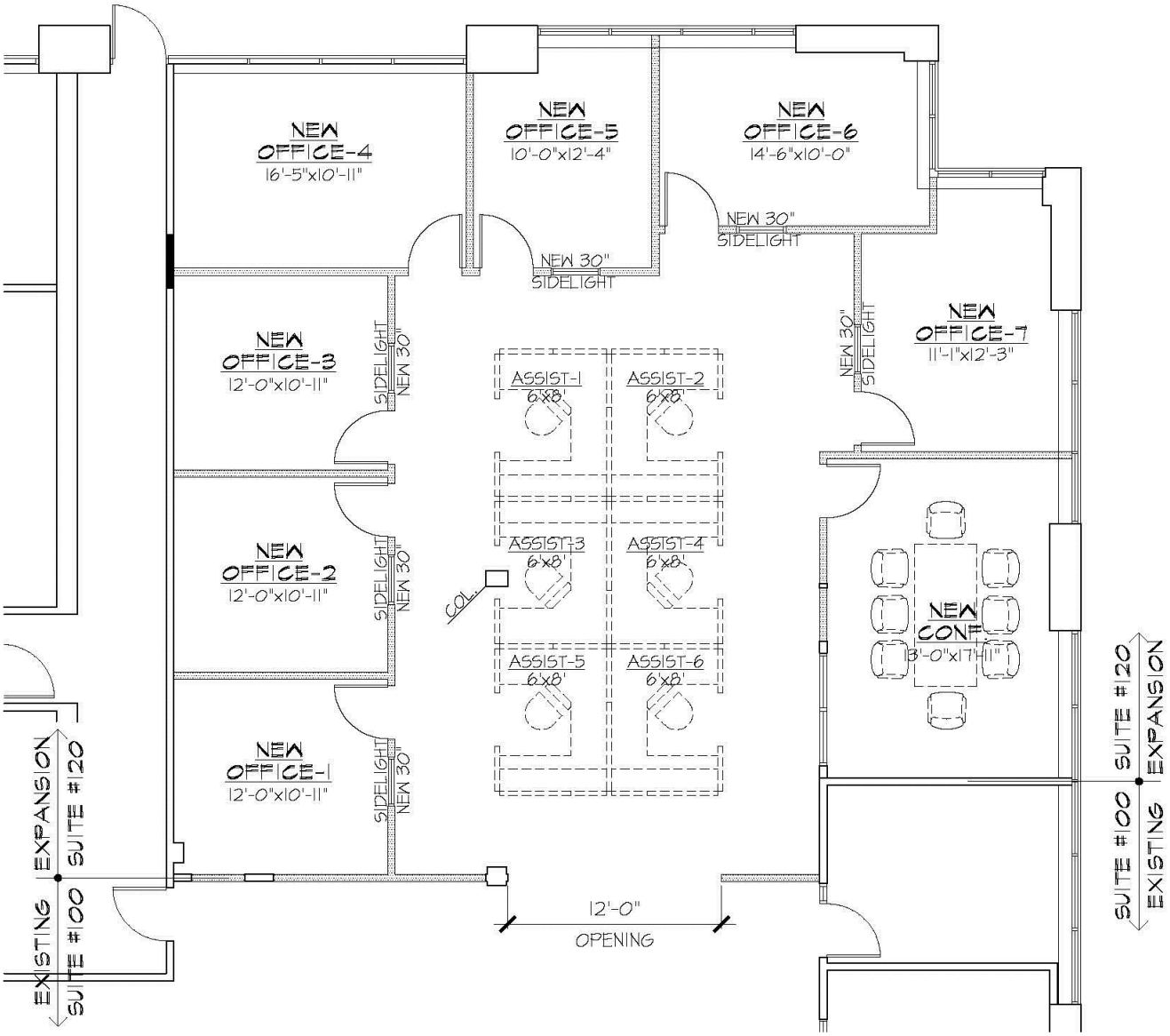
If Lessee elects to exercise its right to expand into the Expansion Space during the Option Window, Lessee's term on the existing Premises and the Expansion Space will automatically extend for two (2) years in addition to the initial term of the Lease (set forth in Section 7.1 of the Summary) and Lessee agrees to timely execute an amendment evidencing the same. Lessor agrees to lease the Expansion Space to Lessee at the same rate as Tenant's current Lease at the time such expansion option is exercised by Tenant. Following Lessee's election to exercise its right to expand into the Expansion Space, Landlord shall promptly build out the Expansion Space using building standard materials and according to the space plan attached hereto as Appendix 1 (the "Expansion Space Work"). The Expansion Space Work shall be conducted a Lessor's sole cost and expense. Tenant shall commence paying rent on the Expansion Space at the time the Landlord's Expansion Space Work (as defined below) is Substantially Complete (as such term is defined in Exhibit C). Lessor shall conduct Lessor's Expansion Space Work, and any work that is incidental to such Lessor's Expansion Space Work, in compliance with all applicable Laws

If Lessee does not lease the Expansion Space during the Option Window, Lessor will then have the right to market and lease the Expansion Space to third parties at whatever terms Landlord chooses.

Lessee must accept all of the Expansion Space offered by Lessor at any one time if it desires to accept any of the Expansion Space and may not exercise its right with respect to only part of such Expansion Space.

APPENDIX 1 to EXHIBIT I

Expansion Space Plan



NOTE:

The layout, dimensions, and designs depicted in this document are subject to change or modification upon review and approval by the local building official through a formal plan check/permit process. No construction is to commence or be performed based upon this document. Any person or entity that does perform construction from this document assumes full responsibility for all applicable building code compliance.

APPROVED:
TENANT _____
SIGNATURE _____
DATE _____

NORTH

ATARA
CONCEPTUAL SPACE PLAN - ALTERNATE OPT 1
4360 PARK TERRACE SUITE #120

SCALE: NTS DECEMBER 31, 2014

0' 2' 4' 8' 16'

Exhibit 10.34

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (the "**First Amendment**") is entered into as of September 9, 2015 by and between **BPG ROCK WESTLAKE, LLC**, a Delaware limited liability company ("**Lessor**") and **ATARA BIOTHERAPEUTICS, INC.**, a Delaware corporation ("**Lessee**"), with respect to the following facts, understandings and agreements:

RECITALS

ALessor and Lessee have previously entered into that certain Office Lease, dated as of January 7, 2015 ("**Lease**"), for certain premises more particularly described in the Lease. Capitalized terms used, and not otherwise defined, herein shall have the meanings given those terms in the Lease.

B. Lessor and Lessee desire to amend the Lease in order to revise the Premises, Term and Base Rent and in other respects as herein provided.

AGREEMENT

NOW THEREFORE, in consideration for the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties covenant and agree as follows:

1. Recitals. The Recitals to this First Amendment are hereby made a part of this agreement and incorporated herein by this reference.

2. Additional Space.Lessor and Lessee hereby agree to increase the rentable square footage ("RSF") of the Premises to include Suite 220 ("Additional Space"), which consists of 7,600 RSF on the second floor of 4360 Park Terrace Dr. located at the Project. The Additional Space, as more particularly described in Exhibit A, attached hereto and incorporated by reference, shall be delivered to Lessee and become effective as part of the Premises on September 15, 2015.

3. The Expansion Space and Option to Expand. Lessor and Lessee hereby agree to increase the RSF of the Premises to include Suite 120 ("the Expansion Space") as that term is further defined in the Lease, which consists of 2,937 RSF on the first floor of 4360 Park Terrace Dr. located at the Project. The Expansion Space, as more particularly described in the Lease and Exhibit B to this First Amendment, attached hereto and incorporated by reference, shall be delivered to Lessee and become effective as part of the Premises upon the Substantial Completion of the Expansion Space Work(as such terms are defined in the Lease). All of the Expansion Space Work shall be conducted by Lessor according to the terms and conditions of Exhibit I to the Lease at Lessor's sole cost and expense. Lessor and Lessee agree that the terms ofExhibit I of the original Lease shall be modified to evidence a mutual agreement that the Option to Expand, as defined in Exhibit I of the Lease, has been exercised by Lessee and the parties hereto have agreed to change the automatic term extension upon expiration of the Initial Term for the Expansion Space from two (2) years to one (1) year.

4. Term. Lessor and Lessee hereby agree that the term for the original Premises as set forth in the Lease, as well as the terms for the Additional Space and the Expansion Space, shall expire on April 30, 2019.

5. Percentage Share. Effective September15, 2015, Lessee's Percentage Share of Basic Costs for the Premises (which shall then include Additional Space) is a total of 11.59% (the ratio of 12,443 RSF of the Premises to the building total of 107,372 RSF). Effective upon the Substantial Completion of the Expansion Space Work (as such term is defined in the Lease), Lessee's Percentage Share of Basic Costs for the Premises shall further increase to a total of 14.3% (the ratio of 15,380 RSF of the Premises to the building total of 107,372 RSF).

6. Rental Obligation. Effective September 15, 2015, and every month thereafter, Lessee shall pay, without offset or deduction, the following amounts as basic monthly Base Rent for the Premises (which shall then include the Additional Space), payable in advance promptly the first day of every calendar month.

Base Rent:			
Dates:	Rentable Rate Per Rentable Square Foot:	Monthly Installment of Base Rent:	Period Total:
9/15/15 – 1/31/16	$2.00	$24,886.00	$112,816.53
2/1/16 – 1/31/17	$2.06	$25,632.58	$307,590.96
2/1/17 – 1/31/18	$2.12	$26,401.56	$316,818.69
2/1/18 – 1/31/19	$2.19	$27,193.60	$326,323.25
2/1/19 – 4/30/19	$2.25	$28,009.41	$84,028.24

Effective upon the Substantial Completion of the Expansion Space Work and every month thereafter, Lessee shall pay, without offset or deduction, the following amounts as basic monthly Base Rent for the Premises (which shall then include the Additional Space and the Expansion Space), payable in advance promptly the first day of every calendar month.

Base Rent:			
Dates:	Rentable Rate Per Rentable Square Foot:	Monthly Installment of Base Rent:	Period Total:
2/1/16 – 1/31/17	$2.06	$31,682.80	$380,193.60
2/1/17 – 1/31/18	$2.12	$32,633.28	$391,599.36
2/1/18 – 1/31/19	$2.19	$33,612.28	$403,347.36
2/1/19 – 4/30/19	$2.25	$34,620.65	$103,861.95

7. Lessee Improvements. Lessee agrees to take the Additional Space "as is" and Lessor agrees to steam clean the carpet, patch and paint with a Building Standard color selected by Lessee and provide lights and electrical outlets in good working order. Lessee shall have the right, at its sole cost and expense, to install a security system to control the Additional Space,

provided that the security system is removed and the Premises are restored to original condition at the end of the lease term. Lessee will not be required to remove any of the existing wiring or improvements in the Additional Space. Lessee will have the right to use the existing key card security system provided that it is in good working order. If the existing key card system is not in good working order, Lessee shall have the right to remove the existing key card system and replace with a new key card system at Lessee's sole cost and expense.

Lessee agrees to take the Expansion Space upon Substantial Completion of the Expansion Space Work as set forth in the Lease.

8. Base Year. Lessee's Base Year for the Additional Space and the Expansion Space shall be the same year as set forth in the Lease.

9. Security Deposit. The Security Deposit for the Additional Space shall be equal to $28,009.41. The Security Deposit for the Expansion Space shall be equal to $6,611.24. Lessor currently holds from Lessee a Security Deposit in the amount of $30,801.48. Upon execution of this First Amendment, Lessee shall deliver to Lessor the total increased amount of the Security Deposit of $34,620.65.

10. Parking. Lessee shall be entitled to an additional thirty-three (33) parking spaces, subject to the terms of the original Lease.

11. No Default by Lessor. Lessee acknowledges and confirms that no default by Lessor exists.

12. Continuing Effectiveness. All terms and provisions of the Lease, unless modified herein by this First Amendment, shall remain unchanged and shall continue in full force and effect.

IN WITNESS THEREOF, this First Amendment has been executed as of the date first above written.

"LESSOR"	**"LESSEE"**
BPG ROCK WESTLAKE, LLC a Delaware limited liability company By:Barker Pacific Group, Inc., a Delaware Corporation its Authorized Manager By: _/s/ Michael D. Barker Michael D. Barker Managing Director	**ATARA BIOTHERAPEUTICS, INC.** a Delaware limited liability company By:___/s/ Isaac Ciechanover_____

EXHIBIT A

Additional Space Floor Plan

(see attached)

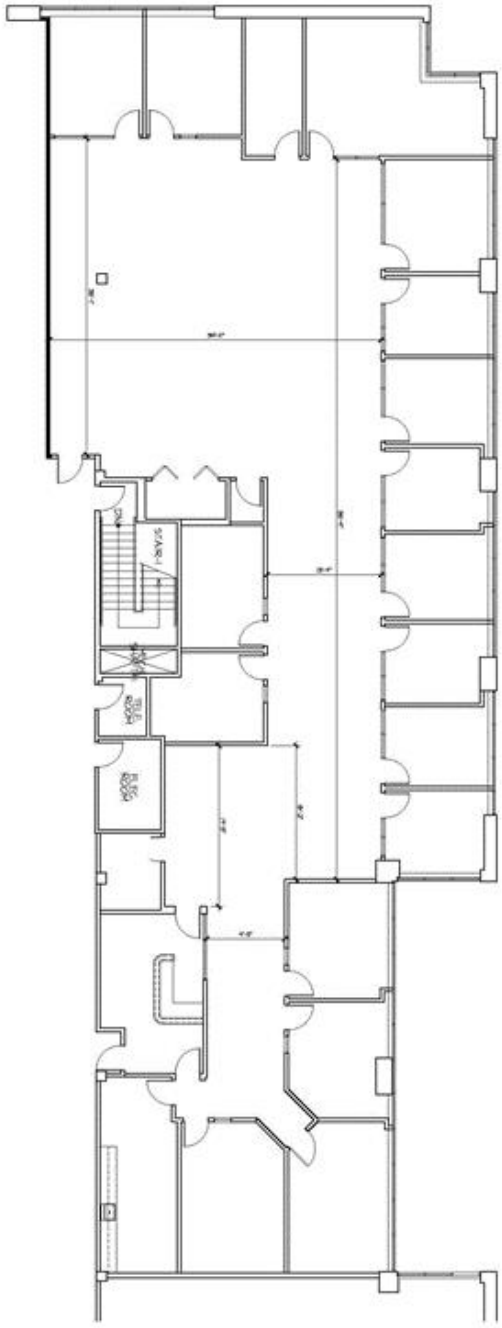


EXHIBIT B

The Expansion Space Floor Plan

(see attached)

APPENDIX 1 to EXHIBIT I

Expansion Space Plan

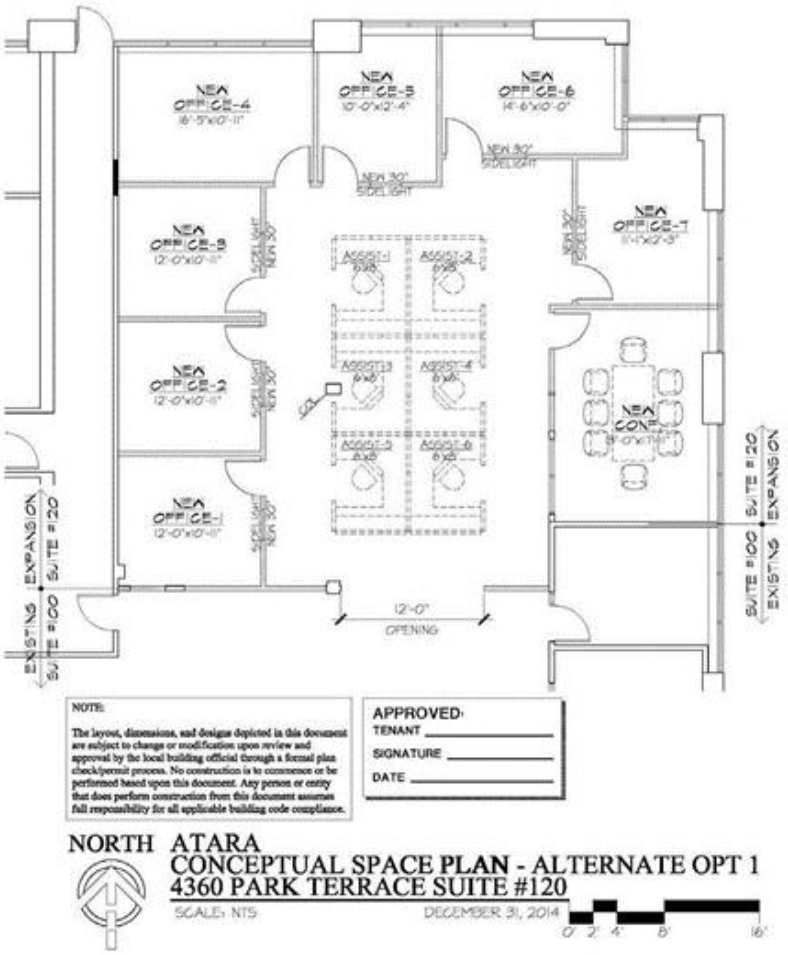


Exhibit I

BN 6446545v1

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

PURSUANT TO

SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)

I, Isaac Ciechanover, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atara Biotherapeutics, 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 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 consolidated 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 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: November 5, 2015

/s/ Isaac Ciechanover

Isaac Ciechanover
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

PURSUANT TO

SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)

I, John F. McGrath, Jr. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atara Biotherapeutics, 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 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 consolidated 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 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: November 5, 2015

/s/ John F. McGrath, Jr.
John F. McGrath, Jr.
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 Quarterly Report of Atara Biotherapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission (the "Report"), Isaac Ciechanover, Chief Executive Officer of the Company, and John McGrath, Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2015

/s/ Isaac Ciechanover
Isaac Ciechanover
Chief Executive Officer
(Principal Executive Officer)

/s/ John F. McGrath, Jr.
John F. McGrath, Jr.
Chief Financial Officer
(Principal Financial and Accounting Officer)