

# GENOCEA BIOSCIENCES, INC.

## FORM 10-K (Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from to

Commission file number 001-36289

**Genoclea Biosciences, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**51-0596811**

(I.R.S. Employer  
Identification No.)

**100 Acorn Park Drive**

**Cambridge, Massachusetts**

(Address of principal executive offices)

**02140**

(Zip Code)

Registrant's telephone number, including area code: **(617) 876-8191**

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

Title of each class	Name of each exchange on which registered
<b>Common Stock, \$0.001 par value</b>	<b>NASDAQ Global Market</b>

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 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

**EXPLANATORY NOTE** : Under the Jumpstart Our Business Startups Act, the registrant qualifies as an "emerging growth company." We therefore incorporate the scaled disclosures required of an emerging growth company in this Annual Report on Form 10-K.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price for such stock as reported on the NASDAQ Global Market on June 30, 2014, the last business day of the registrant's most recently completed second quarter, was: \$67,992,844.

The number of shares outstanding of the registrant's common stock as of February 20, 2015 was 17,858,705.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, our clinical results and other future conditions. The words “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “forecast”, “goal”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, “target”, “will”, “would”, or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Annual Report on Form 10-K include, among other things, statements about:

- the timing of results of our ongoing and planned clinical trials;
- our planned clinical trials for GEN-003 and GEN-004;
- our estimates regarding the amount of funds we require to complete our clinical trials for GEN-003 and GEN-004;
- our estimate for when we will require additional funding;
- our plans to commercialize GEN-003 and our other vaccine candidates;
- the timing of, and our ability to, obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of any approved product candidate;
- the potential benefits of strategic partnership agreements and our ability to enter into strategic partnership arrangements;
- our ability to quickly and efficiently identify and develop product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position; and
- our estimates regarding expenses, future revenues, capital requirements, the sufficiency of our current and expected cash resources and our need for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Annual Report on Form 10-K, particularly in the “Risk Factors” section, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make or collaborations or strategic partnerships we may enter into.

You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits to the Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## PART I

### Item 1. Business

*Unless the context requires otherwise, references in this Annual Report on Form 10-K to “Genocea”, “we”, “us” and “our” refer to Genocea Biosciences, Inc.*

#### Overview

We are a biopharmaceutical company that discovers and develops novel vaccines and immunotherapies to address diseases with significant unmet needs. We use our proprietary discovery platform, ATLAS, to rapidly design vaccines and immunotherapies that act, in part, through T cell (or cellular) immune responses, in contrast to approved vaccines and immunotherapies, which are designed to act primarily through B cell (or antibody) immune responses. We believe that by harnessing T cells we can develop first-in-class vaccines and immunotherapies to address diseases where T cells are central to the control of the disease.

We have two product candidates in Phase 2 clinical development: GEN-003, an immunotherapy for the treatment of genital herpes and GEN-004, a universal vaccine for the prevention of pneumococcal infections. We also have product candidates in pre-clinical development for diseases including genital herpes, chlamydia and malaria.

#### *GEN-003 — Phase 2 immunotherapy for genital herpes*

Our lead program is GEN-003, a Phase 2 candidate therapeutic vaccine, or immunotherapy, that we are developing to treat genital herpes infections. Data from our double-blind, placebo-controlled, dose-escalating Phase 1/2a trial for GEN-003 represented the first reported instance of a therapeutic vaccine working against an infectious disease. We also believe it represents the first time anti-viral efficacy has been observed for an immunotherapy designed primarily to elicit T cell responses to address an infectious pathogen for which T cell immunity is considered central to the control of the disease.

Final analysis of the data from the Phase 1/2a trial showed, that for the best performing 30µg dose group, there was a sustained reduction in the viral shedding rate. After completion of dosing for this dose group, the viral shedding rate fell by 52% versus baseline and, at six months after the final dose, the shedding rate remained at 40% below baseline. At 12 months, the viral shedding rate returned to baseline for this dose group. The reduction in the genital lesion rate after completion of the third dose was greatest for the 30µg dose group at 48%. After six months, the reduction from baseline in genital lesion rate for this dose group was 65% and, after 12 months, the genital lesion rate was 42% lower than baseline. GEN-003 was safe and well tolerated over the 12 months of this trial. We believe the six-month duration of reduced viral shedding and genital lesion rates may be clinically meaningful.

Having identified a dose that, according to company-sponsored market research, delivers clinically meaningful efficacy in magnitude and durability, we are now conducting a 310-subject Phase 2 dose optimization trial. The objective of this trial is to confirm the results of the best performing dose in the Phase 1/2a trial and to test six other combinations of proteins and adjuvant to determine the optimal dose for future trials and potentially improve on the current profile of GEN-003. This trial is fully enrolled and we expect to announce top-line data from this trial late in the second quarter of 2015. If GEN-003 successfully completes clinical development and is approved, we believe it would represent an important new treatment option for patients with genital herpes.

#### *GEN-004 — Phase 2 universal vaccine for the prevention of pneumococcal infections*

We are also developing a second T cell-stimulating vaccine candidate, GEN-004, a potential universal *Streptococcus pneumoniae*, or pneumococcus, vaccine to protect against the leading cause of infectious disease mortality worldwide. GEN-004 is designed to stimulate T helper 17 (T<sub>H</sub> 17) cells, a rare cell type that provides immunity at epithelial and mucosal surfaces, in the nasopharynx to prevent colonization by pneumococcus.

In June 2014, we announced top-line data from a Phase 1 clinical trial for GEN-004. This trial met its safety, tolerability and immunogenicity goals including measurable increases in the blood of T<sub>H</sub> 17 cells. We initiated a Phase 2a trial in September 2014 to demonstrate that GEN-004 can reduce the frequency, magnitude or duration of colonization of pneumococcus in the nasopharynx in healthy adults. We expect to announce top-line data from this trial in the fourth quarter of 2015.

## *ATLAS Platform*

Vaccines represent a major healthcare success story, having eradicated or significantly reduced the global prevalence of many infectious diseases. To date, all approved vaccines have been developed primarily to elicit B cell responses. However, there remain many infections for which no effective vaccines or only partially effective vaccines exist. A major reason is that the organisms that cause these infections largely evade the antibody immune response generated by B cells, which can generally only address pathogens in the bloodstream. Such organisms may reside in host cells or mucosal surfaces of the nose and throat. To address these pathogens, vaccines targeting responses from the T cell arm of the immune system may present the solution.

We believe T cell target discovery has been particularly challenging for two reasons. First, the diversity of human T cell responses contrasts with the generally uniform B cell responses in humans. Second, the number of candidate targets for T cell responses can be exponentially greater than for B cell responses. These complexities represent fundamental barriers that traditional vaccine discovery tools, which rely largely on empirically selecting the potential targets from the proteins of a pathogen and iteratively testing them in animal models, have not been able to address.

We have designed the ATLAS platform to overcome these T cell target discovery challenges. We believe ATLAS represents the most comprehensive high throughput system for T cell vaccine and immunotherapy discovery in the biopharmaceutical industry. ATLAS is designed to mimic the T cell arm of the human immune system in a laboratory setting. Using ATLAS, we are able to measure T cell responses to the entire set of protein targets for a specific pathogen in blood samples from large, genetically diverse populations, allowing us to identify vaccine and immunotherapy targets associated with protective T cell responses to disease. By comparing antigens identified in individuals who naturally control their infection with those who do not, we can select the antigens that may have the best likelihood of inducing protective T cell immune responses.

We believe we are a leader in the field of T cell vaccine and immunotherapy discovery and development. Our management and scientific teams possess considerable experience in vaccine, immunotherapy and anti-infective research, manufacturing, clinical development and regulatory matters.

## **Our Strategy**

Our objective is to be the leading T cell vaccine and immunotherapy company. Key components of our strategy are:

- **Continue to rapidly advance our lead vaccine candidate, GEN-003.** GEN-003 is a potential first-in-class therapeutic vaccine candidate we are developing to treat genital herpes infections, for which we are currently conducting a Phase 2 trial to optimize the vaccine dose. Top-line data from this trial is expected late in the second quarter of 2015. We intend to commence a Phase 2b trial in the second half of 2015 to optimize the dosing regimen. We retain all rights to GEN-003 and plan to advance this program through regulatory approval and, if approved, commercialize this vaccine through a focused commercial effort in the United States. Outside the United States, we intend to evaluate partnerships for GEN-003 opportunistically.
- **Continue to rapidly advance GEN-004.** Our second clinical-stage product candidate is GEN-004, a vaccine candidate designed to prevent infections caused by all strains of pneumococcus. We are currently conducting a Phase 2a clinical trial to seek to demonstrate that GEN-004 can reduce colonization of pneumococcus in the nasopharynx in healthy adults. Top-line data from this trial is expected in the fourth quarter of 2015. We believe this trial could provide the first evidence in humans that a T cell vaccine, with potential to become a universal vaccine, can reduce colonization by pneumococcus. We intend to commence a further Phase 1/2 trial of GEN-004 in toddlers in 2016. We retain all rights to this program, other than certain rights we have granted in developing countries, and intend to evaluate partnerships for GEN-004 opportunistically.
- **Advance our discovery stage and non-clinical novel vaccine programs.** We expect similarly to advance our novel non-clinical prophylactic vaccine and immunotherapy programs against chlamydia, HSV-2 and malaria through human proof of concept. We will seek partnerships opportunistically for late-stage development and commercialization of such programs.
- **Utilize ATLAS, our vaccine discovery platform, to develop additional T cell vaccine candidates.** We intend to continue to use ATLAS to discover and advance novel T cell vaccines. Since we begin our vaccine candidate discovery process by profiling human populations exposed to a pathogen, and use these subjects' own cells to comprehensively screen the entire proteome of the pathogens, we believe we have a better chance of identifying vaccines likely to protect against pathogens of interest. We intend to opportunistically expand our pipeline using ATLAS to discover T cell vaccines against pathogens for which B cell vaccines are ineffective or non-existent. We will also continue to investigate, either alone or through partnerships, the applicability of ATLAS to cancer immunotherapies.

## **Vaccine and Immunotherapy Overview**

Vaccines represent a major healthcare success story. They have eradicated smallpox and dramatically reduced the mortality and morbidity associated with many other infectious diseases, such as diphtheria, measles, polio and tetanus. Today, there are vaccines approved to treat and protect against approximately 30 infectious diseases. Total global vaccine revenues in 2013 were \$30.5 billion.

Vaccines trace their roots to the smallpox vaccine, first tested in 1796 by Edward Jenner. Dr. Jenner demonstrated that he could protect subjects against smallpox by inoculating them with cow pox, a similar virus. More than 200 years later, the concept of a vaccine remains the same: training the immune system to respond to an infectious pathogen by exposing it to that pathogen, or a component of that pathogen, in a controlled way. Most vaccines are prophylactic, preventing an invading organism from causing disease. A vaccine can also be therapeutic, fighting an existing infection.

### ***How Vaccines and Immunotherapies Work***

Vaccines rely on an ability of the human immune system called adaptive immunity to “remember” an invading organism and develop an immune response to it. When confronted with a new organism, the immune system first seeks to eliminate the pathogen through an initial response of the so-called “innate immune system” and then generates immunological memory, or adaptive immunity, in which the immune system recognizes and “remembers” the invasive pathogen in order to combat it in the future. A vaccine introduces a pathogen or a specific portion of a pathogen to the adaptive immune system in a controlled manner in order to invoke acquired immunity against the specific pathogen it is designed to address.

The adaptive immune system consists of two main components: the B cell arm, and the T cell arm. B cells and T cells are types of white blood cells, or lymphocytes. To date, vaccines have been thought to work primarily by harnessing the B cell arm of the adaptive immune system. The main function of B cells is to produce antibodies, a special type of protein that identifies and initiates processes to kill foreign organisms. Antibodies bind to one or more structures on the pathogen surface. These structures may be proteins or complex sugars, called polysaccharides, or other molecules, which are specific to the organism. Some B cells turn into so-called memory B cells following exposure to an organism, ensuring that the immune system will recognize the same pathogen in the future.

Immunotherapies are designed to augment or boost the immune system to allow it to better protect the body against disease. In the case of infectious disease, currently approved immunotherapies aim to treat an infection rather than prevent it. A well-known example of an early immunotherapy is the use of interferon-alfa 2a to treat infections caused by hepatitis C virus, or HCV. Immunotherapy approaches against cancer have also been developed, with limited success. As with vaccines, we believe immunotherapies that engage the T cell immune system may represent an optimal solution to treat, and potentially prevent, disease.

### ***Current Target Discovery***

Vaccines available today have been developed to stimulate the production of antibodies and therefore protect against invading organisms that are primarily controlled by the B cell arm of the immune system. This type of immunity is effective against organisms that mediate disease in locations, primarily the bloodstream, that are accessible to antibodies and/or cells that kill organisms with the help of antibodies.

Scientists have employed two alternative approaches for designing vaccines to induce antibody responses. The first approach has been to present a modified version of the whole pathogen to the immune system. In this approach, the vaccine is either an inactivated, or killed, pathogen or an attenuated pathogen, where the pathogen is live but rendered far less infectious. The advantage of this approach is that it enables vaccine development without knowing the specific surface structure of the pathogen that antibodies target for response and immunological memory. There are also significant disadvantages to this approach. Inactivating or attenuating pathogens in a large-scale, reproducible way is challenging, and there is a concern that attenuated pathogens could reactivate and cause the diseases they were designed to prevent. Another limitation is the potential that side effects of the vaccine may be more severe than when only part of the organism is used as the vaccine. A recent example is the pertussis, or whooping cough, vaccine that was originally developed as a whole killed vaccine, but later changed to a subunit, or purified protein, vaccine because of the rare but severe side effects of the whole cell vaccine. Due to these challenges, and the resultant regulatory hurdles, vaccines are increasingly designed using a second, and more targeted, approach.

The second approach to design vaccines to induce an antibody response is to immunize with specific antigens, or immunogenic proteins, from the pathogen. Such antigens often are paired with either (1) an adjuvant that gives the immune system a



“danger signal” to enhance the ability of the immune system to recognize the proteins as foreign substances or (2) a vector, such as a virus that is used to deliver the antigens to the immune system to enhance the response, or some combination of an adjuvant and vector are utilized. These so-called subunit, or purified protein, vaccines, while generally easier to produce than whole pathogen vaccines, pose a different challenge: selecting the optimal antigen or antigens from the pathogen to elicit the desired immune response.

Modern vaccine antigen discovery largely consists of the search for the optimal antigens for immunological, and primarily B cell, responses. To date, this process has largely been empirical, meaning that it has required the testing of each potential antigen in animal models of disease to determine its ability to be recognized by the immune system. There is considerable time and cost associated with testing each antigen, singly and in various combinations, to determine which antigens can elicit the desired immune response. However, these hurdles have been somewhat mitigated by the fact that, for most pathogens currently addressed by vaccines, there is a small number of candidate antigens.

### ***Limitations and Challenges of Current Target Discovery***

Despite more than 200 years of vaccine history, there remain many organisms for which effective or comprehensive vaccines do not exist. These include viruses such as HSV-2, cytomegalovirus, and Epstein-Barr virus, which causes mononucleosis, and bacteria that include pneumococcus, *Chlamydia trachomatis*, or chlamydia, and *Staphylococcus aureus*, or staphylococcus, which causes a wide range of soft tissue, organ and blood infections. Parasites such as *Plasmodium falciparum*, which causes much of the world’s malaria, also have yet to be addressed with vaccines. Collectively, these organisms are responsible for millions of deaths and morbidity for millions more people annually.

Vaccines that elicit B cell responses generally do not work for these pathogens, in part because the organisms evade B cell-mediated immunity. Some pathogens, such as HSV-2 and chlamydia, spend most of their life cycles sequestered within host cells and are inaccessible to antibodies that primarily reside in the bloodstream. Mucosal surfaces of the nasopharynx (nose and throat), gastrointestinal tract and genitalia, are also less accessible to antibodies in the bloodstream and harbor pathogens such as pneumococcus and staphylococcus. To address these pathogens, vaccines that engage the T cell immune system may represent the optimal solution.

T cells, like B cells, are a type of white blood cell, of the immune system. They are generally classified as CD8+ cytotoxic T lymphocytes, or CTL, or killer T cells, and CD4+, or helper T cells. Killer T cells recognize and eliminate pathogen-infected host cells. On the other hand, helper T cells produce compounds called cytokines that stimulate other immune cells to help fight infection. To initiate T cell responses to an infection, another type of specialized white blood cell, called antigen-presenting cells, or APCs, engulf invading pathogens. APCs process pathogen-derived protein antigens into smaller pieces, or epitopes, and place them on their surface as epitopes for recognition by killer T cells or helper T cells. Upon recognition, T cells activate to help eliminate the infection. Activated T cells can also become long-lived memory T cells that respond to infection should the host contact the infectious agent again, thus providing long-term protective immunity.

As with B cell vaccine development, there are two potential approaches to developing vaccines that induce T cell immune responses. The first approach would be to develop an attenuated or inactivated pathogen vaccine. As discussed, such a vaccine may present significant manufacturing, safety and regulatory challenges. To date, no whole pathogen vaccine has been developed to induce T cell responses.

The second potential approach would be to develop a subunit vaccine. However, there have been relatively few advances toward identifying target antigens that will elicit T cell responses, and, without the right antigen or antigens, a vaccine will not elicit the optimal immune response.

Discovering T cell antigens is particularly challenging due to the human diversity of T cell response and to pathogen size. Humans can belong to one of nine different genetic supertypes that influence how epitopes are presented to T cells, and hence the set of proteins that make up a pathogen can range into the thousands. These challenges represent fundamental barriers to the development of vaccines against infectious organisms for which T cell immunity is critical for effective control.

*Challenge #1: Diversity of human T cell responses.* B cell responses to a particular antigen are generally more uniform across all humans than T cell responses. As a result, a vaccine designed to elicit a B cell response generally works across broad populations. However, the T cell arm of the immune system poses a complexity challenge. In contrast with a fairly uniform antibody response, each person has one of nine human leukocyte antigen, or HLA, supertypes that govern, among other things, the specific targets of T cell responses. A person belonging to one supertype may mount a T cell response to a different protein epitope—or an entirely different protein—than someone with a different supertype. Given these different HLA supertypes, modeling diseases in animals, which are typically bred from a single genetic lineage, cannot effectively account for or produce a vaccine candidate intended to address the human diversity in T cell responses.



*Challenge #2: Complexity of target selection due to pathogen size.* Antibodies produced by B cells typically target proteins on a pathogen’s surface. For B cell vaccines targeting surface proteins, the number of potential targets has typically been limited. For example, the hepatitis B virus, addressable by two approved vaccines, consists of four proteins. Choosing the vaccine antigen from this small candidate list required testing only these four proteins, singly and in combination to find the most protective formulation. Here again, the T cell arm of the immune system works differently. It is not just surface proteins of a pathogen that can be targets for a vaccine, but rather every pathogen protein, collectively its full “proteome”, can be a target of T cell responses. The number of candidate antigens, therefore, increases substantially based on the genetic complexity of the pathogen. For example, for HSV-2 the proteome comprises nearly 80 proteins, substantially increasing the complexity associated with target antigen selection, as the number of potential antigen combinations increases exponentially. The chlamydia proteome exceeds 900 proteins and the proteome for *Plasmodium falciparum* , a parasite that causes malaria, exceeds 5,000 proteins. In the case of such organisms, testing each protein in animals, singly and in various combinations to identify candidate antigens, could take many years. For many organisms, the complexities associated with the pathogen size have presented a fundamental barrier to discovering effective T cell vaccines.

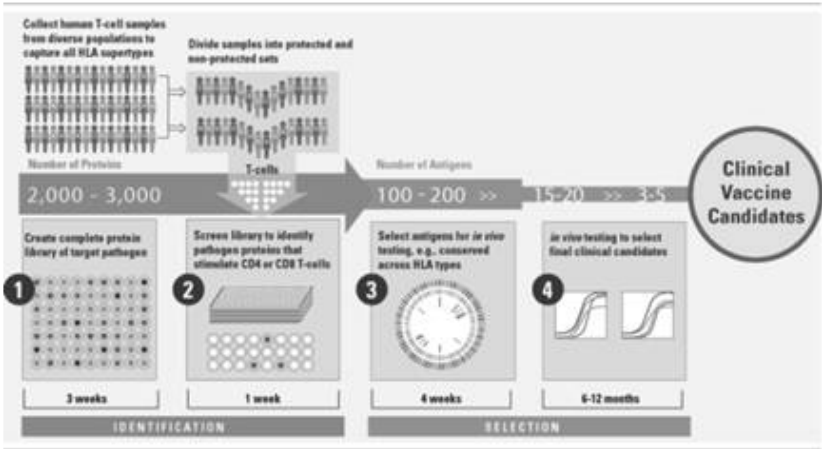
The combination of these two challenges renders discovery of T cell antigens by traditional empirical methods exceedingly difficult. We believe these challenges explain why no approved vaccines have been developed on the basis of T cell responses.

**The ATLAS Discovery Platform: A Novel Approach to Vaccine and Immunotherapy Discovery**

We have developed a proprietary technology platform that is designed to overcome the challenges associated with developing vaccines that stimulate T cell immunity. We have engineered this technology into a high throughput discovery platform we call ATLAS, our AnTigen Lead Acquisition System. This system mimics part of the human T cell immune system *ex vivo* , or outside the body. By comparing antigens identified in individuals who naturally control their infection with those who do not, we can select the antigens that may have the best likelihood of inducing protective T cell immune responses. We believe that this enables ATLAS to rapidly identify targets of T cell responses that are applicable to broad populations, over the range of HLA supertypes and represents a comprehensive throughput system designed for T cell antigen discovery in the biopharmaceutical industry.

To use ATLAS, we collect T cells and APCs from hundreds of human donors who were naturally exposed to the disease-causing pathogen of interest. We segregate these donors into cohorts based on their clinical status. At one end of the spectrum are those exposed subjects who remained uninfected despite contact. At the other end of the spectrum, we include subjects who were unable to clear their infection or control their disease without significant intervention. If applicable, we also include subject cohorts between these ends of the spectrum, such as those with mild infections.

We also create a library of every protein in the proteome of the pathogen of interest. We express each individual protein in bacterial hosts, which are cultured with APCs from each human donor. As each donor’s APCs ingest the complete proteomic library, they present peptide epitopes from each protein on their surface. These epitopes can be recognized by T cells derived from the same donor. If the T cell recognizes the epitope on the surface of the APC, which it will do if has seen the epitope before and is a memory T cell for that particular epitope, it will be activated. The level of activation can be quantified by the amount of interferon gamma, or IFN- $\gamma$ , a cytokine produced by the T cell. We use the pattern of responses for each subject to infer which pathogen proteins are associated with productive, non-productive or even deleterious immune responses. The diagram below illustrates the process by which we use ATLAS to identify pathogens to elicit a T cell response.



We use ATLAS as a high throughput engine to comprehensively and rapidly screen human T cells to identify potentially relevant T cell vaccine antigens. Furthermore, ATLAS allows us to screen large proteomes in an efficient manner to identify antigens likely to best stimulate the T cell immune system, a process that is otherwise slow and labor intensive. By comparing antigens identified in individuals who control their infection with those who do not, we can select the antigens that may have the best likelihood of inducing protective immune responses. Since we discover the target antigens from human responses rather than animal responses, we believe we can use the targets to produce vaccine and immunotherapy candidates that have a high probability of generating protective immunity in humans. To date, we have applied this platform to identify human T cell antigens from several viral and microbial proteomes, with sizes ranging from several dozen, as with HSV-2, to a few thousand expressed proteins, as with pneumococcus and chlamydia.

In summary, we believe that ATLAS offers all of the following important advantages over other approaches to vaccine design and discovery:

- **Enables vaccine and immunotherapy discovery for pathogens that are generally inaccessible to antibodies.** For pathogens that reside in human cells or otherwise generally evade antibody responses, and which, as a result have not successfully been addressed by B cell vaccines, ATLAS represents a means to identify targets of effective T cell responses. This pathogen list includes dozens of bacteria, viruses and parasites that collectively account for millions of deaths and morbidity for millions more annually.
- **Decreases the risk of vaccine and immunotherapy discovery failure by identifying targets of T cell responses in humans.** By comprehensively screening the T cell responses of persons who have mounted effective immune responses to infectious disease pathogens, and comparing these responses to those who have not, ATLAS identifies antigens that associate with protection in humans. By identifying the targets of human T cell responses *ex vivo* from human samples, rather than in animal models, we both account for diversity of human T cell responses and avoid being misled by discovery in animals.
- **Selects targets relevant to broad populations.** We believe ATLAS is highly efficient and can analyze T cells from a large number of individuals. Traditional analog vaccine antigen discovery necessarily focuses on the identification of epitopes that are able to be presented by APCs for only a minority of the target population. In contrast, we can process blood samples from hundreds of ethnically diverse subjects and therefore can ensure, from analyzing across the range of HLA supertypes, that our antigens are broadly relevant. As a result, we anticipate that both GEN-003 and GEN-004 will stimulate T cell responses across broad HLA types.
- **Reduces the time and cost of vaccine discovery.** As we have demonstrated in both our HSV-2 and pneumococcus programs, after we collect blood samples from human cohorts exposed to a pathogen, we believe we can identify vaccine candidates in less than one year and for a few million dollars, compared to the industry norms of up to 10 years and \$100 million to discover B cell vaccines, according to GlaxoSmithKline.

We believe that our discovery platform can enable vaccine and immunotherapy discovery for a wide range of infectious disease pathogens, in addition to our clinical stage vaccines and immunotherapies. We have identified antigens that appear to associate with protective human responses in our prophylactic HSV-2 and chlamydia programs and demonstrated subsequently that these antigens can protect against disease in accepted animal models. We have also embarked upon a program to discover protective T cell antigens from *Plasmodium falciparum*, a causative agent of malaria under a program funded in part by an investment from the Bill & Melinda Gates Foundation, or the Gates Foundation. Many other pathogens evade antibody responses and therefore may be tractable to ATLAS, including those that cause tuberculosis, gonorrhea, and dengue fever.

We also believe ATLAS may offer utility in the discovery of new treatments for cancer. In recent years, new cancer immunotherapies such as Yervoy (ipilimumab; Bristol-Myers Squibb) have successfully delivered improved outcomes against cancers such as melanoma by reversing the inhibitive effect that cancer cells can have on T cell immune responses. Recruiting T cells to drive the containment of cancerous cells holds promise as a new approach to cancer treatment. Knowing the target or targets of the T cell responses may enable the development of next-generation immunotherapies with greater specificity that, in theory, could offer further protection against cancer. In March 2014, we announced a joint research collaboration with the Dana-Farber Cancer Institute and Harvard Medical School to characterize anti-tumor T cell responses in melanoma patients. This collaboration extends the use of our proprietary ATLAS platform for the rapid discovery of T cell antigens to cancer immunotherapy approaches.

Antigen Discovery Using ATLAS—A Vignette from the Discovery of GEN-003 to Treat Genital Herpes

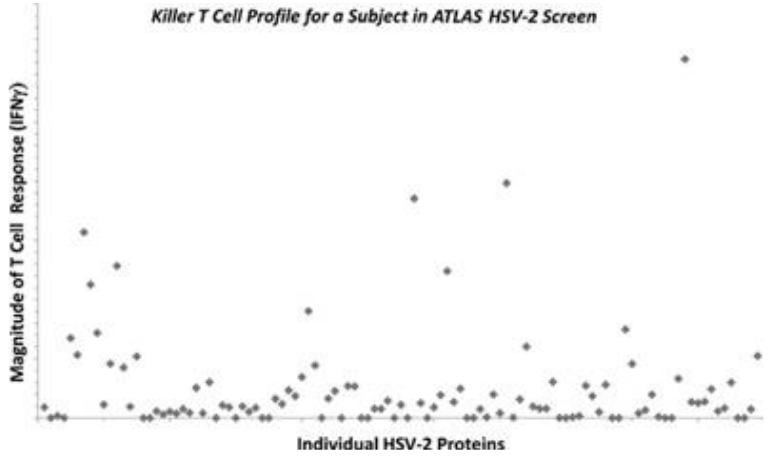
Strong evidence for the role of T cells in controlling a genital herpes infection emerged when a researcher at the University of Washington, Christine Posavad, Ph.D., identified a previously unknown and relevant patient population. These people were each in a sexual relationship with someone who had a genital herpes infection, but had no evidence of infection by culture of, or measurable antibody response to, herpes simplex virus 2, or HSV-2, the virus which causes most cases of genital herpes. However, these individuals had evidence of T cell memory against HSV-2, indicating previous contact with HSV-2. In these patients, Dr. Posavad concluded that T cells are the driver of the protective response, but she could not comprehensively screen for the specificity of T cells that drove this response.

Based in part on Dr. Posavad’s observations and other emerging evidence of the role of T cells in controlling HSV-2 infection, we decided to use ATLAS to identify T cell stimulating antigens for HSV-2. We started by collecting blood from 195 people exposed to, or infected with, HSV-2. For each person, we documented the infection severity based on clinical records and assigned the subjects to a cohort according to this. Crucially, we included 43 subjects of the type identified by Dr. Posavad. We chose our sample size to enable statistical comparisons within and across cohorts. We also recruited genetically and ethnically diverse individuals to ensure broad HLA supertype coverage. The table below provides further details on the patients:

Increased  
Natural  
Protection  
↑

Cohort	Presence of HSV-2 Antibody	Description	Number of Subjects
Exposed / Sterilizing Immunity	No	In a sexual relationship with a HSV-2+ partner but no infection	43
Asymptomatic	Yes	No clinical genital outbreak since initial diagnosis	41
Infrequent Recurrer	Yes	1-3 clinical outbreaks/year	47
Frequent Recurrer	Yes	≥4 clinical outbreaks/year	43
HSV-1 Positive	No	Genital outbreaks	11
Presumed Naïve	No	No known exposure to the virus	10

We also built two copies of a library consisting of each protein in the HSV-2 proteome. Since both killer and helper T cells are thought likely to play a role in controlling an HSV-2 infection, we believed that measuring both T cell responses would be necessary to optimize the design of a candidate vaccine. Research has shown that one cytokine T cells use to defend against HSV-2 is IFN- $\gamma$ . Therefore, for each subject in the study, we separately measured the IFN- $\gamma$  responses of helper T cell and killer T cells to each HSV-2 protein. An example of the output from our assay measuring killer T cells for one subject is below. We generate similar assays for all subjects for both killer and helper T cells.



ATLAS enables the generation of the above outputs. In this particular subject, the responses to many proteins hovered at a low level, while several proteins elicited relatively strong T cell responses.

Analyzing the experimental results of the 195 ethnically diverse subjects has enabled us to associate T cell responses to individual proteins with better control or improved outcomes of HSV-2 infection. Using statistical analyses to identify commonalities and differences within the clinical cohorts and across them, we identified a small group of candidate antigens associated with protective T cell responses to HSV-2 in humans. We further produced and tested the selected antigens in animal models to arrive at the two proteins to be included in GEN-003. We believe that because we collected samples from ethnically diverse subjects, GEN-003 should work across patients regardless of HLA supertype. The entire process, including devising clinical cohorts, collecting the blood from 195 subjects, building two copies of the protein library, running proteins through ATLAS and determining priority candidate antigens took 15 months.

## Our Product Candidate Pipeline

The following table describes our current development programs:

Vaccine Candidate	Program	Stage of Development	Next Milestone	Anticipated Timeline
GEN-003	Genital herpes Therapeutic	Phase 2	Complete Phase 2 dose optimization trial	Late second quarter of 2015
GEN-004	Pneumococcus Prophylaxis	Phase 2a	Complete Phase 2a trial	Fourth quarter of 2015
GEN-001	Chlamydia Prophylaxis	Pre-clinical	File investigational new drug application (or IND)	2017
GEN-002	HSV-2 Prophylaxis	Pre-clinical	File IND	2017
GEN-005	Malaria Prophylaxis	Research	Initiate pre-clinical studies	Second half of 2015

## GEN-003 Market Opportunity

### Genital Herpes

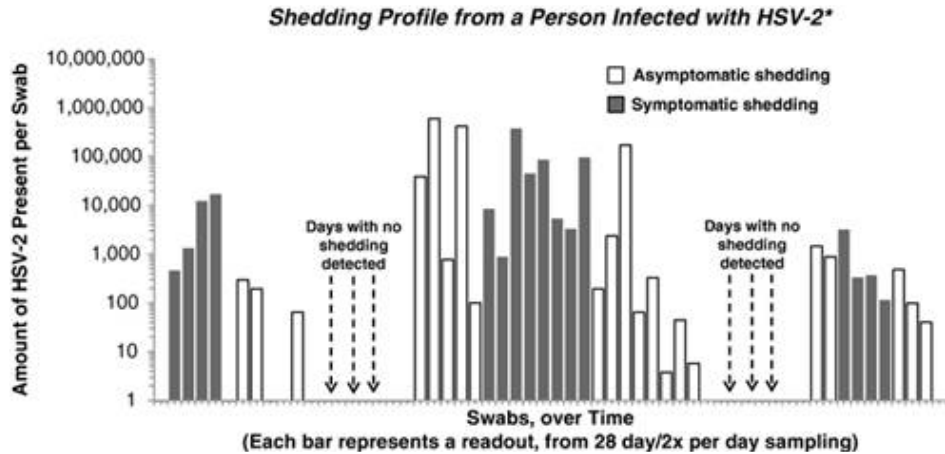
We are developing our lead product candidate, GEN-003, to treat patients with genital herpes infections. GEN-003 consists of two protein antigens. The first antigen is ICP4.2, a large fragment of the protein ICP4 that we discovered in ATLAS screens to be a T cell antigen associated with protection from infection or with less severe infection. The second antigen is glycoprotein D2, or gD2, a B cell antigen that is the target of antibodies that provide anti-viral activity during the time in the life cycle of HSV-2 where the pathogen is susceptible to inactivation by antibodies. gD2 was also a target of T cells in our ATLAS screens and was selected based on such ATLAS screens as ATLAS prioritized gD2 as the B cell antigen most associated with T cell responses. We pair the antigens with Matrix-M2, a novel adjuvant that we have licensed exclusively for this indication from Novavax, Inc., or Novavax. See “—Other Collaborations—Isconova AB”.

Genital herpes is a sexually transmitted disease. Genital herpes infections have become an epidemic, spreading to approximately 16% of the United States population between the ages of 14 and 49, and more than 400 million people worldwide, according to the World Health Organization, or WHO.

For infected individuals, the disease can manifest in a number of ways, with so-called viral shedding as the common element. For some of the virus’ life cycle, it lies dormant within nerve cells near the spine. Although there may be no visible sign of infection, the virus lives within these nerve cells. Periodically, the virus reactivates and virus travels to skin cells of the genitalia where they are released. The release of the virus is called viral shedding and can be detected by swabbing the genital area and testing the swab for the presence of viral DNA. For reasons not completely understood, reactivation of the virus within the nerve cells may occur, resulting in a large amount of virus shedding from skin and mucus membranes. If the replication is maintained for a long enough period of time and at a high enough level, the virus destroys the cells it inhabits and causes ulcers to form on the skin. Patients experiencing such visible ulcers are considered symptomatic patients. It is generally believed that the immune system responds to episodes of genital herpes outbreaks by activating T cells that reduce viral replication and destroy infected cells, allowing healing and resolution of genital ulcers, usually after a few days, although for many patients ulcers return at variable intervals. Patients may also experience periodic, low-frequency viral shedding. Because the shedding at these times does not lead to the development of ulcers, these episodes are called asymptomatic shedding. These asymptomatic patients continue to pose a disease transmission risk through sexual contact while shedding virus.

Some people, approximately 60% of those infected, are asymptomatic or fail to recognize or seek medical attention for an initial mild outbreak of ulcers. According to the New England Journal of Medicine, roughly 40% of persons infected with HSV-2 experience visible symptoms. It has been reported in the Annals of Internal Medicine that approximately 70% of the people with visible symptoms experience three or more outbreaks per year, which we consider to be moderate-to-severe disease. Patients with HSV-2 experience significant distress because of the potential negative impact on their ability to form and maintain sexual

relationships. Infection with HSV-2 can involve substantial risks in addition to the infection itself. For example, persons with HSV-2 infection have a threefold increased risk for human immunodeficiency virus, or HIV, acquisition. Additionally, pregnant women can transmit HSV-2 to infants in childbirth, which can result in severe brain damage or death.



\* Note: Each bar represents 1 swab; 2 swabs collected per day; the absence of a bar means no shedding was detected on the swab on a particular day.

The total number of days during a month that HSV-2 virus can be detected in the genital area with or without visible ulcers is called the shedding frequency. A pattern of shedding and outbreak for one person is illustrated in the graph above. Viral shedding is measured by collecting swabs of the genital area, following a protocol that has been used in decades of studies of HSV-2 viral shedding. In the example shown above, the subject collected swabs twice daily for 28 days. HSV-2 DNA was detectable in approximately 66% of the collected swabs, meaning the patient's shedding frequency is 66% for the period measured. Some swabs had no detectable viral DNA, meaning the subject did not shed virus at the time of sample collection (exemplified by the blank areas of the above graph). The magnitude of viral shedding varied widely from day to day and only sometimes resulted in clinical symptoms such as visible genital ulcers. Ulcers generally appear after several days of asymptomatic shedding and at times when the magnitude of shedding is highest. The extent, frequency, and duration of shedding vary from person to person, but the pattern is relatively consistent for each person.

**Limitations of Current HSV-2 Treatment Options**

There is no known cure for HSV-2. For patients infected with HSV-2, oral antiviral drugs are the only treatment option. The most commonly prescribed treatment is valacyclovir including Valtrex, marketed by GlaxoSmithKline. Other medications available are acyclovir (Zovirax, marketed by GlaxoSmithKline) and famciclovir (Famvir, marketed by Novartis). These drugs all work by limiting the ability of the virus to replicate when it emerges from latency. Sales for these oral antivirals totaled \$1.6 billion globally in 2012, including nearly \$700 million in the United States, according to IMS Health.

Some patients treat their disease episodically. At the onset of outbreaks, or in the case of some patients, at the onset of prodrome, a tingling sensation that may precede an outbreak, patients take antiviral medication to reduce the duration and severity of the outbreak. According to the approved Valtrex prescribing information, episodic treatment only reduces the duration of outbreaks by up to 50% when compared to placebo. Patients treating their symptoms episodically are not protected against asymptomatic viral shedding and, therefore, have no reduced risk of transmission of infection to an uninfected sexual partner while asymptomatic.

Some patients treat their infection with daily antiviral medication. This approach is called chronic suppressive therapy, and has been shown to reduce—but not eliminate—viral shedding, the frequency of symptomatic outbreaks of genital ulcers, and the risk of transmission of the infection to an uninfected sexual partner. Even on chronic suppressive therapy, based on the valacyclovir prescribing information, 35% of patients taking chronic suppressive therapy suffer outbreaks within six months after initiation of treatment and 46% of patients suffer outbreaks within 12 months. Patients taking chronic suppressive therapy reduce their disease transmission risk only by as much as 52%.

A market research survey conducted on our behalf, which included primary research with more than 300 physicians in the United States, United Kingdom, Germany, France and Brazil and a review of secondary sources, indicated that approximately 11 million people in the U.S. are diagnosed with genital herpes. Of those diagnosed, approximately 7 million are treated with oral anti-viral medicines. This research also indicated that approximately 2.5 million patients treat their disease chronically with daily anti-viral



pills, and approximately 4.5 million patients treat episodically to reduce the severity of outbreaks when they occur. Of those patients treated chronically, approximately 30% continue to suffer three or more outbreaks of genital herpes per year and of those treated episodically, approximately 50% continue to suffer three or more outbreaks per year. This market research also indicated that the prevalence of genital herpes outside the United States is similar to the United States.

Due to the limited effectiveness of oral antiviral therapy, there remains a significant unmet medical need, against both the symptoms of HSV-2 and disease transmission risk from viral shedding.

### **GEN-003: An Immunotherapy Candidate for HSV- 2**

We have shown that GEN-003 is the first immunotherapy known to have demonstrated a statistically significant reduction in viral shedding rate and the signs of clinical genital herpes disease as measured by genital lesion rates. See “—Clinical Development— *GEN-003-001—Our Phase 1/2a Clinical Trial* ”. These data were presented in a podium presentation at IDWeek 2014™. We believe that these initial clinical results demonstrate that GEN-003 has the potential to be a first-in-class immunotherapy to treat genital herpes.

We believe that, if approved for the treatment of genital herpes infections, GEN-003 could address the unmet needs of patients in several ways. For patients taking episodic therapy, GEN-003 could offer reduced symptomatic and asymptomatic viral shedding, potentially reducing disease transmission risk. Since episodic therapy offers no protection against disease transmission during asymptomatic shedding, these patients and their sexual partners are unprotected when the infected partner is not taking anti-viral medication.

For patients on chronic suppressive therapy, we believe GEN-003 may provide both improved outcomes and increased convenience. For some patients, we anticipate that physicians will prescribe GEN-003 as baseline therapy. Such patients may still take oral antivirals in case of an outbreak to further control symptoms. Replacing daily therapy may offer convenience to these patients. For other patients, we anticipate that physicians may prescribe GEN-003 alongside chronic suppressive therapy. This combination therapy approach mirrors the treatment practice of other chronic viral infections such as HIV and hepatitis C virus. We anticipate that, since the mechanisms of action for GEN-003 and oral antiviral medication should complement each other, the control against symptoms and disease transmission risk offered by the combination would exceed that of either therapy alone.

In a second market research survey conducted on our behalf with more than 400 patients with HSV-2 infections in the United States, the United Kingdom, France and Germany, and more than 300 physicians who treat patients with HSV-2 infections, 56% of patients on chronic suppressive therapy indicated an intent to use GEN-003 in combination with other therapies and 37% of such patients indicated an intent to use GEN-003 on its own, if it were approved; 30% of patients on episodic therapy indicated an intent to use GEN-003 in combination with other therapies and 60% of such patients indicated an intent to use GEN-003 on its own, if it were approved; and 15% of patients not taking any HSV-2 therapy indicated an intent to use GEN-003 in combination with other therapies and 65% of such patients indicated an intent to use GEN-003 on its own, if it were approved.

Taking together the results of the two market research surveys conducted on our behalf, we forecast a potential market share for GEN-003 in the US of approximately 3 million of the 11 million diagnosed patients. We believe that this translates into a revenue opportunity in the US of over \$1 billion. These were limited surveys and may or may not be representative of how patients might ultimately use GEN-003, if at all, or how GEN-003 may be reimbursed if GEN-003 successfully completes clinical development and is approved by regulatory authorities.

### **Non-clinical Evaluation of Our GEN-003 Product Candidate**

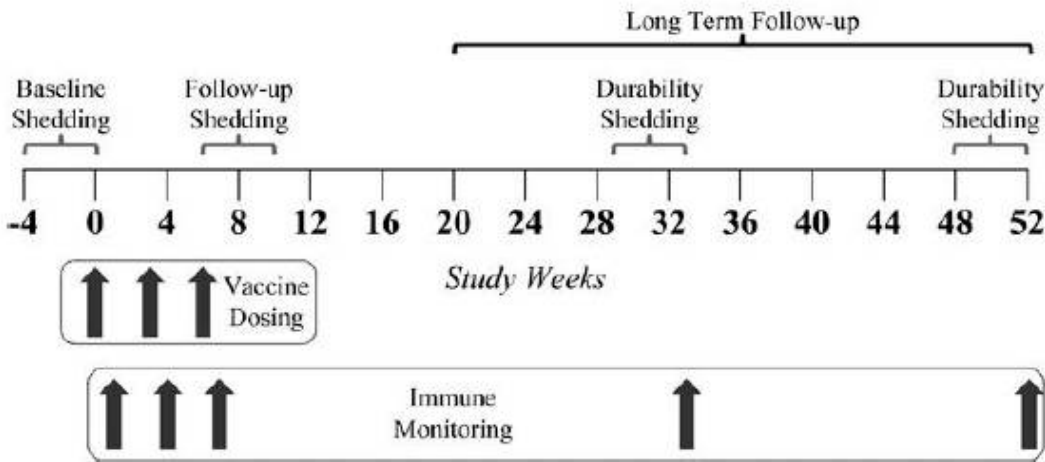
We tested GEN-003 in the guinea pig therapy model, the standard animal model of recurrent disease. Guinea pigs are used because the course of infection in the animal closely mirrors that of humans, with an initial outbreak that resolves, followed by frequent and periodic recurrences that last a few days. GEN-003 decreased ulcers over time by up to 55% versus placebo, measured over 63 days after initial immunization. This is the standard interval across which to measure impact on ulcers in the guinea pig model. Additionally, the vaccine reduced viral shedding significantly. In the period after completing immunization, from days 37-63, GEN-003 almost completely eliminated viral shedding. We are unaware of any other vaccine demonstrating similar impact either on clinical symptoms or on viral shedding in this model.

Clinical Development

*GEN-003-001—Our Phase 1/2a Clinical Trial*

We have completed a Phase 1/2a trial, testing the safety, T and B cell immunogenicity, and impact on viral shedding of GEN-003 in subjects with documented recurrent HSV-2 infection. We also measured, as an exploratory endpoint, the effect of GEN-003 on the genital lesion rate. The trial was conducted at seven sites in the United States, including some of the leading institutions for scientific and clinical research of genital herpes. The trial was double-blind, placebo-controlled and dose-escalating. We enrolled subjects between 18 and 50 years of age. An independent Data Safety Monitoring Board monitored the safety of subjects enrolled in the clinical trial.

This trial enrolled 143 otherwise healthy subjects with a history of three to nine genital herpes outbreaks per year when not on suppressive therapy. Subjects were randomized into one of three dose cohorts. Within each cohort, subjects were randomized in a 3:1:1 ratio, whereby for every three subjects receiving GEN-003, one would receive placebo and one would receive the ICP4.2 and gD2 proteins without the Matrix-M2 adjuvant. We included this last cohort to demonstrate that Matrix-M2 was necessary to achieve the desired biological responses. There were three vaccine dose groups, based on the amount of protein. The lowest dose group subjects received 10µg of each protein; in the middle dose group, the protein doses increased to 30µg, and in the high dose group the protein dose was 100µg. For all subjects receiving GEN-003 (proteins plus adjuvant), the Matrix M2 dose was 50µg. Subjects received three vaccinations, on days zero, 21 and 42. The diagram below illustrates the dosing and swabbing regimen in the trial and the points in time at which data was gathered.



The primary objective of this trial was to monitor the safety profile of the proposed vaccine. Overall, GEN-003 was well-tolerated. During the seven days following each injection, side-effects were generally those considered typically associated with vaccines, such as fatigue, site injection pain, tenderness and swelling. Among all vaccine dose groups, the frequency of adverse events, or AEs, appeared greater among those subjects given the 10µg dose. In the 30µg and 100µg dose cohorts, the AE rate was lower than that of the 10µg cohort. In addition, the frequency of AEs appeared to diminish with subsequent doses. Beyond the week following vaccination with the GEN-003 immunotherapy, the AE types and frequencies appeared similar to those following vaccination with placebo. The AEs have been transient, resolved over a few days and resulted in only two subjects discontinuing further vaccinations: one for a combination of symptoms (myalgia and fatigue; and pain and tenderness at the injection site) and one for injection site pain.

Additionally, we measured the immunotherapy-induced T cell and B cell immune responses. We structured and statistically powered the trial to measure the proposed immunotherapy’s impact on the viral shedding rate, an important marker of virus activity. We selected this endpoint because of the connection between shedding, symptomatic outbreaks, and risk of transmission of virus by sexual contact. Every subject in the study swabbed their genitalia twice per day for 28 days before receiving the first assigned treatment injection, and after treatment, using the standard protocol that has been used for many clinical trials of HSV-2 shedding.

We measured immunotherapy activity in two ways: the impact on viral shedding and the impact on signs of clinical genital herpes disease as measured by genital lesion rates, defined as the total days in which a patient reported the presence of a visible genital lesion during swabbing days, divided by the total number of swabbing days. The impact on viral shedding was determined by viral DNA present in swabs from subjects over the 28-day measurement period before receiving the assigned treatment and immediately



after completing the three-dose regimen and again at six months and 12 months after the final dose. The genital lesion rate was measured at the same time points.

Final analysis of the data showed that for the best performing 30µg dose group, there was a sustained and statistically significant reduction in the viral shedding and genital lesion rates. After completion of dosing for this dose group, the viral shedding rate fell by 52% versus baseline ( $p<0.001$ ) and, at six months after the final dose, the shedding rate remained at 40% below baseline ( $p<0.001$ ). At 12 months, the viral shedding rate returned to baseline for this dose group. The reduction in the genital lesion rate after completion of the third dose was greatest for the 30µg dose group, at 48% ( $p<0.001$ ). After six months, the reduction from baseline in genital lesion rate for this dose group was 65% ( $p<0.001$ ) and after 12 months the genital lesion rate was 42% lower than baseline.

The following tables summarize the data demonstrating the reduction in the frequency of viral shedding and the genital lesion rate observed following administration of GEN-003 vaccine.

#### Viral Shedding Rate

Treatment Group	Baseline	After Dose 3			After 6 months			After 12 months (1)		
	Rate	# of subjects	Rate	Change from Baseline	# of subjects	Rate	Change from Baseline	# of subjects	Rate	Change from Baseline
Placebo	12.4	26	12.8	3%	23	16.6	34%	13	12.3	-1%
Proteins only	7.4	26	10.0	35%	22	8.6	16%	15	14.4	95%
GEN-003 (10 µg)	10.8	27	10.8	0%	26	14.3	60%	0	—	—
<b>GEN-003 (30 µg)</b>	<b>13.4</b>	<b>27</b>	<b>6.4</b>	<b>-52%*</b>	<b>19</b>	<b>8.0</b>	<b>-40%*</b>	<b>20</b>	<b>12.3</b>	<b>-8%</b>
GEN-003 (100 µg)	15.0	26	10.3	-31%*	24	12.4	-17%	20	11.1	-26%

#### Genital Lesion Rate

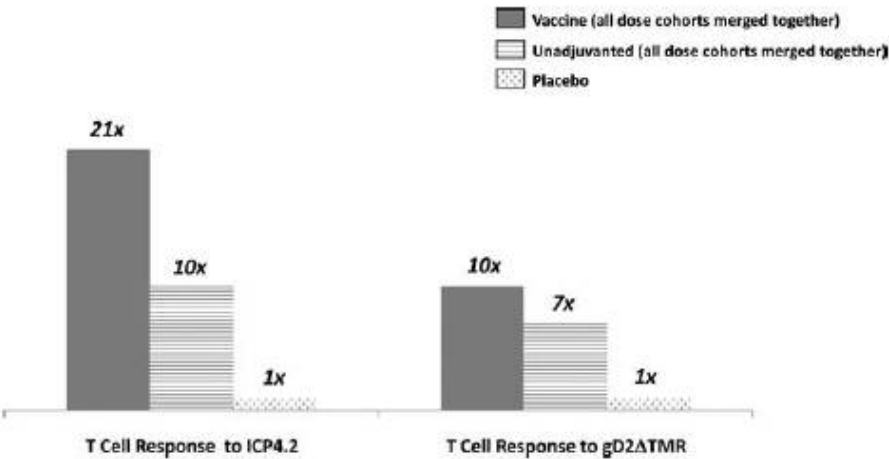
Treatment Group	Baseline	After Dose 3			After 6 months			After 12 months (1)		
	Rate	# of subjects	Rate	Change from Baseline	# of subjects	Rate	Change from Baseline	# of subjects	Rate	Change from Baseline
Placebo	7.2	26	9.1	26%	23	9.2	28%	13	4.0	-44%
Proteins only	9.5	26	6.7	-29%	22	6.7	-29%	15	2.6	-73%
GEN-003 (10 µg)	14.7	27	9.0	-39%	26	11.2	-24%	0	—	—
<b>GEN-003 (30 µg)</b>	<b>9.7</b>	<b>27</b>	<b>5.0</b>	<b>-48%*</b>	<b>19</b>	<b>3.4</b>	<b>-65%*</b>	<b>20</b>	<b>5.6</b>	<b>-42%</b>
GEN-003 (100 µg)	6.8	26	3.7	-46%*	24	4.6	-32%	20	5.8	-15%

- (1) No statistical testing was performed at 12 months because too few subjects contributed data. We did not anticipate the magnitude or durability of effect shown in this trial and the original trial protocol did not envisage following patients out to 12 months. By the time a protocol amendment was in place to allow collection of 12 month data some patients had been lost to follow up.

We are unaware of any other vaccine that has demonstrated the effects that we observed of GEN-003 on genital lesion rate or viral shedding in humans. While we have not yet tested any booster regimen, based on the durability of response to date, we anticipate booster doses, if necessary, would be administered at intervals of six months or more. Based on the market research conducted on our behalf, a product profile consistent with the data from the GEN-003 30µg dose group with a booster dose every six months was highly attractive to patient survey participants. This was a limited survey and may or may not be representative of how patients might ultimately or desire to use GEN-003, if at all, if GEN-003 successfully completes clinical development and is approved by regulatory authorities.

Our data have also demonstrated that GEN-003 induced a broad immune response in vaccinated subjects at all dose levels. T cell responses increased from baseline 21-fold to ICP4.2 and 10-fold to gD2. Subjects also experienced strong increases in antibody response to ICP4.2 and gD2, as measured by immunoglobulin G, or IgG, a standard measure of antibody response. The antibodies generated in response to the vaccine are able to prevent the virus from infecting new cells, as measured by a standard assay for evaluating the ability of the virus to infect cells *in vitro*. The chart below shows the T cell immune response aggregated across all dose levels.

Fold Increase in T Cell Response from Baseline by Treatment Group



Ongoing Phase 2 Dose Optimization Trial

The Phase 2 dose optimization study is fully enrolled with 310 subjects from 17 institutions in the United States. The objective of this trial is to confirm the results of the best performing dose in the phase 1/2a trial, and to test other combinations of protein and adjuvant to determine the optional dose for future trials and potentially improve on the current profile of GEN-003. This study will test six combinations of two antigen doses (30µg or 60µg) with each of three adjuvant doses (25µg, 50µg, or 75µg) alongside a placebo. All subjects will receive three doses of GEN-003 or placebo at 21-day intervals. The primary end point for the study is the change from baseline in viral shedding rate. The study is also designed to evaluate the impact on percentage of days with genital herpes lesions as reported by patients. Subjects receiving GEN-003 will be followed for 12 months after the last dose. We expect to announce top-line data for the immediate post-vaccination observation period late in the second quarter of 2015.

Next Steps: Dose Regimen Trial for GEN-003

Following completion of the Phase 2 dose optimization trial, we intend to complete a Phase 2 dose regimen trial where we will seek to optimize our dosing regimen, or the number of doses and the interval between doses. We anticipate that clinical trial enrollment criteria and endpoints for this trial will be similar or identical to those of the preceding trials.

Potential for GEN-003 to Treat HSV-1 Infection

We anticipate that GEN-003 may also help a patient’s immune system fight herpes simplex virus type-1, or HSV-1. HSV-1 is most commonly identified with cold sores and has infected approximately 60% of Americans, according to the CDC. Increasingly, HSV-1 has been associated with outbreaks of genital ulcers, though the frequency and severity of such outbreaks generally is less than those associated with HSV-2. HSV-1 and HSV-2 are related viruses and the proteins in GEN-003 are present in, and nearly identical to, those found in HSV-1. Consequently, we believe that GEN- 003 may be active against HSV-1 and thus intend to study the potential for GEN-003 to combat HSV-1.

The Opportunity to Prevent HSV-2 Infections

In addition to treating HSV-2 infection with GEN-003, we believe that ATLAS may help to develop a vaccine that can prevent HSV-2 from infecting healthy persons. We believe that a vaccine that has therapeutic effect may be the foundation for a preventative vaccine. Since there will not likely be pre-existing immune responses to build upon in uninfected subjects, the preventative vaccine may include additional or different antigens than those in GEN-003 to be fully protective. Using data from the same ATLAS screening effort with which we designed GEN-003, we identified eight additional candidate antigens that could be added to GEN-003 or included in another vaccine for prophylaxis of HSV-2 infections. We have already demonstrated that several of the eight candidate antigens can provide some protection against infection in initial studies in mice. A prophylactic vaccine may be an important step in halting the epidemic, and could be used to treat uninfected partners of HSV-2 infected subjects to prevent them from acquiring the disease. The vaccine could also be used more broadly as a preventative measure. We intend to pursue development of a prophylactic HSV-2 vaccine and anticipate that we would partner this program at the appropriate point of clinical development.

## **GEN-004 Market Opportunity**

### ***Pneumococcal Disease***

We are developing GEN-004 to prevent infections caused by all serotypes of pneumococcus. The Gates Foundation has noted that pneumococcus kills more children under age five globally than any other organism. GEN-004 consists of three whole Pneumococcal T cell protein antigens, SP0148, SP1912 and SP2108, combined with the adjuvant Alhydrogel, a form of alum that is contained in several approved vaccines.

There are more than 90 serotypes, or strains, of pneumococcus known to exist. Each strain differs slightly in the composition of the polysaccharide capsule, a sugar-based component that covers the bacterial cell. These differences have likely arisen as the organism has evolved to evade human antibody responses. Pneumococcus is a bacterium that often resides harmlessly in the nose and throat but can cause otitis media, or middle ear infection, as well as pneumonia, an infection in the lungs. Such consequences of infection are considered non-invasive pneumococcal disease, or NIPD.

Invasive pneumococcal disease, or IPD, arises when pneumococcus enters the bloodstream and potentially spreads to other organs. The consequences of IPD can be severe and, according to the CDC, 10% of patients with IPD die. IPD is classified into three categories. Bacteremic pneumonia is an infection in one or both lungs with pneumococcus also in the bloodstream. It is generally a more severe infection than pneumonia that is not invasive. Other examples of IPD include sepsis, the presence of bacterial infection in the blood along with symptoms such as fever, elevated heart rate and respiratory rate, and high or low white blood cell count, and meningitis, an inflammation of the brain and spinal column.

### ***Limitations of Current Pneumococcal Vaccines***

Global revenue of current pneumococcal vaccines exceeded \$5.8 billion in 2014, most of which came from Prevnar-13, marketed by Pfizer, which is named for the 13 capsular polysaccharides types, derived from 13 strains of pneumococcus, included in the vaccine. The Prevnar family achieved global revenue of \$4.5 billion in 2014. Other Pneumococcal vaccines include Synflorix, marketed by GlaxoSmithKline, and Pneumovax-23, marketed by Merck. These vaccines have dramatically reduced IPD caused by the serotypes addressed by the vaccines.

The predecessor vaccine to Prevnar-13, Prevnar-7, led to the dramatic reduction of IPD caused by the seven vaccine serotypes of pneumococcus that are addressed by the vaccine. According to the CDC, the hospitalization rates due to IPD infection from these strains fell after the introduction of Prevnar-7, from 80 cases per 100,000 children in 2000 to less than 1 per 100,000 by 2007. In pre-approval randomized trials, Prevnar-7 was demonstrated to be safe and highly efficacious against IPD, moderately efficacious against pneumonia, and somewhat effective in reducing middle ear infection episodes and related office visits. The expectation is that Prevnar-13, introduced in 2010, will result in similar benefit against the seven serotypes covered by Prevnar-7 plus the additional six serotypes included in that vaccine.

Nevertheless, significant limitations exist with this and other pneumococcal vaccines. As noted previously, there are more than 90 known serotypes of pneumococcus. Prevnar-13 covers only 13 of these serotypes. Incidence of invasive disease caused by the 75+ serotypes not included in that vaccine are rapidly increasing. As a consequence, Pfizer is believed to be working on a third generation Prevnar vaccine. Already a complex vaccine, each of the polysaccharide shells included in Prevnar-13, representing 13 of the most common disease-causing serotypes of pneumococcus, is conjugated, or chemically linked, to a protein carrier. It is believed that there are limits to how many polysaccharides that physically can be included in the vaccine. Moreover, the protective capacity per serotype appears to diminish as new polysaccharides are added to the vaccine. Still, other large companies, including GlaxoSmithKline, Merck, and Sanofi Pasteur, are also believed to be working on new vaccines against pneumococcus. To our knowledge, all of these companies' product candidates are being developed to elicit a B cell response.

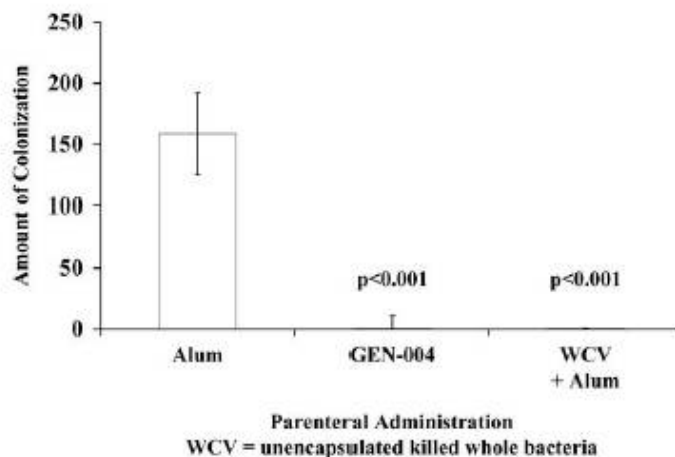
## **GEN-004: A Prophylactic Universal Vaccine Candidate for Pneumococcus**

We have designed GEN-004 to fight more than 90 serotypes of pneumococcus, and to do so through a T cell-based mechanism of action that complements existing vaccines. Since 2009, we have collaborated with Rick Malley, M.D., of Boston Children's Hospital, a leading researcher on host immunity to pneumococcus. He was the first person to demonstrate that Pneumococci are rapidly cleared from the nose, before they can get into the lungs and bloodstream, by a type of helper T cell called T<sub>H</sub> 17 cells. This is important because before pneumococci can cause IPD, they need to take up residence inside the nose, known as colonization. If the immune system could be taught to make T<sub>H</sub> 17 cells against pneumococci in sufficient quantities, then the bacteria will not have the ability to colonize, thus reducing or eliminating IPD occurrence. There is strong evidence that T<sub>H</sub> 17 cells play an important role in protecting against pneumococcal infections, including that: Job syndrome patients lack CD4+/T<sub>H</sub> 17 cells and are highly susceptible to pneumococcus; children with mutations of the IL-17A gene are more likely to be colonized with pneumococcus; HIV patients are predisposed to pneumococcal disease due to a CD4+ T cell deficiency; and a low CD4+ T cell count is linked to reactivity to pneumococcal proteins and the likelihood of colonization. Furthermore, the majority of healthy adults are not colonized with pneumococcus, presumably due to T<sub>H</sub> 17 responses that they have generated through natural exposure. We believe a vaccine that stimulates T<sub>H</sub> 17 cells

to reduce or prevent colonization of the nasopharynx by pneumococcus could be highly effective against all forms of pneumococcal disease including IPD and NIPD infections.

Guided by this insight, we used ATLAS to design a novel pneumococcal vaccine, GEN-004. Since adults are generally “protected” against colonization by pneumococcus, we screened the blood of 50 healthy, ethnically diverse adults using ATLAS. We collected their APCs and T cells and screened the entire pneumococcus proteome, which consists of more than 2,200 proteins, to identify proteins associated with a strong T<sub>H</sub> 17 T cell response, as measured by their induction of the cytokine IL-17A, the predominant cytokine secreted by T<sub>H</sub> 17 cells. Based on these studies, we identified three protein antigens that associate highly with a protective T cell response against pneumococcus in humans. Moreover, as these proteins are conserved in all sequenced strains of Pneumococci, we believe GEN-004 may be able to help protect against invasive Pneumococcal disease caused by any Pneumococcal serotype, including those covered by the Prevnar franchise.

We have demonstrated proof-of-concept of GEN-004 in a mouse model of nasal colonization, as demonstrated below. In this model, mice are immunized with the antigens adsorbed to a hydrogel and then challenged intranasally with live pneumococci. After 10 days, the nasal cavity is washed with saline, and the numbers of pneumococcal bacteria that colonized the nose are counted. We and others have shown that the prevention of colonization in this model is due to IL-17A secretion from helper T cells.



### ***Clinical Development of GEN-004***

In June 2014, we announced positive top-line data from a Phase 1 clinical trial in the United States to evaluate the safety of, and immune response to, GEN-004.

The Phase 1 clinical trial met its safety, tolerability and immunogenicity goals, including measurable increases in the blood of T<sub>H</sub> 17 cells. The Phase 1 clinical trial was a randomized, double-blind, dose-escalation, placebo-controlled clinical trial that enrolled 90 healthy adult volunteers. Serum IgG titers increased in a dose-dependent manner to each of the antigens included in GEN-004 and measurable increases in peripheral T<sub>H</sub> 17 responses were seen among subjects receiving the highest dose (100µg) with adjuvant. There were no serious adverse events related to the vaccine.

Based on these data, we advanced GEN-004 into a Phase 2a trial in the third quarter of 2014. Subjects in the clinical trial will receive either 100µg dose of GEN-004 with 350µg of adjuvant or placebo, and then be “challenged” intranasally with live pneumococcus, much like in the mouse colonization model. This means that pneumococcus will be introduced to the nasal cavity. We expect to enroll approximately 90 healthy adults in this trial. We will monitor AEs, antibody and T-cell immune responses as determined by IgG and IL-17A, and incidence of post-challenge colonization. We will follow these patients for a year and we anticipate top-line data from this trial in the fourth quarter of 2015. If successful, we believe this has the potential to be the first time a protein subunit vaccine will have directly demonstrated a reduction in nasopharyngeal colonization in humans.

### **Our Chlamydia Program**

Chlamydia is the most commonly reported bacterial sexually transmitted disease in the United States. According to the CDC, an estimated 2.9 million infections occur annually in the United States. Despite the widespread availability of antibiotics that are effective against *Chlamydia trachomatis*, the pathogen that causes chlamydia infections, incidence has increased at greater than 5%

per year over the past decade, according to the CDC. A key reason for this is that chlamydia is often an asymptomatic infection, so infected individuals do not seek treatment, which can result in severe consequences, particularly in women, such as pelvic inflammatory disease, infertility and serious neonatal infections.

Despite the need, vaccine development to combat chlamydia has been virtually non-existent. There has not been a chlamydia vaccine clinical trial since the 1960s, in which an attenuated pathogen vaccine demonstrated no lasting protection and showed hints of disease exacerbation. Antibodies appear to be unlikely to protect against infection as the pathogen is intracellular for much of its life cycle. Additionally, as a large genome pathogen, *Chlamydia trachomatis* represents a large T cell antigen discovery challenge. For these reasons, we believe that chlamydia is a particularly attractive pathogen for use of ATLAS to identify a vaccine candidate.

We have achieved promising non-clinical results from candidates generated using ATLAS. We collected blood from 144 subjects spanning multiple clinical cohorts, ranging from subjects whose infections spontaneously cleared, representing a putative natural protection cohort, to subjects with infertility caused by chlamydia infection. From the more than 900 proteins in the *Chlamydia trachomatis* proteome, we identified 22 novel proteins associated with a protective response. From these we have demonstrated that three proteins, when given in an animal model of infection and when paired with the Matrix-M2 adjuvant can significantly reduce infection risk.

If the program were to reach the clinic, we believe it would be the first vaccine against chlamydia to be in clinical trials in more than 50 years. If it can successfully prevent chlamydia infections, we believe it would address a major unmet clinical need. As resources permit, we intend to opportunistically pursue development of this program.

### Our Malaria Program

Malaria is one of the deadliest infectious diseases in the world. Approximately 400 thousand to 800 thousand people died in 2013 due to malaria, primarily in the developing world. There is no vaccine to prevent malaria, an infection caused by the plasmodium parasites transmitted by mosquitoes. We previously collaborated with the Naval Medical Research Center, or NMRC, and recently initiated a second collaboration with the Gates Foundation for which malaria is a priority infectious disease. When the parasite is injected into the blood through the bite of an infected mosquito, it rapidly travels to the liver where it replicates exponentially, is released into the bloodstream, and causes sickness. T cells in the liver could potentially be used to kill the cells in which the parasite is hiding, before the parasite is able to replicate itself, and could therefore protect against blood infection. Both the Gates Foundation and NMRC have sponsored several studies investigating killed or attenuated whole organism vaccines, which induce immunity, but are impractical to manufacture due to the fact that the vaccines are based on irradiated parasites grown within the salivary glands of mosquitoes.

In September 2014, we announced the receipt of a \$1.2 million grant from the Bill & Melinda Gates Foundation for the identification of protective T cell antigens for malaria vaccines, which extends our collaboration through 2016 and supports comprehensive screening of the malaria proteome to identify targets of protective T cell responses.

We are in the process of collecting blood samples from subjects immunized with the killed organism and who were either protected or not protected after live parasite challenge to use ATLAS to identify the protein antigens that are associated with protective T cell responses. The identification of the protein targets of the T cell responses can enable the generation of a protein plus adjuvant vaccine designed to induce liver T cell responses and prevent malaria disease in a safe, scalable and affordable way.

### Competition

The biotechnology and pharmaceutical industries are characterized by intense and rapidly changing competition to develop new technologies and proprietary products. While we believe that our proprietary patent portfolio and T cell vaccine expertise provide us with competitive advantages, we face potential competition from many different sources, including larger and better-funded pharmaceutical companies. Not only must we compete with other vaccine companies but any products that we may commercialize will have to compete with existing therapies and new therapies that may become available in the future.

There are other organizations working to improve existing therapies or to develop new vaccines or therapies for our initially selected indications. Depending on how successful these efforts are, it is possible they may increase the barriers to adoption and success of our GEN-003 and GEN-004 product candidates, if approved. These efforts include the following:

- **HSV-2:** The current standard of care for the treatment of HSV-2 is valacyclovir, an oral antiviral medicine. Other currently approved oral antiviral medications include acyclovir and famciclovir. AiCuris, a private company based in Germany, is developing a new oral antiviral, pritelivir, and has advanced the compound into Phase 2 testing. We understand the company will pursue once-weekly dosing with this drug. We believe that GEN-003 may offer advantages

in terms of improved symptom control, reduced disease transmission risk and improved compliance when compared to oral antivirals.

There are also several companies attempting to develop new therapeutic vaccines against HSV-2, including Aenus Inc., Admedus Ltd, Sanofi Pasteur and Vical Incorporated. GEN-003 is in more advanced clinical development than these product candidates being developed by these companies. Furthermore, we believe that GEN-003 has advantages against each of these product candidates based on the screens of human protection that we have conducted using ATLAS that include these competitors' antigens, published reports of non-clinical vaccine efficacy, announced clinical results in the case of Aenus, Inc. and our own clinical results to date. However, there can be no assurance that one or more of these companies or other companies will not achieve similar or superior clinical results in the future as compared to GEN-003 or that our future clinical trials will be successful.

- **Pneumococcus:** The current standard of care for the prevention of pneumococcus is Prevnar-7/Prevenar-13, marketed by Pfizer. In select countries, Synflorix, marketed by GlaxoSmithKline, is also widely accepted. Additionally, Pneumovax-23, marketed by Merck, is labeled by use for persons over 65. We believe that each of these companies is seeking to develop improvements to their product. We believe these represent incremental improvements, adding a few additional strains to their coverage. In addition, we are aware of a pneumococcus vaccine that Sanofi Pasteur has taken into Phase 1 trials. This is a protein subunit vaccine designed to cover all strains of pneumococcus, but was designed to induce B cell responses. For many pneumococcal strains with dense sugars on their surface, the protein targets of the antibodies induced by the vaccine will be blocked by sugars that cover them. We believe that by covering all known pneumococcus serotypes, with a T cell-based mechanism of action that complements existing vaccines, GEN-004 may offer broader protection than existing vaccines. However, there can be no assurance that one or more of these companies or other companies will not achieve similar or superior clinical results in the future as compared to GEN-004 or that our ongoing and future clinical trials of GEN-004 will be successful.

Many of our competitors, such as Merck, GlaxoSmithKline, and Sanofi Pasteur, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of product candidates, obtaining FDA and other regulatory approvals of vaccines and the commercialization of those vaccines. Accordingly, our competitors may be more successful than us in obtaining approval for vaccines and achieving widespread market acceptance. Our competitors' vaccines may be more effective, or more effectively marketed and sold, than any vaccine we may commercialize and may render our vaccines obsolete or non-competitive.

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

We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. We expect any vaccines that we develop and commercialize to compete on the basis of, among other things, efficacy, safety, convenience of administration and delivery, price, the level of generic competition and the availability of reimbursement from government and other third-party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for our products, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third-party payors seeking to encourage the use of generic products.



## Intellectual Property

We strive to protect and enhance the proprietary technology, inventions and improvements that are commercially important to our business, including seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. We also rely on trade secrets relating to our proprietary technology platform and on know-how, continuing technological innovation and in-licensing opportunities to develop, strengthen and maintain our proprietary position in the vaccine field. We additionally rely on regulatory protection afforded through data exclusivity, market exclusivity and patent term extensions where available. Still further, we utilize trademark protection for our company name, and expect to do so for products and/or services as they are marketed.

Our commercial success may depend in part on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business; defend and enforce our patents; preserve the confidentiality of our trade secrets; and operate without infringing the valid enforceable patents and proprietary rights of third parties. Our ability to stop third parties from making, using, selling, offering to sell or importing our products may depend on the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities. With respect to both licensed and company-owned intellectual property, we cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting our commercial products and methods of manufacturing the same.

We have developed or in-licensed numerous patents and patent applications and possess substantial know-how and trade secrets relating to the development and commercialization of vaccine products. The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the date of filing the non-provisional application. In the United States, a patent's term may be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the United States Patent and Trademark Office in granting a patent, or may be shortened if a patent is terminally disclaimed over an earlier-filed patent.

The term of a patent that covers an FDA-approved drug may also be eligible for patent term extension, which permits patent term restoration of a United States patent as compensation for the patent term lost during the FDA regulatory review process. The Hatch-Waxman Act permits a patent term extension of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Moreover, a patent can only be extended once, and thus, if a single patent is applicable to multiple products, it can only be extended based on one product. Similar provisions are available in Europe and other foreign jurisdictions to extend the term of a patent that covers an approved drug. When possible, depending upon the length of clinical trials and other factors involved in the filing of a new drug application, or NDA, we expect to apply for patent term extensions for patents covering our product candidates and their methods of use.

As of the date of this Annual Report on Form 10-K, our patent portfolio includes the following:

### **ATLAS**

Our discovery platform patent portfolio includes three patent families, currently comprising four issued U.S. patents and two allowed U.S. applications. We hold an exclusive license from The Regents of the University of California to the first patent family, including U.S. Patent 6,004,815 and the related U.S. Patents 6,287,556 and 6,599,502. This first family includes claims to fundamental aspects of the ATLAS platform, developed by our scientific founder, Darren Higgins, Ph.D. while he was employed at the University of California, Berkeley. Patents in this family have a patent term until August 2018. We hold a further exclusive license from President and Fellows of Harvard College to the second patent family, which covers methods related to the ATLAS discovery platform. This second patent family includes an allowed U.S. application and corresponding applications in Europe, Canada and Australia. Patents issuing from these applications are expected to expire in 2027. We wholly own the third patent family, which is specifically directed to the ATLAS platform as utilized by us. This third patent family includes U.S. Patent 8,313,894, an allowed U.S. patent application, and corresponding pending applications in Europe, Canada and Australia. Patents issuing from applications in this family are expected to have a patent term until at least July 2029; issued U.S. Patent 8,313,894 has a term that includes Patent Term Adjustment and extends until August 2030.

### **GEN-003 (HSV-2)**

We wholly own a portfolio of patent applications directed to HSV-2 vaccines, including GEN-003. This portfolio includes two patent families covering HSV-2 vaccine compositions and methods for inhibiting or treating HSV-2 infections. The first patent



family includes U.S. Patent 8,617,564, a patent granted in Mexico, and a patent granted in New Zealand. A U.S. application and applications in Europe, Canada, Australia, Japan, Brazil, Russia, India, China and nine additional foreign jurisdictions are pending in the first patent family. A U.S. application and applications in Europe, Canada, Australia and Japan are pending in the second family. Patents that issue from applications in these families are expected to expire in 2030 and 2031; issued U.S. Patent 8,617,564 has a term that includes Patent Term Adjustment and extends until at least January 2031. We own a further patent family covering follow-on HSV-2 vaccine compositions, with applications pending in the U.S., Europe, Australia and Japan. Patents issuing from this family are expected to expire 2032.

We hold a license from Isconova AB (now Novavax, Inc.) to two patent families covering Matrix-M2, the adjuvant used in GEN-003. Both patent families include a pending U.S. application and issued patents in Europe, Canada, Australia, Japan, Brazil, New Zealand and South Africa. These issued patents have patent terms until at least July 2023 and July 2024. The second patent family also includes issued U.S. Patent 8,821,881, which has a term that extends until August 2026 with Patent Term Adjustment.

### ***GEN-004 (Pneumococcus)***

We co-own with Children's Medical Center Corporation, or Childrens, a portfolio of patent applications directed to pneumococcus vaccines, including GEN-004. This portfolio includes two patent families covering pneumococcal vaccine compositions and methods for inhibiting or treating pneumococcal infections. A U.S. application and applications in Europe, Canada, Australia, Japan, Brazil, Russia, India, China and eight additional foreign jurisdictions are pending in the first patent family. The first family also includes a granted patent in New Zealand. A U.S. application and applications in Europe, Australia, Japan, Brazil, Russia, India, China and nine additional foreign jurisdictions are pending in the second patent family. Patents that issue from applications in these patent families are expected to have patent terms until at least 2030 and 2032, respectively. We hold an exclusive license to Childrens' interest in these patent rights. We co-own with Childrens one further patent family covering follow-on pneumococcal vaccine compositions, with pending applications in the U.S., Europe, Australia and Japan. Childrens' interest in these patent rights is also exclusively licensed to us.

### ***GEN-001 (Chlamydia)***

Our chlamydia patent portfolio includes four patent families (one of which overlaps with the ATLAS portfolio). We hold an exclusive license from President and Fellows of Harvard College to the first three patent families. We notified the President and Fellows of Harvard College of our partial termination of the license agreement with regard to chlamydia antigens covered by these patent families on December 8th 2014. Effective March 8th 2015, the license agreement with the President and Fellows of Harvard College with regard to chlamydia antigens covered by these patent families will be terminated and we will no longer hold a license to two of the three patent families, or to a chlamydia antigen covered by the remaining family. The remaining family covers certain aspects of the ATLAS platform, as well as one chlamydia antigen, and we maintain exclusive rights to aspects of the ATLAS platform covered by this family. We determined that the chlamydia antigens covered by these patent families were not relevant to the continued development of GEN-001. We wholly own the fourth patent family, which covers chlamydia vaccine and immunogenic compositions and methods for inhibiting or treating chlamydia infections. A U.S. application and applications in Europe, Canada, Australia and Japan are pending in this patent family. Patents issuing therefrom are expected to expire in 2031.

In addition to the above, we have established expertise and development capabilities focused in the areas of preclinical research and development, manufacturing and manufacturing process scale-up, quality control, quality assurance, regulatory affairs and clinical trial design and implementation. We believe that our focus and expertise will help us develop products based on our proprietary intellectual property.

## **In-License Agreements**

### ***University of California***

In August 2006, we entered into an exclusive license agreement with The Regents of the University of California, or UC, granting us an exclusive, royalty-bearing sublicensable license to a patent family that includes claims to fundamental aspects of the ATLAS platform, to make, use, offer for sale, import and sell licensed products and services, and to practice licensed methods in all fields of use in the United States. This patent family consists entirely of issued United States patents with a patent term until August 2018. UC retains the right to practice and to allow other educational and non-profit institutions to practice, the licensed intellectual property licensed under the agreement for educational and research purposes.

Until first commercial sale of a licensed product or service, we are obligated to pay UC an annual license maintenance fee in the low five figures. Upon commercialization of our products and services covered by the licensed patents, we are obligated to pay UC royalties in the low single digits, subject to a minimum annual royalty in the low five figures, on the net sales of such products and services sold by us or our affiliates for the life of any licensed patents covering the products or services. The royalties payable to UC are subject to reduction for any third party payments required to be made, with a minimum floor in the low single digits. In addition, we agreed to pay UC a flat royalty in the low single digits on net sales of products sold by us or our affiliates which include a polypeptide, nucleotide sequence, biological organism or chemical entity identified in the practice of a licensed method or service, but not otherwise covered, by the licensed patent for the life of the licensed patents. If we receive any revenue (cash or non-cash) from any sublicensees, we must pay UC a percentage of such revenue, excluding certain categories of payments but including royalties on net sales by sublicensees, varying in the low-double digits for any sublicense depending on the scope of the license. Under the terms of the agreement, we are obligated to pay UC a specified development milestone payment and a specified commercial milestone payment up to \$500 thousand in the aggregate for the first licensed product covered by the licensed patents, plus up to an additional \$250 thousand if specified development and commercial milestones are met for each subsequent licensed product covered by the licensed patents. As of December 31, 2014, we have not made any milestone payments.

We are required to diligently develop and market licensed products, services and methods. If we are unable to meet our diligence obligations, even after any extension thereof, UC has the right, depending on the number of years the agreement has been effective, to either terminate the agreement or convert our exclusive license to a non-exclusive license.

Unless earlier terminated, the agreement with UC will remain in effect until the expiration of the last-to-expire patent under the licensed patent rights. We may terminate the agreement at any time by giving UC advance written notice. The agreement may also be terminated by UC in the event of a material breach by us that remains uncured after a specified period of time.

### ***Harvard University***

In November 2007, we entered into an exclusive license agreement with President and Fellows of Harvard College, or Harvard, granting us an exclusive, worldwide, royalty-bearing, sublicensable license to three patent families, to develop, make, have made, use, market, offer for sale, sell, have sold and import licensed products and to perform licensed services. This agreement was amended and restated in November 2012. The Harvard intellectual property covers methods related to the ATLAS discovery platform, as well as certain chlamydia immunogenic compositions and methods for inhibiting or treating chlamydia infections. Any patents within this portfolio that have issued or may be issued will expire normally in 2027 and 2028. Harvard retains the right to make and use, and to grant licenses to other not-for-profit research organizations to make and use, the licensed intellectual property for internal research, teaching and other educational purposes. We notified the President and Fellows of Harvard College of our partial termination of the license agreement with regard to intellectual property covering chlamydia antigens on December 8, 2014. Effective March 8, 2015, the license agreement with the President and Fellows of Harvard College with regard to intellectual property covering chlamydia antigens will be terminated and we will no longer hold a license to two of the three in-licensed Harvard patent families, or to a chlamydia antigen covered by the remaining family. The remaining family covers certain aspects of the ATLAS platform, as well as one chlamydia antigen. Note that we continue to maintain exclusive rights to aspects of the ATLAS platform covered by this family.

We are obligated to pay Harvard an annual license maintenance fee ranging from the low five figures to the mid-five figures depending on the type of product and the number of years after the effective date of the agreement. For products covered by the licensed patent rights, we are obligated to pay Harvard milestone payments up to \$1.8 million in the aggregate upon the achievement of certain development and regulatory milestones. For products discovered using the licensed methods, we are obligated to pay Harvard milestone payments up to \$600 thousand in the aggregate for each of the first three products and up to \$300 thousand in the aggregate for each additional product under the agreement upon the achievement of certain development and regulatory milestones. As of December 31, 2014, we have paid \$198 thousand in aggregate milestone payments. Upon commercialization of our products covered by the licensed patent rights or discovered using the licensed methods, we are obligated to pay Harvard royalties on the net sales of such products and services sold by us, our affiliates and our sublicensees. This royalty varies depending on the type of product or service but is in the low single digits. The royalty based on sales by our sublicensees is the greater of the applicable royalty rate or a percentage in the high single digits or the low double digits of the royalties we receive from such sublicensee depending on the type of product. Depending on the type of commercialized product or service, royalties are payable until the expiration of the last-to-expire valid claim under the licensed patent rights or for a period of 10 years from first commercial sale of such product or service. The royalties payable to Harvard are subject to reduction, capped at a specified percentage, for any third party payments required to be made. In addition to the royalty payments, if we receive any additional revenue (cash or non-cash) under any sublicense, we must pay Harvard a percentage of such revenue, excluding certain categories of payments, varying from the low single digits to up to the low double digits depending on the scope of the license that includes the sublicense.

We are required to use commercially reasonable efforts to develop licensed products, introduce them into the commercial market and market them, in compliance with an agreed upon development plan. We are also obligated to achieve specified development milestones. If we are unable to meet our development milestones for any type of product or service, absent any reasonable proposed extension or amendment thereof, Harvard has the right, depending on the type of product or service, to terminate this agreement with respect to such products or to convert the license to a non-exclusive, non-sublicensable license with respect to such products and services.

Our agreement with Harvard will expire on a product-by-product or service-by-service and country-by-country basis until the expiration of the last-to-expire valid claim under the licensed patent rights. We may terminate the agreement at any time by giving Harvard advance written notice. Harvard may also terminate the agreement in the event of a material breach by us that remains uncured; in the event of our insolvency, bankruptcy, or similar circumstances; or if we challenge the validity of any patents licensed to us. We notified the President and Fellows of Harvard College of our partial termination of the license agreement with regard to intellectual property covering chlamydia antigens on December 8, 2014. Effective March 8, 2015, the license agreement with the President and Fellows of Harvard College with regard to intellectual property covering chlamydia antigens will be terminated and we will no longer hold a license to two of the three in-licensed Harvard patent families, or to a chlamydia antigen covered by the remaining family. The remaining family covers certain aspects of the ATLAS platform, as well as one chlamydia antigen. Note that we continue to maintain exclusive rights to aspects of the ATLAS platform covered by this family.

### ***University of Washington***

In January 2010, we entered into a patent license agreement with the University of Washington, or UW, which was subsequently amended and partially terminated with respect to specified patent rights in July 2012 and was further amended in September 2012 and November 2013. Effective October 27, 2014, our agreement with UW was terminated in its entirety. We determined that these patent rights were not relevant to the continued development of GEN-003.

The terminated agreement granted a worldwide, sublicensable, co-exclusive license to certain patent rights, and an exclusive license to certain other patent rights, to manufacture, have manufactured on our behalf, use, offer to sell or sell, offer to lease or lease, import, or otherwise offer to dispose or dispose of licensed products to prevent or treat HSV-2. Patents within the licensed patent rights included claims to compositions of certain HSV-2 proteins and methods for treating HSV infections, with a patent term until at least July 2023. UW retained the right for itself and the Fred Hutchinson Cancer Research Center to make and use products and processes covered by the licensed patent rights for academic research, teaching and any other academic purpose.

Through December 31, 2014, we have paid \$25 thousand in milestone payments. As of December 31, 2014 no further rights or obligations exist under the terminated agreement.

### **Other Collaborations**

#### ***Dana-Farber Cancer Institute and Harvard Medical School***

In March 2014, we announced a joint research collaboration with Dana-Farber Cancer Institute and Harvard Medical School to characterize anti-tumor T cell responses in melanoma patients. This collaboration is ongoing and extends the use of our proprietary ATLAS platform for the potential rapid discovery of T cell antigens to cancer immunotherapy approaches.

#### ***Children's Medical Center Corporation***

In September 2008, we entered into a collaborative research agreement with Children's Medical Center Corporation, or Childrens, that was funded by PATH Vaccine Solutions, or PATH. The collaborative research project led to the identification of certain highly conserved pneumococcal antigens that are able to protect against colonization. The intellectual property covering these antigens is co-owned by us and Childrens and covers pneumococcal vaccine compositions and methods for inhibiting or treating pneumococcus infections. In February 2010, we entered into an exclusive license agreement with Childrens, which was amended and restated in March 2012. This agreement grants us an exclusive, worldwide, sublicensable license under Childrens' rights to the jointly-owned intellectual property to make, have made, use, sell, offer for sale, import and export licensed products and to practice licensed processes for the prevention and treatment of *Streptococcus pneumoniae*. Childrens retains the right to practice and use, and to allow academic non-profit research organizations to practice and use, the licensed intellectual property for research, educational, clinical and charitable purposes. Under the terms of the agreement, our license from Childrens is subject to PATH's separate non-exclusive, royalty-free license from Childrens to develop pneumococcal T cell-based protein vaccines worldwide and to market and sell such vaccines in developing countries.

For products covered by the licensed patent rights, we are obligated to pay Childrens milestone payments up to \$390 thousand in the aggregate upon the achievement of certain development and commercial milestones. As of December 31, 2014, we have paid \$140 thousand in aggregate milestone payments. Upon commercialization of our products, we are obligated to pay Childrens royalties in the low single digits on the net sales of licensed products sold by us, our affiliates and our sublicensees. The royalties payable to Childrens are subject to reduction for any third-party payments required to be made, with a minimum floor in the low single digits. Royalties are payable for the term of the license agreement, which is 15 years from the effective date of the amended and restated agreement or until expiration of the last-to-expire patent under the licensed patent rights, whichever period is longer. If we receive any additional revenue (cash or non-cash) under any sublicense, we must pay Childrens a percentage of such income varying from the mid-single digits to low double digits depending on the clinical stage of development of the product, provided that such percentage may increase to match our financial obligations to third parties.

We are required to use commercially reasonable efforts to bring at least one licensed product to market as soon as reasonably practical, consistent with sound and legal business practices and judgment and to accomplish the objectives set forth in an agreed upon development plan. If we are unable to meet our diligence obligations, even after any extensions thereof, Childrens has the right to terminate in this agreement in whole or in part.

Unless earlier terminated, the agreement with Childrens will remain in effect until the later of 15 years from the effective date of the amended and restated agreement or the expiration of the last to expire patent under the licensed patent rights. We may terminate the agreement in its entirety or on a country-by-country and licensed product-by-licensed product basis, at any time by giving Childrens advance written notice. Childrens may terminate the agreement in the event of our bankruptcy, insolvency or similar circumstances; if we use confidential information to formally challenge Childrens' joint ownership of the licensed patent rights; or if we materially breach the agreement and do not cure such breach within a specified time period.

### ***Isconova AB***

In August 2009, we entered into an exclusive license and collaboration agreement with Isconova AB, a Swedish company which has subsequently been acquired by Novavax, Inc. The agreement grants us a worldwide, sublicensable, exclusive license to two patent families, to import, make, have made, use, sell, offer for sale and otherwise exploit licensed vaccine products containing an adjuvant which incorporates or is developed from Matrix-A, Matrix-C and/or Matrix-M technology, in the fields of HSV and chlamydia, and the time-limited exclusive fields of *Neisseria gonorrhoeae*, cytomegalovirus, or CMV, and *Mycobacterium tuberculosis*. After a specified period of time, the license grant to us in the time-limited exclusive fields will convert to a non-exclusive license with respect to all licensed intellectual property rights that were not jointly invented by us and Novavax under the collaboration. Under the terms of this agreement, Novavax also grants us a worldwide, sublicensable, non-exclusive license under such licensed intellectual property rights to import, make, have made, use, sell, offer for sale and otherwise exploit licensed products in the field of *Streptococcus pneumoniae*. Our rights in the field of *Streptococcus pneumoniae* are exclusive with respect to all intellectual property rights jointly invented by us and Novavax under the collaboration. The agreement further grants us certain limited rights to use Novavax trademarks.

For licensed products in each unique disease field under the agreement, we are obligated to pay Novavax milestone payments up to approximately \$3 million in the aggregate upon the achievement of certain development and commercial milestones. As of December 31, 2014, we have paid \$275 thousand in aggregate milestone payments. Upon commercialization of our products, we are obligated to pay Novavax royalties on the net sales of licensed products sold by us, our affiliates and our sublicensees. The royalties payable to Novavax are in the low single digits and vary on a country-by-country and licensed product-by-licensed product basis based on the amount of net sales and the nature and timing of the licensed product's development. The royalties payable to Novavax are subject to reduction if the licensed product is not covered by one or more valid claims of the licensed patent rights, or if we are required to make any third-party payments. Royalties are payable for 10 years from first commercial sale in any particular country or until the date on which offer for sale of a licensed product is no longer covered by a valid claim of the licensed patent rights in such country, whichever period is longer. In addition to the royalty payments, if we receive any additional revenue (cash or non-cash) under any sublicensees, we must pay Novavax a percentage of such revenue, up to the low double digits.

We are required to use commercially reasonable efforts to perform specified research activities in accordance with an agreed-upon research plan. We are also obligated to use commercially reasonable efforts consistent with prudent business judgment and business and market conditions to research, develop and carry out the commercialization of licensed products in HSV and chlamydia.

Our agreement with Novavax will expire on a country-by-country and licensed product-by-licensed product basis on the date of the expiration of the royalty term with respect to such licensed product in such country. We may terminate the agreement on a country-by-country and licensed product-by-licensed product basis or in its entirety at any time by giving Novavax advance written notice. Both parties may also terminate the agreement in the event of a material breach by the other party that remains uncured or for bankruptcy, insolvency or similar circumstances. Novavax may terminate this agreement if we challenge the validity of any patents licensed to us.

### ***Fujifilm***

In February 2014, we entered into a supply agreement with FUJIFILM Diosynth Biotechnologies U.S.A., Inc., or Fujifilm. The supply agreement provides the terms and conditions under which Fujifilm will manufacture and supply certain recombinant protein antigens to us for our Phase 2 clinical study for our lead product, GEN-003. Under this agreement, we are obligated to pay Fujifilm milestone payments up to the mid-seven figures upon the achievement of certain manufacturing milestones. As of December 31, 2014, we have paid approximately \$2.0 million in aggregate milestone payments. Additionally, raw materials, resins and consumables purchased for the vaccine production are invoiced separately as such costs are incurred by Fujifilm. We pay Fujifilm's actual costs plus a percentage fee in the mid-single digits for these raw materials, resins and consumables. We also pay a reservation fee, which equals a percentage of production fees in the low-double digits, to reserve manufacturing slots in the production timeframe as agreed upon under the agreement. We are required to use commercially reasonable efforts to timely provide Fujifilm with the technology, materials and resources needed to produce and supply the recombinant protein antigen.

Our agreement with Fujifilm will expire on February 25, 2024. Subject to termination fees under applicable circumstances, we may terminate the agreement at any time by giving Fujifilm advance written notice. The agreement may also be terminated by either party due to a material uncured breach by the other party.

### ***Baxter***

In October 2014, we entered a product development and clinical supply agreement with Baxter Pharmaceutical Solutions LLC, or Baxter. The product development and clinical supply agreement provides the terms and conditions under which Baxter will formulate, fill, inspect, package, label and test our lead product, GEN-003 for clinical supply. Under this agreement, we are obligated to pay Baxter amounts up to the low six digits for each batch of GEN-003 manufactured. Additionally, certain set-up fees and equipment purchased for the purposes of batch production will be invoiced separately by Baxter. We will pay set-up fees and equipment costs in the low six digits upon commencement of batch production. We also pay a monthly service fee in the low five digits for project management services for the duration of the arrangement. As of December 31, 2014, we have not made any payments under this agreement.

Our agreement with Baxter will expire on October 23, 2021. Subject to termination fees under applicable circumstances, we may terminate the agreement at any time by giving Baxter advance written notice. The agreement may also be terminated by either party due to a material uncured breach by the other party.

### **Trade Secrets**

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

### **United States Government Regulation**

Biological products such as vaccines are subject to regulation under the Federal Food, Drug, and Cosmetic Act, or FD&C Act, and the Public Health Service Act, or PHS Act, and other federal, state, local and foreign statutes and regulations. Both the FD&C Act and the PHS Act and their corresponding regulations govern, among other things, the testing, manufacturing, safety, efficacy, labeling, packaging, storage, record keeping, distribution, reporting, advertising and other promotional practices involving biological products. Clinical testing of biological products is subject to FDA review before initiation. In addition, FDA approval must be obtained before marketing of biological products. The process of obtaining regulatory review and approval and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources and we may not be able to obtain the required regulatory approvals.

#### ***United States Biological Products Development Process***

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

- completion of nonclinical laboratory tests and animal studies according to good laboratory practices, or GLPs, and applicable requirements for the humane use of laboratory animals or other applicable regulations;
- submission to the FDA of an application for an Investigational New Drug, or IND, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practices, or GCPs, and any additional requirements for the protection of human research subjects and their health information, to establish the safety and efficacy of the proposed biological product for its intended use;



- submission to the FDA of a Biologics License Application, or BLA, for marketing approval that includes substantive evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with Good Manufacturing Practices, or GMP, to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity and, if applicable, the FDA's current good tissue practices, or GTPs, for the use of human cellular and tissue products;
- potential FDA audit of the nonclinical and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval, or licensure, of the BLA.

Before testing any biological product candidate in humans, the product candidate enters the preclinical study stage. Preclinical studies, also referred to as nonclinical studies, include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the product candidate. The conduct of the preclinical studies must comply with federal regulations and requirements including GLPs.

The clinical trial sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some preclinical studies may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the clinical trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a biological product candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, studies may not recommence without FDA authorization and then only under terms authorized by the FDA. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such studies.

Clinical trials involve the administration of the biological product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical trial will be stopped if certain AEs should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations comprising the GCP requirements, including the requirement that all research subjects provide informed consent. Further, each clinical trial must be reviewed and approved by an institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical studies are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

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

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

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



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

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

### ***United States Review and Approval Processes***

After the completion of clinical trials of a biological product, FDA approval of a BLA must be obtained before commercial marketing of the biological product. The BLA must include results of product development, laboratory and animal studies, human studies, information on the manufacture and composition of the product, proposed labeling and other relevant information. In addition, under the Pediatric Research Equity Act, or PREA, a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the biological product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. The testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a significant user fee. PDUFA also imposes an annual product fee for biologics and an annual establishment fee on facilities used to manufacture prescription biologics. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business.

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

Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with GMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND study

requirements and GCP requirements. To assure GMP, GTP and GCP compliance, an applicant must incur significant expenditure of time, money and effort in the areas of training, record keeping, production, and quality control.

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

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

One of the performance goals agreed to by the FDA under the PDUFA is to review 90% of standard BLAs in 10 months from filing and 90% of priority BLAs in six months from filing, whereupon a review decision is to be made. The FDA does not always meet its PDUFA goal dates for standard and priority BLAs and its review goals are subject to change from time to time. The review process and the PDUFA goal date may be extended by three months if the FDA requests or the BLA sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

### ***Federal and State Fraud and Abuse, Transparency and Privacy Laws***

In the United States, our business activities are subject to numerous other laws by federal and state authorities, in addition to the FDA, including but not limited to, the United States Federal Communications Commission, the United States Department of Health and Human Services, or HHS, and its various divisions, including but not limited to, the Centers for Medicare & Medicaid Services, or CMS. These laws are enforced by various federal and state enforcement authorities, including but not limited to, the United States Department of Justice, and individual United States Attorney offices within the Department of Justice, HHS' various enforcement divisions, including but not limited to, the Office of Inspector General, or OIG, the Office for Human Research Protections, or OHRP, and the Office of Research Integrity, or ORI, and other state and local government agencies.

The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, purchasing, leasing, ordering, or arranging for or recommending, the purchase lease, or order of any good, facility, service or item for which payment is made, in whole or in part, under a federal health care program, such as Medicare. The federal Anti-Kickback Statute has been interpreted to apply to arrangements between manufacturers on one hand and prescribers, purchasers and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances.

The federal civil False Claims Act prohibits, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to, or approval by, the federal government, or knowingly making, using, or causing to be made or used, a false record or statement material to a false or fraudulent claim to the federal government. Recently, the civil False Claims Act has been used to assert liability on the basis of kickbacks and improper referrals, improperly reported government pricing metrics such as Medicaid Best Price or Average Manufacturer Price, improper use of supplier or provider Medicare numbers when detailing a provider of services, improper promotion of drugs or off-label uses not expressly approved by the FDA in a drug's label, and misrepresentations with respect to the services rendered or items provided.

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

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any health care benefit program and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of, or payment for, health care benefits, items or services relating to health care matters.

Many states have similar fraud and abuse statutes and regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, private payors.

Additionally, the federal Physician Payments Sunshine Act within the Health Care and Education Reconciliation Act, or Health Care Reform Law, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report to CMS, information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually to CMS certain ownership and investment interests held by physicians and their immediate family members.

In addition, we may be subject to, or our marketing activities may be limited by, data privacy and security regulation by both the federal government and the states in which we conduct our business.

If our operations are found to be in violation of any of the health regulatory laws described above, or any other laws that apply to us, we may be subject to penalties, including, without limitation, civil, criminal, and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal health care programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations.

## ***Reimbursement***

In both domestic and foreign markets, the commercial success of any approved products will depend, in part, on the availability of coverage and adequate reimbursement of such products from third-party payors, such as government health care programs, commercial insurance and managed care organizations. Patients who are provided vaccinations, and providers providing vaccinations, generally rely on third-party payors to reimburse all or part of the associated health care costs. Sales of any approved vaccines will therefore depend substantially, both domestically and abroad, on the extent to which the costs of our approved vaccines will be paid by third-party payors. These third-party payors are increasingly challenging the prices charged for medical products and services and imposing controls to manage costs. The containment of health care costs has become a priority of federal and state governments and the prices of drugs have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication. In addition, there is significant uncertainty regarding the reimbursement status of newly approved health care products. Third-party payors are increasingly examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. If third-party payors do not consider our products to be cost-effective compared to other therapies, the payors may not cover our products after approved as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products on a profitable basis.

Within the United States, if we obtain appropriate approval in the future to market any of our current product candidates, we may seek approval and coverage for those products under Medicaid, Medicare and the Public Health Service, or PHS, pharmaceutical pricing program and also seek to sell the products to federal agencies.

Medicaid is a joint federal and state program that is administered by the states for low income and disabled beneficiaries. Under the Medicaid Drug Rebate Program, manufacturers are required to pay a rebate for each unit of product reimbursed by the state Medicaid programs. The amount of the rebate for each product is set by law and may be subject to an additional discount if certain pricing increases more than inflation.

Medicare is a federal program administered by the federal government that covers individuals age 65 and over as well as those with certain disabilities. Medicare Part D provides coverage to enrolled Medicare patients for self-administered drugs (i.e., drugs that do not need to be administered by a physician). Medicare Part D is administered by private prescription drug plans approved by CMS and each drug plan establishes its own Medicare Part D formulary for prescription drug coverage and pricing, which the drug plan may modify from time-to-time.

Medicare Part B covers most injectable drugs given in an in-patient setting, and some drugs administered by a licensed medical provider in hospital outpatient departments and doctors' offices. Medicare Part B is administered by Medicare Administrative Contractors, which generally have the responsibility of making coverage decisions. Subject to certain payment adjustments and limits, Medicare generally pays for Part B covered drugs based on a percentage of manufacturer-reported average sales prices.

Drug products are subject to discounted pricing when purchased by federal agencies via the Federal Supply Schedule, or FSS. FFS participation is required for a drug product to be covered and paid for by certain federal agencies and for coverage under Medicaid, Medicare Part B and the PHS pharmaceutical pricing program. FSS pricing is negotiated periodically with the Department of Veterans Affairs. FSS pricing is intended to not exceed the price that a manufacturer charges its most-favored non-federal customer for its product. In addition, prices for drugs purchased by the Veterans Administration, Department of Defense (including drugs purchased by military personnel and dependents through the TRICARE retail pharmacy program), Coast Guard, and PHS are subject to a cap on pricing (known as the "federal ceiling price") and may be subject to an additional discount if pricing increases more than inflation.

To maintain coverage of drugs under the Medicaid Drug Rebate Program, manufacturers are required to extend discounts to certain purchasers under the PHS pharmaceutical pricing program. Purchasers eligible for discounts include hospitals that serve a disproportionate share of financially needy patients, community health clinics and other entities that receive health services grants from the PHS.

The American Recovery and Reinvestment Act of 2009 provides funding for the federal government to compare the effectiveness of different treatments for the same illness. A plan for the research will be developed by the HHS, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures will be made to Congress. Although the results of the comparative effectiveness studies are not intended to mandate

coverage policies for public or private payors, it is not clear what effect, if any, the research will have on the sales of any product, if any such product or the condition that it is intended to treat is the subject of a trial. It is also possible that comparative effectiveness research demonstrating benefits in a competitor's product could adversely affect the sales of any of our approved products. If third-party payors do not consider our products to be cost-effective compared to other available therapies, they may not cover our products as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products on a profitable basis.

The United States and state governments continue to propose and pass legislation designed to reduce the cost of health care. In March 2010, the United States Congress enacted the Affordable Care Act which has the potential to change health care financing by both governmental and private payors. In the future, there may continue to be additional proposals relating to the reform of the United States health care system, some of which could further limit the prices we are able to charge, or the amounts of reimbursement available for our vaccine candidates once they are approved.

Outside the United States, ensuring adequate coverage and payment for our products will face challenges. In international markets, reimbursement and health care payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. Pricing of prescription pharmaceuticals is subject to governmental control in many countries. Pricing negotiations with governmental authorities can extend well beyond the receipt of regulatory marketing approval for a product and may require us to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our commercialization efforts. Third-party payors are challenging the prices charged for medical products and services, and many third-party payors limit reimbursement for newly-approved health care products. Recent budgetary pressures in many European Union countries are also causing governments to consider or implement various cost-containment measures, such as price freezes, increased price cuts and rebates. If budget pressures continue, governments may implement additional cost-containment measures. Cost-control initiatives could decrease the price we might establish for products that we may develop or sell, which would result in lower product revenues or royalties payable to us. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products.

### ***Foreign Regulation***

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our product candidates. Whether or not we obtain FDA approval for a product candidate, we must obtain approval from the comparable regulatory authorities of foreign countries or economic areas, such as the European Union, before we may commence clinical trials or market products in those countries or areas. The approval process and requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from place to place, and the time may be longer or shorter than that required for FDA approval.

Certain countries outside of the United States have a process that requires the submission of a clinical trial application much like an IND prior to the commencement of human clinical trials. In Europe, for example, a clinical trial application, or CTA, must be submitted to the competent national health authority and to independent ethics committees in each country in which a company intends to conduct clinical trials. Once the CTA is approved in accordance with a country's requirements, clinical trial development may proceed in that country. In all cases, the clinical trials must be conducted in accordance with good clinical practices, or GCPs and other applicable regulatory requirements.

Under European Union regulatory systems, a company may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure is compulsory for medicinal products produced by biotechnology or those medicinal products containing new active substances for specific indications such as the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, viral diseases and designated orphan medicines, and optional for other medicines which are highly innovative. Under the centralized procedure, a marketing application is submitted to the European Medicines Agency where it will be evaluated by the Committee for Medicinal Products for Human Use and a favorable opinion typically results in the grant by the European Commission of a single marketing authorization that is valid for all European Union member states within 67 days of receipt of the opinion. The initial marketing authorization is valid for five years, but once renewed is usually valid for an unlimited period. The decentralized procedure provides for approval by one or more "concerned" member states based on an assessment of an application performed by one member state, known as the "reference" member state. Under the decentralized approval procedure, an applicant submits an application, or dossier, and related materials to the reference member state and concerned member states. The reference member state prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state does not recognize the marketing authorization, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states.

## **Manufacturing**

We do not have any manufacturing facilities. We currently rely, and expect to continue to rely, on third parties for the manufacture of our product candidates for non-clinical studies and clinical trials, as well as for commercial manufacture if our product candidates receive marketing approval. To date, we have obtained materials for GEN-003 and GEN-004 from third-party manufacturers who are sole source suppliers to us. For both product candidates, we intend to identify and qualify contract manufacturers to provide the protein process development, protein production and adjuvant production and fill-and-finish services prior to submission of an NDA to the FDA.

## **Employees**

As of December 31, 2014, we had 57 full-time employees. Of these 57 employees, 44 employees are engaged in research and development and 13 employees are engaged in finance, human resources, facilities and business and general management. We have no collective bargaining agreements with our employees and we have not experienced any work stoppages. We consider our relations with our employees to be good.

## **Our Corporate Information**

We were incorporated under the laws of the State of Delaware in August 2006. Our principal executive offices are located at 100 Acorn Park Drive, 5th Floor, Cambridge, Massachusetts 02140 and our telephone number is (617) 876-8191. Genoceia<sup>®</sup> and the Genoceia logo are registered trademarks.

## **Available Information**

We maintain an Internet website at <http://www.genoceia.com> where our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other documents and all amendments to those reports and documents are available without charge, as soon as reasonably practicable following the time they are filed with, or furnished to, the Securities and Exchange Commission. References to our website address do not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

The public may read and copy any materials that we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the Securities and Exchange Commission maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the Securities and Exchange Commission. The public can obtain any documents that we file with the SEC at <http://www.sec.gov>.

## **Item 1A. Risk Factors**

### **Risks Related to Our Financial Position and Need for Additional Capital**

*We have incurred significant losses since our founding in 2006 and anticipate that we will continue to incur significant losses for the foreseeable future and may never achieve or maintain profitability.*

We are a clinical-stage biotechnology company, and we have not yet generated significant revenues. We have incurred net losses each year since our inception, including net losses of \$35.3 million, \$20.8 million and \$13.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, we had accumulated a deficit of \$115.4 million. To date, we have not commercialized any products or generated any revenues from the sale of products and have financed our operations primarily through private placements of our preferred stock, debt financing and our initial public offering completed in February 2014, and we do not expect to generate any product revenues in the foreseeable future. We do not know whether or when we will generate product revenues or become profitable.

We have devoted most of our financial resources to research and development, including our clinical and non-clinical technology development and development activities. The amount of our future net losses will depend, in part, on the rate of our future expenditures and our ability to obtain funding through equity or debt financings, strategic collaborations or additional grants. We have not completed pivotal clinical studies for any product candidate and it will be several years, if ever, before we have a product candidate ready for commercialization. Even if we obtain regulatory approval to market a product candidate, our future revenues will depend upon the size of any markets in which our product candidates have received approval, our ability to achieve sufficient market acceptance, reimbursement from third-party payors and other factors.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase significantly if and as we:



- continue our Phase 2 clinical trial of GEN-003, our most advanced product candidate that we are developing for the treatment of HSV-2 infections, and commence a planned Phase 2b clinical trial in mid-2015 to optimize the dosing regimen;
- continue our Phase 2a clinical trial of GEN-004, our second most advanced product candidate that we are developing to prevent infections caused by all strains of pneumococcus, and continue to advance GEN-004 in development;
- initiate additional non-clinical, clinical or other studies for our other product candidates;
- manufacture material for clinical trials and for commercial sale;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- seek to discover and develop additional product candidates;
- acquire or in-license other product candidates and technologies;
- make royalty milestone or other payments under any in-license agreements;
- maintain, protect and expand our intellectual property portfolio;
- attract and retain skilled personnel; and
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts.

The net losses we incur may fluctuate significantly from quarter to quarter and year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular quarter or quarters, our operating results could be below the expectations of securities analysts or investors, which could cause our stock price to decline.

To become and remain profitable, we must succeed in developing and eventually commercializing products that generate significant revenue. This will require us to be successful in a range of challenging activities, including completing non-clinical studies and clinical trials of our product candidates, discovering additional product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling any products for which we may obtain regulatory approval. We are only in the preliminary stages of most of these activities. We may never succeed in these activities and, even if we do, may never generate revenues that are significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. If we are required by the FDA or the European Medicines Agency to perform studies in addition to those currently expected, or if there are any delays in completing our clinical trials or the development of any of our product candidates, our expenses could increase.

Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.



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

As of December 31, 2014, our cash, cash equivalents and marketable securities were \$47.1 million. We believe that we will continue to expend substantial resources for the foreseeable future developing GEN-003, GEN-004 and our non-clinical product candidates. These expenditures will include costs associated with research and development, potentially acquiring new technologies, potentially obtaining regulatory approvals and manufacturing products, as well as marketing and selling products approved for sale, if any. In addition, other unanticipated costs may arise. Because the outcome of our planned and anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates.

Our future capital requirements depend on many factors, including:

- the progress, results and costs of our current Phase 2 dose optimization clinical trial and our planned Phase 2 dose regimen clinical trial of GEN-003;
- the scope, progress, results and costs of non-clinical development, laboratory testing and clinical trials for our other product candidates, including our current Phase 2a clinical trial of GEN-004;
- the number and development requirements of other product candidates that we pursue;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates if clinical trials are successful and the outcome of regulatory review of our product candidates;
- the cost and timing of future commercialization activities for our products, if any of our product candidates are approved for marketing, including product manufacturing, marketing, sales and distribution costs;
- the cost of our general and administrative functions;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- 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 partnerships, licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, prosecuting patent applications, maintaining, defending and enforcing our intellectual property rights, including litigation costs and the outcome of such litigation;
- the timing, receipt, and amount of sales of, or royalties or milestone payments on, our future products, if any; and
- the extent to which we acquire or in-license other products or technologies.

Based on our current operating plan, we believe that the net proceeds we received from our initial public offering completed in February 2014 together with our existing cash, cash equivalents and marketable securities and available future borrowings under our credit facility, will be sufficient to fund our projected operating expenses and capital expenditure requirements into the first quarter of 2016, by which time we anticipate that we will have top-line data from our ongoing GEN-003 Phase 2 dose optimization trial and top-line data from our ongoing GEN-004 Phase 2a human challenge study. 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. 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 when needed, we would be required to delay, limit, reduce or terminate non-clinical 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 technologies or product candidates on unfavorable terms to us.***

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings and license and development agreements with strategic partnerships with third parties. 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 through strategic partnerships with third parties, we may have to relinquish valuable rights to our technologies or product candidates, future revenue streams, research programs or product candidates or grant licenses on terms that are not favorable to us. If we are unable to raise additional when needed, we would be required to delay, limit, reduce or terminate our product development or commercialization efforts for GEN-003, GEN-004 or our non-clinical product candidates, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

## **Risks Related to Clinical Development, Regulatory Review and Approval of Our Product Candidates**

***Because our product candidates are in an early stage of development, there is a high risk of failure, and we may never succeed in developing marketable products or generating product revenue.***

Our early encouraging non-clinical and clinical results for GEN-003 and our non-clinical results for GEN-004 are not necessarily predictive of the final results of our ongoing or future clinical trials. Success in non-clinical studies may not be predictive of similar results in humans during clinical trials, and successful results from early or small clinical trials of a vaccine candidate may not be replicated in later and larger clinical trials. If the results of our ongoing or future clinical trials are inconclusive with respect to the efficacy of our product candidates or if we do not meet our clinical endpoints with statistical significance or if there are safety concerns or adverse events associated with our product candidates, we may be prevented or delayed in obtaining marketing approval for our product candidates. Alternatively, even if we obtain regulatory approval, that approval may be for indications or patient populations that are not as broad as intended or desired or may require labeling that includes significant use or distribution restrictions or safety warnings. We may also be required to perform additional or unanticipated clinical trials to obtain approval or be subject to additional post-marketing testing requirements to maintain regulatory approval. In addition, regulatory authorities may withdraw their approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy.

***If we do not obtain regulatory approval for our current and future product candidates, our business will be adversely affected.***

Our product candidates are subject to extensive governmental regulations relating to, among other things, research, clinical trials, manufacturing, import, export and commercialization. In order to obtain regulatory approval for the commercial sale of any product candidate, we must demonstrate through extensive non-clinical studies and clinical trials that the product candidate is safe and effective for use in each target indication. Clinical trials are expensive, time-consuming and uncertain as to outcome. We may gain regulatory approval for GEN-003, GEN-004 or our other non-clinical product candidates in some but not all of the territories available or some but not all of the target indications, resulting in limited commercial opportunity for the approved vaccine, or we may never obtain regulatory approval for these product candidates for any indication in any jurisdiction.

***We may find it difficult to enroll patients in our clinical trials, which could delay or prevent clinical trials of our product candidates.***

Identifying and qualifying patients to participate in clinical trials of our product candidates is critical to our success. The timing of our clinical trials depends on the speed at which we can recruit patients to participate in testing our product candidates. If patients are unwilling to participate in our studies because of negative publicity from adverse events in the biotechnology industries or for other reasons, including competitive clinical trials for similar patient populations, the timeline for recruiting patients, conducting studies and obtaining regulatory approval of potential products may be delayed or prevented. These delays could result in increased costs, delays in advancing our product development, delays in testing the effectiveness of our technology or termination of the clinical trials altogether.

Additionally, in order to identify vaccine candidates using our ATLAS platform, we need to collect and process blood samples from human cohorts exposed to a pathogen. If we are unable to collect blood from a sufficient cohort for an indication we may be unable to identify additional product candidates.

We may not be able to identify, recruit and enroll a sufficient number of patients, or those with required or desired characteristics to achieve diversity in a study, to complete our clinical trials in a timely manner. Patient enrollment is affected by factors including:

- severity of the disease under investigation;
- design of the study protocol;
- size of the patient population;
- eligibility criteria for the trial in question;
- perceived risks and benefits of the product candidate under study;
- proximity and availability of clinical trial sites for prospective patients;
- availability of competing therapies and clinical trials;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians; and
- ability to monitor patients adequately during and after treatment.

We may not be able to initiate or continue clinical trials if we cannot enroll a sufficient number of eligible patients to participate in the clinical trials required by regulatory agencies. If we have difficulty enrolling a sufficient number of patients to conduct our clinical trials as planned, we may need to delay, limit or terminate ongoing or planned clinical trials, any of which would have an adverse effect on our business.

***We may not be able to comply with requirements of foreign jurisdictions in conducting trials outside of the United States.***

To date, we have not conducted any clinical trials outside of the United States. Our ability to successfully initiate, enroll and complete a clinical trial in any foreign country, should we attempt to do so, is subject to numerous risks unique to conducting business in foreign countries, including:

- difficulty in establishing or managing relationships with contract research organizations, or CROs, and physicians;
- different standards for the conduct of clinical trials;
- our inability to locate qualified local consultants, physicians and partners;
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology products and treatment; and
- the acceptability of data obtained from studies conducted outside the United States to the FDA in support of a Biologics License Application, or BLA.

If we fail to successfully meet requirements for the conduct of clinical trials outside of the United States, we may be delayed in obtaining, or be unable to obtain, regulatory approval for our product candidates in the United States or in countries outside of the United States.

***We may encounter substantial delays in our clinical trials or we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.***

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of the product candidates for the intended indications. Clinical testing is expensive, time-consuming and uncertain as to outcome. We cannot guarantee that clinical trials will be conducted as planned or

completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of testing. Events that may prevent successful or timely completion of clinical development include:

- delays by us in reaching a consensus with regulatory agencies on trial design;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites;
- delays in obtaining required Institutional Review Board, or IRB, approval at each clinical trial site;
- imposition of a clinical hold by regulatory agencies for any reason, including safety concerns raised by other clinical trials of similar vaccines that may reflect an unacceptable risk with GEN-003 or after an inspection of clinical operations or trial sites;
- failure to perform in accordance with the FDA's good clinical practices, or GCP, or applicable regulatory guidelines in other countries;
- delays in the testing, validation, manufacturing and delivery of the product candidates to the clinical sites;
- delays caused by patients not completing participation in a trial or not returning for post-treatment follow-up;
- clinical trial sites or patients dropping out of a trial or failing to complete dosing;
- occurrence of serious adverse events in clinical trials that are associated with the product candidates that are viewed to outweigh its potential benefits; or
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols.

Delays, including delays caused by the above factors, can be costly and could negatively affect our ability to complete a clinical trial. Our IND for GEN-003 was subject to a clinical hold from January 2012 to July 2012. In our original IND submission, we described a finding of osteonecrosis (microscopic evidence of bone and bone marrow death) in a toxicity study of GEN-003 conducted in mice. Because this finding was not present in toxicity studies conducted in other species, we reasoned that this was a mouse-specific finding and did not indicate a risk to humans in clinical trials. However, the FDA instituted a clinical hold and provided us with several options that would resolve this issue to their satisfaction. We selected the option to conduct an additional toxicity study in a highly relevant species (non-human primate) that would be more representative of a risk to humans. The study was conducted, no bone or bone marrow toxicity was observed, and the FDA subsequently lifted the clinical hold, allowing us to proceed with the first study in humans of GEN-003.

We cannot give any assurance that we will be able to resolve any future clinical holds imposed by the FDA or other regulatory authorities outside of the United States, or any delay caused by other factors described above or any other factors, on a timely basis or at all. If we are not able to successfully initiate and complete subsequent clinical trials, we will not be able to obtain regulatory approval and will not be able to commercialize our product candidates.

***Our product candidates, including GEN-003 and GEN-004, are based on T cell activation, which is a novel approach for vaccine, immunotherapies and medical treatments. Consequently, it may be difficult for us to predict the time and cost of product development. Unforeseen problems with the T cell approach to vaccines may prevent further development or approval of our product candidates. Because of the novelty of this approach, there may be unknown safety risks associated with the vaccines and immunotherapies that we develop. Regulatory agencies such as the FDA may require us to conduct extensive safety testing prior to approval to demonstrate a low risk of rare and severe adverse events caused by the vaccines and immunotherapies. If approved, the novel mechanism of action of the vaccines may adversely affect physician and patient perception and uptake of our products.***

We have concentrated our research and development efforts on T cell vaccine and immunotherapy technology, and our future success is highly dependent on the successful development of T cell vaccines and immunotherapies in general, and our product candidates in particular. There can be no assurance that any development problems we or others researching T cell vaccines and immunotherapies may experience in the future will not cause significant delays or unanticipated costs, or that such development problems can be solved.

Public perception of vaccine safety issues, including adoption of novel vaccine mechanisms of action, may adversely influence willingness of subjects to participate in clinical trials, or if approved, of physicians to prescribe and of patients to receive novel vaccines. For example, GEN-004 is being developed for prevention of Pneumococcal infections, and parental aversion to new

vaccines or vaccines in general may adversely influence later stage clinical trials of this product candidate or, if approved, its commercial success.

***GEN-003 includes a novel vaccine adjuvant and our other product candidates may include one or more novel adjuvants, which may make it difficult for us to predict the time and cost of product development as well as the requirements the FDA or other regulatory agencies may impose to demonstrate the safety of the product candidate.***

Novel vaccine adjuvants, included in some of our product candidates, may pose an increased safety risk to patients. Adjuvants are compounds that are added to vaccine antigens to enhance the activation and improve immune response and efficacy of vaccines. Development of vaccines with novel adjuvants requires evaluation in larger numbers of patients prior to approval than would be typical for therapeutic drugs. Guidelines for evaluation of vaccines with novel adjuvants have been established by the FDA and other regulatory bodies and expert committees. Our product candidates, including GEN-003, may include one or more novel vaccine adjuvants. Any vaccine, because of the presence of an adjuvant, may have side effects considered to pose too great a risk to patients to warrant approval of the vaccine. Traditionally, regulatory authorities have required extensive study of novel adjuvants because vaccines typically get administered to healthy populations, in particular infants, children and the elderly, rather than in people with disease. Such extensive study has often included long-term monitoring of safety in large general populations that has at times exceeded 10,000 subjects. This contrasts with the few thousand subjects typically necessary for approval of novel therapeutics. Although GEN-003 is being developed as a treatment, and therefore is not expected to be administered to uninfected subjects, regulators nonetheless may require us to amass a prophylactic vaccine-like safety database. To date, the FDA and other major regulatory agencies have only approved vaccines containing five adjuvants, which makes it difficult to determine how long it will take or how much it will cost to obtain regulatory approvals for our product candidates in the United States or elsewhere.

***If we fail to obtain regulatory approval in jurisdictions outside the United States, we will not be able to market our products in those jurisdictions.***

We intend to market our product candidates, if approved, in international markets. Such marketing will require separate regulatory approvals in each market and compliance with numerous and varying regulatory requirements. The approval procedures vary among countries and may involve requirements for additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. In addition, in many countries outside the United States, a vaccine must be approved for reimbursement before it can be approved for sale in that country. In some cases, the price that we intend to charge for our vaccine is also subject to approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our vaccines in any market.

***Even if we receive regulatory approval for our product candidates, such vaccines and immunotherapies will be subject to ongoing regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.***

Any regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indications for which the product may be marketed or to conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the vaccine or immunotherapy potentially over many years. In addition, if the FDA approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current good manufacturing practice, or cGMP, and GCP, for any clinical trials that we conduct post-approval.

Later discovery of previously unknown problems with an approved product, including adverse events of unanticipated severity or frequency, or with manufacturing operations or processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters, or holds on clinical trials;

- refusal by the FDA to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil, criminal and/or administrative penalties, damages, monetary fines, disgorgement, exclusion from participation in Medicare, Medicaid and other federal health care programs, and curtailment or restructuring of our operations.

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

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

***We rely on third parties to conduct non-clinical studies and clinical trials for our product candidates, and if they do not properly and successfully perform their obligations to us, we may not be able to obtain regulatory approvals for our product candidates.***

We rely on third party CROs and other third parties to assist in managing, monitoring and otherwise carrying out our GEN-003 and GEN-004 clinical trials. We expect to continue to rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to conduct our clinical trials. We compete with many other companies for the resources of these third parties. The third parties on whom we rely generally may terminate their engagements at any time, and having to enter into alternative arrangements would delay development and commercialization of our product candidates.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For example, the FDA and foreign regulatory authorities require compliance with regulations and standards, including GCP, for designing, conducting, monitoring, recording, analyzing, and reporting the results of clinical trials to assure that the data and results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Although we rely on third parties to conduct our clinical trials, we are responsible for ensuring that each of these clinical trials is conducted in accordance with its general investigational plan and protocol.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their duties under their agreements, if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to clinical trial protocols or to regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, the clinical trials of our product candidates may not meet regulatory requirements. If clinical trials do not meet regulatory requirements or if these third parties need to be replaced, non-clinical development activities or clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates on a timely basis or at all.

We also expect to rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

***We intend to rely on third parties to conduct some or all aspects of our product manufacturing, and these third parties may not perform satisfactorily.***

We do not have any manufacturing facilities or personnel. We do not expect to independently conduct all aspects of our product manufacturing. We currently rely, and expect to rely, on third parties with respect to manufacturing, including under our agreements with Fujifilm and Baxter. For example, we rely on third party suppliers and manufacturers to manufacture and supply vaccines for our initial GEN-003 and GEN-004 clinical trials. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.

Any of these third parties may terminate their engagement with us at any time. If we need to enter into alternative arrangements, it could delay our product development activities. Our reliance on these third parties for manufacturing activities will reduce our control over these activities but will not relieve us of our responsibility to ensure compliance with all required regulations regarding manufacturing.



Reliance on third party manufacturers entails risks to which we would not be subject if we manufactured the product candidates ourselves, including:

- the inability to negotiate manufacturing agreements with third parties under commercially reasonable terms;
- reduced control as a result of using third party manufacturers for all aspects of manufacturing activities, including regulatory compliance and quality assurance;
- termination or nonrenewal of manufacturing agreements with third parties in a manner or at a time that is costly or damaging to us;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how or infringement of third party intellectual property rights by our contract manufacturers; and
- disruptions to the operations of our third party manufacturers or suppliers caused by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier.

Any of these events could lead to clinical trial delays or failure to obtain regulatory approval, or affect our ability to successfully commercialize future products. Some of these events could be the basis for FDA action, including injunction, recall, seizure or total or partial suspension of production.

Third party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products.

Our product candidates and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

Any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval. We do not currently have arrangements in place for redundant supply or a second source for bulk drug substance. If our current contract manufacturers cannot perform as agreed, we may be required to replace such manufacturers. Although we believe that there are several potential alternative manufacturers who could manufacture our product candidates, we may incur added costs and delays in identifying and qualifying any such replacement.

Our current and anticipated future dependence upon others for the manufacture of our product candidates or products may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis.

***If we are unable to manufacture our products in sufficient quantities, or at sufficient yields, or are unable to obtain regulatory approvals for a manufacturing facility for our products, we may experience delays in product development, clinical trials, regulatory approval and commercial distribution.***

Completion of our clinical trials and commercialization of our product candidates require access to, or development of, facilities to manufacture our product candidates at sufficient yields and at commercial-scale. We have no experience manufacturing, or managing third parties in manufacturing, any of our product candidates in the volumes that will be necessary to support large-scale clinical trials or commercial sales. Efforts to establish these capabilities may not meet initial expectations as to scheduling, scale-up, reproducibility, yield, purity, cost, potency or quality.

We expect to rely on third-parties for the manufacture of clinical and, if necessary, commercial quantities of our product candidates. These third-party manufacturers must also receive FDA approval before they can produce clinical material or commercial products. Our products may be in competition with other products for access to these facilities and may be subject to delays in manufacture if third-parties give other products greater priority. We may not be able to enter into any necessary third-party manufacturing arrangements on acceptable terms, or on a timely basis. In addition, we may have to enter into technical transfer agreements and share our know-how with the third-party manufacturers, which can be time-consuming and may result in delays.

Our reliance on contract manufacturers may adversely affect our operations or result in unforeseen delays or other problems beyond our control. Because of contractual restraints and the limited number of third-party manufacturers with the expertise, required

regulatory approvals and facilities to manufacture our bulk vaccines on a commercial-scale, replacement of a manufacturer may be expensive and time-consuming and may cause interruptions in the production of our vaccine. A third-party manufacturer may also encounter difficulties in production. These problems may include:

- difficulties with production costs, scale-up and yields;
- unavailability of raw materials and supplies;
- insufficient quality control and assurance;
- shortages of qualified personnel;
- failure to comply with strictly enforced federal, state and foreign regulations that vary in each country where product might be sold; and
- lack of capital funding.

As a result, any delay or interruption could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may not be successful in establishing and maintaining strategic partnerships, which could adversely affect our ability to develop and commercialize products.***

A part of our strategy is to evaluate and, as deemed appropriate, enter into partnerships in the future when strategically attractive, including potentially with major biotechnology or pharmaceutical companies. We face significant competition in seeking appropriate partners for our product candidates, and the negotiation process is time-consuming and complex. In order for us to successfully partner our product candidates, potential partners must view these product candidates as economically valuable in markets they determine to be attractive in light of the terms that we are seeking and other available products for licensing by other companies. Even if we are successful in our efforts to establish strategic partnerships, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such strategic partnerships if, for example, development or approval of a product is delayed or sales of an approved product are disappointing. Any delay in entering into strategic partnership agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market.

In addition, our strategic partners may breach their agreements with us, and we may not be able to adequately protect our rights under these agreements. Furthermore, our strategic partners will likely negotiate for certain rights to control decisions regarding the development and commercialization of our product candidates, if approved, and may not conduct those activities in the same manner as we would do so.

If we fail to establish and maintain strategic partnerships related to our product candidates, we will bear all of the risk and costs related to the development of any such product candidate, and we may need to seek additional financing, hire additional employees and otherwise develop expertise which we do not have and for which we have not budgeted. This could negatively affect the development of any unpartnered product candidate.

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

***If we are unable to obtain or protect intellectual property rights related to our product candidates, we may not be able to compete effectively in our markets.***

We rely upon a combination of patents, patent applications, know how and confidentiality agreements to protect the intellectual property related to our platform technology and product candidates. The patent position of biotechnology companies is generally uncertain because it involves complex legal and factual considerations. The standards applied by the United States Patent and Trademark Office, or U.S. PTO, and foreign 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. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our discovery platform or 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 or those of our licensors has been found, and prior art that we have not disclosed could be used by a third party to invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our discovery platform or product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed or invalidated. Furthermore, even if they are unchallenged, our patents and patent applications, or those of our licensors, may not adequately protect our platform

technology, provide exclusivity for our product candidates, prevent others from designing around our patents with similar products, or prevent others from operating in jurisdictions in which we did not pursue patent protection. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

If patent applications we hold or have in-licensed with respect to our platform 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 or ATLAS discovery platform, it could dissuade companies from collaborating with us. We or our licensors have filed several patent applications covering aspects of our product candidates. We cannot offer any assurances about which, if any, patents will issue, the breadth of any such patents or whether any issued patents will be found invalid and unenforceable or will be challenged by third parties. Any successful opposition to these patent applications, or patents that may issue from them, or to any other patent applications or patents owned by or licensed to us, could deprive us of rights necessary for the successful commercialization of any product candidate that we may develop. Since 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 or our licensors were the first to file a patent application relating to any particular aspect of a product candidate. Furthermore, if third parties have filed such patent applications, an interference proceeding in the United States can be initiated by such third party, or by the U.S. PTO itself, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications.

In the United States, for patent applications filed prior to March 16, 2013, assuming the other requirements for patentability are met, the first to invent is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent. On March 16, 2013, the United States transitioned to a 'first to file' system more like that in the rest of the world in that the first inventor to file a patent application is entitled to the patent. Under either the prior system or current one, third parties are allowed to submit prior art prior to the issuance of a patent by the U.S. PTO, and may become involved in opposition, derivation, reexamination, *inter partes* review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, which could adversely affect our competitive position with respect to third parties.

In addition, patents have a limited lifespan. In most countries, including the United States, the natural expiration of a patent is 20 years from the date it is filed. Various extensions of patent term may be available in particular countries, however in all circumstances the life of a patent, and the protection it affords, has a limited term. If we encounter delays in obtaining regulatory approvals, the period of time during which we could market a product under patent protection could be reduced. We expect to seek extensions of patent terms where these are available in any countries where we are prosecuting patents. Such possible extensions include those permitted under the Drug Price Competition and Patent Term Restoration Act of 1984 in the United States, which permits a patent term extension of up to five years to cover an FDA-approved product. However, the applicable authorities, including the FDA in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and non-clinical data, and then may be able to launch their product earlier than might otherwise be the case.

Any loss of, or failure to obtain, 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 to or the same as our products.

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

Competitors may infringe our patents or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets and/or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. Such litigation can be expensive and time consuming. Many of our current and potential competitors have the ability to dedicate substantially greater resources to litigate intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

***Third-party claims of intellectual property infringement or misappropriation may prevent or delay our development and commercialization efforts.***

Our commercial success depends in part on our ability to develop, manufacture, market and sell our product candidates, and to use our or our licensors' proprietary technologies without infringing the patents and proprietary rights of third parties. There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions, reexamination, and *inter partes* review proceedings before the U.S. PTO and corresponding foreign patent offices. Numerous U.S. and foreign 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 the patent rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims for example to materials, formulations, methods of manufacture, methods of analysis, and/or methods for treatment related to the use or manufacture of our products or product candidates. In some cases, we may have failed to identify relevant such third-party patents or patent applications. 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 patents issue. 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. Therefore, patent applications covering our platform technology or our products or product candidates could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our products or product candidates and/or the use, analysis, and/or manufacture of our product candidates.

If any third-party patents were held by a court of competent jurisdiction to cover aspects of our materials, formulations, methods of manufacture, methods of analysis, and/or methods for treatment, the holders of any such patents would be able to block our ability to develop and commercialize the applicable product candidate until such patent expired or unless we obtain a license. Such licenses may not be available on acceptable terms, if 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. Ultimately, we could be prevented from commercializing a product, 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.

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 for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

We may face a claim of misappropriation if a third party believes that we inappropriately obtained and used trade secrets of such 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, limiting our ability to develop our product candidates, and we may be required to pay damages. 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 products, programs, or intellectual property could be diminished. Accordingly, the market price of our common stock may decline.

***We have in-licensed a portion of our intellectual property, and, if we fail to comply with our obligations under these arrangements, we could lose such intellectual property rights or owe damages to the licensor of such intellectual property.***

We are a party to a number of license and collaboration agreements that are important to our business, and we may enter into additional license or collaboration agreements in the future. Our discovery platform is built, in part, around patents exclusively in-licensed from academic or research institutions. Certain of our in-licensed intellectual property also covers, or may cover, GEN-003 and other product candidates. See "Business — In-License Agreements" and "Business — Other Collaborations" for a description of our outstanding license and collaboration agreements with The Regents of the University of California, President and Fellows of Harvard College, Children's Medical Center Corporation, and Isconova AB (now Novavax), and the Dana-Farber Cancer Institute and Harvard Medical School.

Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty and other obligations on us. If there is any conflict, dispute, disagreement or issue of non-performance

between us and our licensing partners regarding our rights or obligations under the license agreements, including any such conflict, dispute or disagreement arising from our failure to satisfy payment obligations under any such agreement, we may owe damages, our licensor may have a right to terminate the affected license, and our ability to utilize the affected intellectual property in our drug discovery and development efforts, and our ability to enter into collaboration or marketing agreements for an affected product candidate, may be adversely affected.

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

In addition to the protection afforded by patents, we rely on confidentiality agreements to protect proprietary know-how that may not be patentable or that we may elect not to patent, processes for which patents are difficult to enforce and any other elements of our platform technology and discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, and outside scientific advisors, contractors and collaborators. Although we use reasonable efforts to protect our know-how, our employees, consultants, contractors, or outside scientific advisors might intentionally or inadvertently disclose our know-how information to competitors. In addition, competitors may otherwise gain access to our know-how or independently develop substantially equivalent information and techniques.

Enforcing a claim that a third party illegally obtained and is using any of our know-how is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States sometimes are less willing than U.S. courts to protect know-how. Misappropriation or unauthorized disclosure of our know-how could impair our competitive position and may have a material adverse effect on our business.

**Risks Related to Commercialization of Our Product Candidates**

***Our future commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, patients, third-party payors and others in the medical community.***

Even if we obtain marketing approval for GEN-003, GEN-004 or any other products that we may develop or acquire in the future, the product may not gain market acceptance among physicians, third-party payors, patients and others in the medical community. For example, we currently expect that GEN-003 will be required to be administered by injection initially and with boosters. Physicians or patients may not accept this product as a result of this anticipated dosing requirement. In addition, market acceptance of any approved products depends on a number of other factors, including:

- the efficacy and safety of the product, as demonstrated in clinical trials;
- the clinical indications for which the product is approved and the label approved by regulatory authorities for use with the product, including any warnings that may be required on the label;
- acceptance by physicians and patients of the product as a safe and effective treatment and the willingness of the target patient population to try new therapies and of physicians to prescribe new therapies;
- the cost, safety and efficacy of treatment in relation to alternative treatments;
- the availability of adequate course and reimbursement by third-party payors and government authorities;
- relative convenience and ease of administration;
- the prevalence and severity of adverse side effects;
- the effectiveness of our sales and marketing efforts; and
- the restrictions on the use of our products together with other medications, if any.

Market acceptance is critical to our ability to generate significant revenue. Any product candidate, if approved and commercialized, may be accepted in only limited capacities or not at all. If any approved products are not accepted by the market to the extent that we expect, we may not be able to generate significant revenue and our business would suffer.

*If we are unable to establish sales, marketing and distribution capabilities, we may not be successful in commercializing our product candidates if and when they are approved.*

We do not have a sales or marketing infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any product for which we have obtained marketing approval, we will need to establish a sales and marketing organization.



In the future, we expect to build a focused sales and marketing infrastructure to market or co-promote some of our product candidates in the United States, if and when they are approved. There are risks involved with establishing our own sales, marketing and distribution capabilities. For example, recruiting and training a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

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

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

If we are unable to establish our own sales, marketing and distribution capabilities and enter into arrangements with third parties to perform these services, our product revenues and our profitability, if any, are likely to be lower than if we were to market, sell and distribute any products that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

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

Market acceptance and sales of any approved products will depend significantly on the availability of adequate coverage and reimbursement from third-party payors and may be affected by existing and future health care reform measures. Third-party payors, such as government health care programs, private health insurers and health maintenance organizations, decide which drugs they will provide coverage for and establish reimbursement levels. Coverage and reimbursement decisions by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

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

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling health care costs. Coverage and reimbursement can vary significantly from payor to payor. As a result, obtaining coverage and reimbursement approval for a product from each government and other third-party payor will require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to each payor separately, with no assurance that we will be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for any of our product candidates. Also, we cannot be sure that coverage determinations or reimbursement amounts will not reduce the demand for, or the price of, our products. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize certain of our products. In addition, in the United States third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement of new drugs. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved drugs, which in turn will put pressure on the pricing of drugs.

***Price controls may be imposed, which may adversely affect our future profitability.***

In international markets, reimbursement and health care payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. In some countries, particularly member states of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on coverage, 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 coverage and 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 may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product candidates to other available vaccines in order to obtain or maintain coverage, 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. There can be no assurance that our vaccine candidates will be considered cost-effective by third-party payors, that an adequate level of reimbursement will be available or that the third-party payors' reimbursement policies will not adversely affect our ability to sell our products profitably. 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.

***The impact of recent health care reform legislation and other changes in the health care industry and in health care spending on us is currently unknown, and may adversely affect our business model.***

In the United States, and in some foreign jurisdictions, the legislative landscape continues to evolve. Our revenue prospects could be affected by changes in health care spending and policy in the United States and abroad. We operate in a highly regulated industry and new laws or judicial decisions, or new interpretations of existing laws or decisions, related to health care availability, the method of delivery or payment for health care products and services could negatively impact our business, operations and financial condition. There is significant interest in promoting health care reform, as evidenced by the enactment in the United States of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act in 2010. It is likely that federal and state legislatures within the United States and foreign governments will continue to consider changes to existing health care legislation. We cannot predict the reform initiatives that may be adopted in the future or whether initiatives that have been adopted will be repealed or modified. The continuing efforts of the government, insurance companies, managed care organizations and other payors of health care services to contain or reduce costs of health care may adversely affect:

- the demand for any drug products for which we may obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to obtain coverage and reimbursement approval for a product;
- our ability to generate revenues and achieve or maintain profitability; and
- the level of taxes that we are required to pay.

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

The development and commercialization of new drug products is highly competitive. Our future success depends on our ability to demonstrate and maintain a competitive advantage with respect to the design, development and commercialization of our product candidates. Our objective is to design, develop and commercialize new products with superior efficacy, convenience, tolerability and safety. In many cases, the products that we commercialize will compete with existing, market-leading products.

Oral antivirals, such as valacyclovir and famciclovir, are products currently approved to treat patients with genital herpes. GEN-003, our lead product candidate, will compete with these products, if approved. In addition, one or more products not currently approved for the treatment of genital herpes, including pritelivir (AiCuris) and HerpV (Agenus) and other vaccines in development by Admedus, Ltd and Vical Incorporated may in the future be granted marketing approval for the treatment of genital herpes or other conditions for which GEN-003 might be approved.

Many of our potential competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, including recruiting patients, obtaining regulatory approvals, recruiting patients and in manufacturing pharmaceutical products. Large and established companies such as Merck & Co., Inc., GlaxoSmithKline plc, Novartis, Inc., Sanofi Pasteur, SA, Pfizer Inc. and MedImmune, LLC (a subsidiary of AstraZeneca PLC), among others, compete in the vaccine market. In particular, these companies have greater experience and expertise in securing government contracts and grants to support their research and development efforts, conducting testing and clinical trials, obtaining regulatory approvals to market products, manufacturing such products on a broad scale and marketing approved products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and have collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or FDA approval or discovering, developing and commercializing products before we do. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. If we are not able to compete effectively against potential competitors, our business will not grow and our financial condition and operations will suffer.

***Our products may cause undesirable side effects or have other properties that delay or prevent their regulatory approval or limit their commercial potential.***

Undesirable side effects caused by our products or even competing products in development that utilize a common mechanism of action could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities and potential product liability claims. We are currently conducting a Phase 2 clinical trial for GEN-003 and a Phase 2a clinical trial for GEN-004. Serious adverse events deemed to be caused by our product candidates could have a material adverse effect on the development of our product candidates and our business as a whole. The most common adverse events to date in the clinical trial evaluating the safety and tolerability of GEN-003 have been fatigue, myalgia (muscle pain), pain tenderness and induration (inflammatory hardening of the skin). Our understanding of the relationship between GEN-003 and these events, as well as our understanding of adverse events in future clinical trials of other product candidates, may change as we gather more information, and additional unexpected adverse events may be observed.

If we or others identify undesirable side effects caused by our product candidates either before or after receipt of marketing approval, a number of potentially significant negative consequences could result, including:

- our clinical trials may be put on hold;
- we may be unable to obtain regulatory approval for our vaccine candidates;
- regulatory authorities may withdraw approvals of our vaccines;
- regulatory authorities may require additional warnings on the label;
- a medication guide outlining the risks of such side effects for distribution to patients may be required;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of our products and could substantially increase commercialization costs.

### **Risks Related to Our Indebtedness**

***Our level of indebtedness and debt service obligations could adversely affect our financial condition, and may make it more difficult for us to fund our operations.***

In November 2014 we entered into a secured credit facility consisting of a working capital term loan facility with Hercules Technology Growth Capital, Inc. providing for term loans of up to an aggregate of \$27.0 million. On November 20, 2014, we drew down an initial \$12.0 million under our secured credit facility and paid off our then-existing secured credit facility. All obligations

under our secured credit facility are secured by substantially all of our existing property and assets, excluding our intellectual property and licensed-in technology. This indebtedness may create additional financing risk for us, particularly if our business or prevailing financial market conditions are not conducive to paying off or refinancing our outstanding debt obligations at maturity. This indebtedness could also have important negative consequences, including:

- we will need to repay our indebtedness by making payments of interest and principal, which will reduce the amount of money available to finance our operations, our research and development efforts and other general corporate activities; and
- our failure to comply with the restrictive covenants in our secured credit facility could result in an event of default that, if not cured or waived, would accelerate our obligation to repay this indebtedness, and the lender could seek to enforce its security interest in the assets securing such indebtedness.

To the extent additional debt is added to our current debt levels, the risks described above could increase.

***We may not have cash available to us in an amount sufficient to enable us to make interest or principal payments on our indebtedness when due.***

Failure to satisfy our current and future debt obligations under our secured credit facility could result in an event of default and, as a result, our lender could accelerate all of the amounts due. In the event of an acceleration of amounts due under our secured credit facility as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness. In addition, our lender could seek to enforce its security interests in the assets securing such indebtedness.

***We are subject to certain restrictive covenants which, if breached, could have a material adverse effect on our business and prospects.***

Our secured credit facility imposes operating and other restrictions on us. Such restrictions will affect, and in many respects limit or prohibit, our ability and the ability of any future subsidiary to, among other things:

- dispose of certain assets;
- change our lines of business;
- engage in mergers or consolidations;
- incur additional indebtedness;
- create liens on assets;
- pay dividends and make distributions or repurchase our capital stock; and
- engage in certain transactions with affiliates.

## **Risks Related to Our Business and Industry**

***If we fail to attract and keep senior management and key scientific personnel, we may be unable to successfully develop our products, conduct our clinical trials and commercialize our product candidates.***

We are highly dependent on members of our senior management, including William Clark, our President and Chief Executive Officer, Seth Hetherington, M.D., our Chief Medical Officer, Jonathan Poole, our Chief Financial Officer, Eric Hoffman, our Chief Business Officer, Jessica Flechtner, Ph.D., our Senior Vice President of Research, and Paul Giannasca, Ph.D., our Vice President, Biopharmaceutical Development and Production. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives. We have employment agreements with each of these members of senior management and we maintain a keyman insurance policy on Mr. Clark for \$2.0 million.

Recruiting and retaining qualified scientific, clinical, manufacturing, sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

***Our employees, independent contractors, principal investigators, consultants, commercial partners, and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.***

We are exposed to the risk of fraudulent or other illegal activity by our employees, independent contractors, principal investigators, consultants, commercial partners, and vendors. Misconduct by these parties could include intentional, reckless and/or negligent conduct that fails: to comply with the laws of the FDA and similar foreign regulatory bodies; provide true, complete and accurate information to the FDA and similar foreign regulatory bodies; to comply with manufacturing standards we have established; to comply with federal, state and foreign health care fraud and abuse laws and regulations; to report financial information or data accurately; or to disclose unauthorized activities to us. In particular, the promotion, sale and marketing of health care items and services, as well as certain business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent misconduct, including fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and, structuring and commission(s), certain customer incentive programs and other business arrangements. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials. It is not always possible to identify and deter such 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, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal health care programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

***Our relationships with health care professionals, institutional providers, principal investigators, consultants, customers (actual and potential) and third-party payors are, and will continue to be, subject, directly and indirectly, to federal and state health care fraud and abuse, false claims, marketing expenditure tracking and disclosure, government price reporting, and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face penalties, including, without limitation, civil, criminal, and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal health care programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations.***

Our business operations and activities may be directly or indirectly subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act. If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our potential exposure under such laws will increase significantly, and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators and research subjects, as well as proposed and future sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by the federal government and state governments in which we conduct our business. The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal health care program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other third-party payors that are false or fraudulent or knowingly making a false statement to improperly avoid, decrease or conceal an obligation to pay money to the federal government;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any health care benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any health care benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing, or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, health care benefits, items or services relating to health care matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 and their respective implementing regulations, which impose requirements on certain covered health care providers, health plans, and health care clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization;
- the federal Physician Payments Sunshine Act, created under Section 6002 of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively, ACA, and its implementing regulations requires manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members, with data collection required beginning August 1, 2013 and reporting to the Centers for Medicare & Medicaid Services required by March 31, 2014 and by the 90<sup>th</sup> day of each subsequent calendar year;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- federal government price reporting laws, changed by ACA to, among other things, increase the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program and offer such rebates to additional populations, that require us to calculate and report complex pricing metrics to government programs, where such reported prices may be used in the calculation of reimbursement and/or discounts on our marketed drugs (participation in these programs and compliance with the applicable requirements may subject us to potentially significant discounts on our products, increased infrastructure costs, and potentially limit our ability to offer certain marketplace discounts);
- the Foreign Corrupt Practices Act, a United States law which regulates certain financial relationships with foreign government officials (which could include, for example, certain medical professionals); and
- state law equivalents of each of the above federal laws, such as anti-kickback, false claims, consumer protection and unfair competition laws which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements as well as submitting claims involving health care items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government that otherwise restricts payments that may be made to health care providers; state laws that require drug manufacturers to file reports with states regarding marketing information, such as the tracking and reporting of gifts, compensations and other remuneration and items of value provided to health care professionals and entities (compliance with such requirements may require investment in infrastructure to ensure that tracking is performed properly, and some of these laws result in the public disclosure of various types of payments and relationships, which could potentially have a negative effect on our business and/or increase enforcement scrutiny of our activities); and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, with differing effects.

In addition, the regulatory approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the health care laws mentioned above, among other foreign laws.

Efforts to ensure that our business arrangements will comply with applicable health care laws may involve substantial costs. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other health care laws and regulations. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil, criminal, and administrative penalties, damages, monetary fines,



disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal health care programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations.

***We may encounter difficulties in managing our growth and expanding our operations successfully.***

As we seek to advance our product candidates through clinical trials and commercialization, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various strategic partners, suppliers and other third parties. Future growth will impose significant added responsibilities on members of management. 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 trials effectively and hire, train and integrate additional management, administrative and, if necessary, sales and marketing personnel. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

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

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

- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigations;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals, or labeling, marketing or promotional restrictions;
- loss of revenue;
- the inability to commercialize any product candidates that we may develop; and
- a decline in our stock price.

Failure to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We currently carry product liability insurance covering our clinical trials in the amount of \$5.0 million in the aggregate. Although we maintain product liability insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

***We must comply with environmental laws and regulations, and failure to comply with these laws and regulations could expose us to significant liabilities.***

We use hazardous chemicals and radioactive and biological materials in certain aspects of our business and are subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, distribution, storage, handling, treatment and disposal of these materials. We cannot eliminate the risk of accidental injury or contamination from the use, manufacture, distribution, storage, handling, treatment or disposal of hazardous materials. In the event of contamination or injury, or failure to comply with environmental, occupational health and safety and export control laws and regulations, we could be held liable for any resulting damages and any such liability could exceed our assets and resources. We are uninsured for third-party contamination injury.

***We may not be able to win government, academic institution or non-profit contracts or grants.***

From time to time, we may apply for contracts or grants from government agencies, non-profit entities and academic institutions. Such grants have been our only source of revenue to date. Such contracts or grants can be highly attractive because they provide capital to fund the ongoing development of our technologies and product candidates without diluting our stockholders. However, there is often significant competition for these contracts or grants. Entities offering contracts or grants may have requirements to apply for or to otherwise be eligible to receive certain contracts or grants that our competitors may be able to satisfy that we cannot. In addition, such entities may make arbitrary decisions as to whether to offer contracts or make grants, to whom the contracts or grants will be awarded and the size of the contracts or grants to each awardee. Even if we are able to satisfy the award requirements, there is no guarantee that we will be a successful awardee. Therefore, we may not be able to win any contracts or grants in a timely manner, if at all.

### **Risks Related to Our Common Stock**

***We are eligible to be treated as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company”, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board providing for supplemental auditor’s reports for additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We have taken advantage of reduced reporting burdens in this prospectus. For example, we have not included all of the executive compensation related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we 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. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700.0 million as of any June 30 before that time or if we have total annual gross revenue of \$1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” if the market value of our common stock held by non-affiliates is below \$75.0 million as of June 30 in any given year, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

***We cannot predict what the market price of our common stock will be and, as a result, it may be difficult for you to sell your shares of our common stock.***

An inactive market may impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock as consideration. We cannot predict the prices at which our common stock will trade. It is possible that in one or more future periods our results of operations may be below the expectations of public market analysts and investors and, as a result of these and other factors, the price of our common stock may fall.

***If our stock price is volatile, our stockholders could incur substantial losses.***

Our stock price is likely to be volatile. The stock market in general and the market for biopharmaceutical 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, our stockholders could incur substantial losses. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- results of clinical trials of our product candidates;
- the timing of the release of results of our clinical trials;
- results of clinical trials of our competitors’ products;
- regulatory actions or legal developments with respect to our products or our competitors’ products;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- actual or anticipated fluctuations in our financial condition and operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- our failure or the failure of our competitors to meet analysts’ projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of our common stock by us, our insiders or our other stockholders;

- speculation in the press or investment community;
- announcement or expectation of additional financing efforts;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities;
- changes in market conditions for biopharmaceutical stocks; and
- changes in general market and economic conditions.

In addition, the stock market has recently experienced significant volatility, particularly with respect to pharmaceutical, biotechnology and other life sciences company stocks. The volatility of pharmaceutical, biotechnology and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock. As we operate in a single industry, we are especially vulnerable to these factors to the extent that they affect our industry or our products, or to a lesser extent our markets. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

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

As of February 15, 2015, our executive officers and directors, combined with our stockholders who owned more than 5% of our outstanding common stock, beneficially own shares representing approximately 64.2% of our capital stock. Accordingly, these stockholders will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of our board of directors and approval of significant corporate transactions. This concentration of ownership could have the effect of entrenching our management and/or the board of directors, delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material and adverse effect on the fair market value of our common stock.

***We have had a material weakness in internal control over financial reporting in the past and cannot assure you that additional material weaknesses will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on our stock price.***

As reported in our Quarterly Report on Form 10-Q filed with the SEC on May 9, 2014, during the quarter ended March 31, 2014, management and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting (as defined in the Public Company Accounting Oversight Board's Auditing Standard No. 5) related to the accounting for a non-cash stock compensation expense for a milestone-based stock option award. We have remediated this material weakness, by implementing corrective measures as described in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

We cannot assure you that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses or significant deficiencies, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations regarding the effectiveness of our internal control over financial reporting. The existence of a material weakness or significant deficiency could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

***We incur significant 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 incur significant legal, insurance, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff are required to perform additional tasks. For example, in anticipation of becoming a public company, we adopted additional internal controls and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws. We invest resources to comply with evolving laws, regulations and standards, and this investment could result in increased general and administrative expenses and may divert management's time and attention from product development activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. In connection with our initial public offering, we increased our directors' and officers' insurance coverage, which increased our insurance cost. In the future, it will be more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

In addition, in order to comply with the requirements of being a public company, we have and may need to undertake various actions, including implementing new internal controls and procedures and hiring new accounting or internal audit staff. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in reports under the Securities Exchange Act of 1934 as amended, or the Exchange Act, is accumulated and communicated to our principal executive and financial officers. Any failure to develop or maintain effective controls could adversely affect the results of periodic management evaluations. In the event that we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our ordinary shares could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ Global Market.

Since becoming a public company, we are required to comply with certain of the SEC's rules that implement Section 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report. This assessment must include the disclosure of any material weaknesses in our internal control over financial reporting identified by our management or our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statement.

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company" as defined in the JOBS Act. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal controls in the future.

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

Provisions in our amended and restated certificate of incorporation and amended and restated by-laws contain provisions that may have the effect of discouraging, delaying or preventing a change in control of us or changes in our management. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, 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. Among other things, these provisions:

- authorize “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- create a classified board of directors whose members serve staggered three-year terms;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, our chief executive officer or our president;
- prohibit stockholder action by written consent;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum
- specify that no stockholder is permitted to cumulate votes at any election of directors;
- expressly authorize our board of directors to modify, alter or repeal our by-laws; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our by-laws.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Any provision of our amended and restated certificate of incorporation, our amended and restated by-laws 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.

***Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.***

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to substantial limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further limited by Section 382 of the Code. In addition, future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state law. Accordingly, we may not be able to utilize a material portion of our NOLs. Furthermore, our ability to utilize our NOLs is conditioned upon our attaining profitability and generating U.S. federal taxable income. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; thus, we do not know whether or when we will generate the U.S. federal taxable income necessary to utilize our NOLs.

***Our amended and restated certificate of incorporation designates the state or federal courts located in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation provides that, subject to limited exceptions, the state and federal courts located in the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated by-laws or (4) any other action asserting a claim



against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our amended and restated certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

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

You should not rely on an investment in our common stock to provide dividend income. We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our operations. In addition, our ability to pay cash dividends is currently prohibited by the terms of our debt financing arrangement, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our common stock.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our principal executive offices are located at 100 Acorn Park Drive, 5<sup>th</sup> floor, Cambridge, Massachusetts 02140, where we occupy approximately 23,666 square feet of laboratory and office space. Our lease term expires on February 28, 2017. We believe that our existing facilities are sufficient for our present and future operations, and we currently have no plans to lease additional space.

**Item 3. Legal Proceedings**

From time to time we are subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Annual Report on Form 10-K, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuers Purchases of Equity Securities

#### Market Information

Our common stock has been publicly traded on the NASDAQ Global Market under the symbol “GNCA” since February 5, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock as reported on the NASDAQ Global Market.

Year ended December 31, 2014	High		Low	
First quarter (1)	\$	23.99	\$	10.90
Second quarter	\$	23.99	\$	16.76
Third quarter	\$	20.00	\$	8.90
Fourth quarter	\$	9.44	\$	7.00

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(1) Represents the period from February 5, 2014, the date on which our common stock first began to trade on the NASDAQ Global Market after the pricing of our initial public offering, through March 31, 2014, the end of our first fiscal quarter.

#### Holders

As of February 20, 2015, there were approximately 74 holders of record of our common stock. This number does not include beneficial owners whose shares are held by nominees in street name.

#### Dividends

We have never declared or paid cash dividends on our common stock, and we do not expect to pay any cash dividends on our common stock in the foreseeable future.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information about our equity compensation plans as of December 31, 2014.

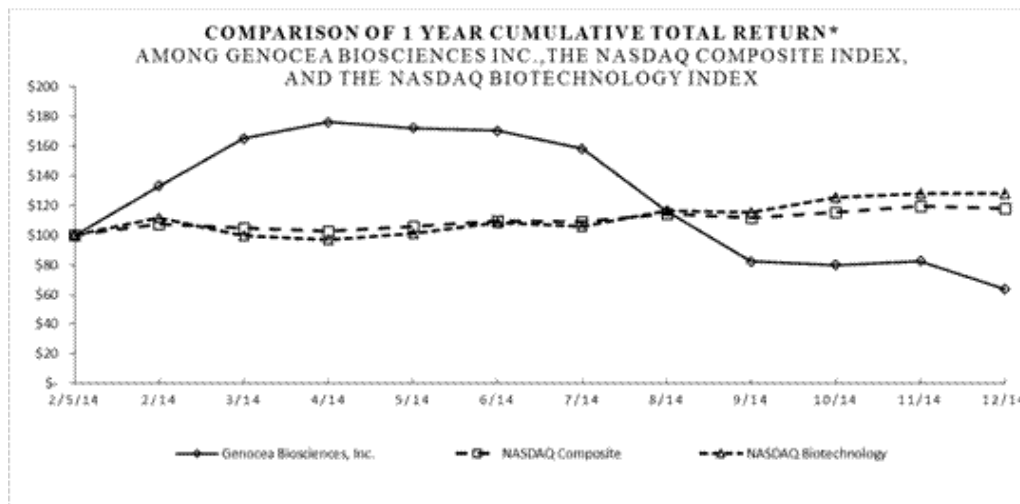
Plan Category	Column A	Column B	Column C (2)
	Number of securities to be issued upon exercise of outstanding stock options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by security holders (1)	2,290,333	\$ 7.26	268,169
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>2,290,333</b>	<b>\$ 7.26</b>	<b>268,169</b>

- (1) Includes information regarding our 2007 Equity Incentive Plan and our 2014 Equity Incentive Plan.
- (2) Includes 83,015 shares of our Common Stock available for issuance under our 2014 Equity Incentive Plan and 185,154 shares of our Common Stock available for issuance under our 2014 Employee Stock Purchase Plan.

## Performance Graph

The following performance graph and related information shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares the performance of our common stock to the NASDAQ Composite Index and to the NASDAQ Biotechnology Index from February 5, 2014 (the first date that shares of our common stock were publicly traded) through December 31, 2014. The comparison assumes \$100 was invested after the market closed on February 5, 2014 in our common stock and in each of the foregoing indices, and it assumes reinvestment of dividends, if any.



\* \$100 invested on 2/5/2014 in stock or index, including reinvestment of dividends. Fiscal year ending December 31, 2014.

## Cumulative Total Return Comparison

	2/5/14	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14	11/14	12/14
Genoece Biosciences, Inc.	100.00	133.36	165.36	176.36	172.36	170.45	158.27	116.45	82.27	79.82	82.45	63.64
NASDAQ Composite	100.00	107.39	104.67	102.57	105.76	109.89	108.93	114.18	112.01	115.44	119.45	118.06
NASDAQ Biotechnology	100.00	111.61	99.66	96.98	101.06	108.44	105.90	116.77	115.41	125.25	128.35	128.26

## Recent Sales of Unregistered Securities

Set forth below is information regarding securities sold by us during 2014 that were not registered under the Securities Act. Also included is the consideration, if any, received by us for the securities and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

## ***Issuances of securities***

### **Hercules issuances**

On November 20, 2014, contemporaneously with our entering into our loan agreement for a term loan facility with Hercules Technology Growth Capital, Inc., we issued 223,463 shares of our common stock to Hercules for an aggregate purchase price of approximately \$2.0 million on the closing date, November 20, 2014, at a price per share of \$8.95.

The shares were issued pursuant to an exemption provided by Section 4(a)(2) of the Securities Act. Accordingly, the shares will be subject to resale limitations and may be resold only pursuant to an effective registration statement or an exemption from registration.

On November 20, 2014, in connection with our loan agreement for a term loan facility with Hercules Technology Growth Capital, Inc., we issued to Hercules a warrant to purchase shares of our common stock. The warrant is exercisable for 73,725 shares of our common stock (equal to \$607,500 divided by the exercise price of \$8.24). The exercise price and the number of shares are subject to adjustment upon a merger event, reclassification of the shares of common stock, subdivision or combination of the shares of common stock or certain dividends payments. The Warrant is exercisable at any time until November 20, 2019, and will be exercised automatically on a net issuance basis if not exercised prior to the expiration date and if the then-current fair market value of one share of common stock is greater than the exercise price then in effect.

The issuance of the warrant was exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

### **Series C preferred stock issuances**

On June 24, 2013, we issued 26,293,103 shares of Series C preferred stock at a price per share of \$0.58 for total consideration of \$15,250,000 to 21 investors.

Issuances of preferred stock were exempt pursuant to an exemption provided by Section 4(a)(2) of the Securities Act.

Effective upon the closing our initial public offering on February 10, 2014, each share of our Series C preferred stock converted into or common stock on a 1-to-0.08 basis in connection with the 1-for-11.9 reverse stock split of our common stock effected on January 21, 2014.

### **Ares issuances**

On September 30, 2013, in connection with the working capital term loan facility with Ares Capital Corporation, we issued a warrant to purchase 689,655 shares of our Series C preferred stock at an exercise price of \$0.58 per share to Ares Capital Corporation.

Sale of the warrant was exempt pursuant to Rule 506 and Section 4(a)(2) of the Securities Act.

No underwriters were involved in the foregoing sales of securities. The securities were issued to investors in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act, including in some cases, Regulation D promulgated thereunder, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All purchasers of shares of common stock or preferred stock, as described above, represented to us in connection with their purchase that they were accredited investors and were acquiring the shares for their own account for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

## ***Stock option and other equity awards***

In 2014, we granted options to purchase a total of 1,064,640 shares of our common stock to employees and non-employees, at a weighted average price of \$12.79 per share. During the same period, we issued 282,450 shares of common stock upon the exercise of options to purchase such shares of common stock at a weighted average price of \$2.42 per share. In addition, we issued 15,662 shares of common stock upon the exercise of options to purchase such shares of common stock pursuant to our 2014 Employee Stock Purchase Plan at a weighted average price of \$5.95 per share.

In connection with our IPO, we registered shares available for issuance under our 2007 Equity Incentive Plan, our 2014 Equity Incentive Plan and our 2014 Employee Stock Purchase Plan on Form S-8. Prior to our IPO, option grants and the issuances of common stock upon exercise of such options were exempt pursuant to Rule 701 and Section 4(a)(2) of the Securities Act. All recipients either received adequate information about us or had access, through employment or other relationships, to such information.

### **Purchase of Equity Securities**

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

### **Use of Proceeds from Equity Securities**

In February 2014, we completed an initial public offering of 5,500,000 shares of our common stock at a price of \$12.00 per share for an aggregate offering price of \$66.0 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-193043), which was declared effective by the Securities and Exchange Commission on February 4, 2014 and, filed pursuant to Rule 462(b) of the Securities Act. Citigroup Global Markets, Inc. and Cowen and Company, LLC acted as joint book-running managers of the offering and as representatives of the underwriters. Stifel, Nicolaus & Company, Incorporated and Needham & Company, LLC acted as co-managers for the offering. The offering commenced on February 4, 2014 and did not terminate until the sale of all of the shares offered.

We received net proceeds from the offering of approximately \$61.4 million, after deducting approximately \$4.6 million in underwriting discounts and commissions, excluding offering costs payable by us. None of the underwriting discounts and commissions or other offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10% or more of our common stock or to any affiliates of ours.

As of December 31, 2014 we have used approximately \$56.2 million of the net proceeds primarily to fund working capital, capital expenditures, purchases of marketable securities and other general corporate purposes. We have not used any of the net proceeds from the offering to make payments, directly or indirectly, to any director or officer of ours, or any of their associates, to any person owning 10 percent or more of our common stock or to any affiliate of ours. We have invested the balance of the net proceeds from the offering in a variety of capital preservation investments, including short-term, investment grade, interest bearing instruments and U.S. government securities. There has been no material change in our planned use of the balance of the net proceeds from the offering as described in our final prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act.

### **Item 6. Selected Financial Data**

The selected statements of operations data for each of the three years in the period ended December 31, 2014 and the balance sheet data at December 31, 2014 and 2013 have been derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K. The selected balance sheet data at December 31, 2012 has been derived from our audited financial statements not included in this Annual Report on Form 10-K. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period.

The information set forth below should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this Annual Report on Form 10-K and with our financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The selected financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,		
	2014	2013	2012
Grant revenue	\$ 308	\$ 731	\$ 1,977
Operating expenses:			
Research and development	23,727	15,695	11,240
General and administrative	9,747	4,961	3,690
Total operating expenses	33,474	20,656	14,930
Loss from operations	(33,166)	(19,925)	(12,953)
Other expense:			
Change in fair value of warrants	(725)	(222)	93
Loss on debt extinguishment	(435)	(200)	—
Interest expense, net	(970)	(459)	(507)
Other expense	(2,130)	(881)	(414)
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Comprehensive loss	\$ (35,303)	\$ (20,806)	\$ (13,367)
Reconciliation of net loss to net loss applicable to common stockholders			
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Accretion of redeemable convertible preferred stock to redemption value	(180)	(1,605)	(1,781)
Net loss attributable to common stockholders	\$ (35,476)	\$ (22,411)	\$ (15,148)
Net loss per share attributable to common stockholders - basic and diluted (1)	\$ (2.27)	\$ (75.46)	\$ (51.35)
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted	15,618	297	295
<b>(in thousands)</b>			
	As of December 31,		
	2014	2013	2012
<b>Balance Sheet Data:</b>			
Cash, cash equivalents and marketable securities	\$ 47,079	\$ 12,208	\$ 11,516
Working Capital	42,202	8,382	7,932
Total assets	50,431	15,761	13,531
Preferred stock warrant liability	—	656	246
Preferred stock	—	81,562	64,707
Common Stock and additional paid-in capital	147,941	—	—
Total stockholders' equity (deficit)	32,507	(80,131)	(58,402)

- (1) See Note 2 within the notes to our financial statements appearing elsewhere in this Annual Report on Form 10-K for a description of the method used to calculate basic and diluted net loss per common share.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with the section entitled "Selected Financial Data" and our financial statements and related notes appearing in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Annual Report on Form 10-K, 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 biopharmaceutical company that discovers and develops novel vaccines and immunotherapies to address diseases with significant unmet clinical needs. We use our proprietary discovery platform, ATLAS, to rapidly design vaccines and immunotherapies that act, in part, through T cell (or cellular) immune responses, in contrast to approved vaccines and immunotherapies, which are designed to act primarily through B cell (or antibody) immune responses. We believe that by harnessing T cells we can develop first-in-class vaccines and immunotherapies to address infectious diseases where T cells are central to the control of the disease.

We have two products in Phase 2 clinical development; GEN-003, an immunotherapy for the treatment of genital herpes and GEN-004, a universal vaccine for the prevention of pneumococcal infections. We also have products in pre-clinical development for diseases including genital herpes, chlamydia and malaria.

### *GEN-003 — Phase 2 immunotherapy for Genital Herpes*

Our lead program is GEN-003, a Phase 2 candidate therapeutic vaccine, or immunotherapy, that we are developing to treat genital herpes infections. Data from our double-blind, placebo-controlled, dose-escalating Phase 1/2a trial for GEN-003 represented the first reported instance of a therapeutic vaccine working against an infectious disease. We also believe it represents the first time anti-viral efficacy has been observed for an immunotherapy designed primarily to elicit T cell responses to address an infectious pathogen for which T cell immunity is considered central to the control of the disease.

Final analysis of the data from the Phase 1/2a trial showed that, for the best performing 30µg dose group, there was a sustained reduction in the viral shedding rate. After completion of dosing for this dose group, the viral shedding rate fell by 52% versus baseline and, at six months after the final dose, the shedding rate remained at 40% below baseline. At 12 months, the viral shedding rate returned to baseline for this dose group. The reduction in the genital lesion rate after completion of the third dose was greatest for the 30µg dose group at 48%. After six months, the reduction from baseline in genital lesion rate for this dose group was 65% and, after 12 months, the genital lesion rate was 42% lower than baseline. GEN-003 was safe and well tolerated over the 12 months of this trial. We believe the six-month duration of reduced viral shedding and genital lesion rates may be clinically meaningful. If GEN-003 successfully completes clinical development and is approved, we believe it would represent a first-in-class vaccine for patients with genital herpes.

Having identified a dose that, according to company-sponsored market research, delivers clinically meaningful efficacy in magnitude and durability, we are now conducting a 310-subject Phase 2 dose optimization trial. The objective of this trial is to confirm the results of the best performing dose in the Phase 1/2a trial and to test six other combinations of proteins and adjuvant to determine the optimal dose for future trials and potentially improve on the current profile of GEN-003. This trial is fully enrolled and we expect to announce top-line data from this trial late in the second quarter of 2015. If GEN-003 successfully completes clinical development and is approved, we believe it would represent an important new treatment option for patients with genital herpes.

### *GEN-004 — Phase 2 universal vaccine for the prevention of pneumococcal infections*

We are also developing a second T cell-stimulating vaccine candidate, GEN-004, a potential universal *Streptococcus pneumoniae*, or pneumococcus, vaccine to protect against the leading cause of infectious disease mortality worldwide. GEN-004 is designed to stimulate T helper 17 (T<sub>H</sub>17) cells, a rare cell type that provides immunity at epithelial and mucosal surfaces, in the nasopharynx to prevent colonization by pneumococcus.

In June 2014, we announced top-line data from a Phase 1 clinical trial for GEN-004. This trial met its safety, tolerability and immunogenicity goals including measurable increases in the blood of T<sub>H</sub>17 cells. We initiated a Phase 2a trial in September 2014 to demonstrate that GEN-004 can reduce the frequency, magnitude or duration of colonization of pneumococcus in the nasopharynx in healthy adults. We expect to announce top-line data from this trial in the fourth quarter of 2015.

### *Products in research and non-clinical development*

We have ongoing non-clinical development programs in chlamydia and HSV-2 prophylaxis and a research program funded by the Bill and Melinda Gates Foundation in malaria. Additionally, we have an ongoing immuno-oncology collaboration with Dana Farber Cancer Institute and Harvard Medical School.

We commenced business operations in August 2006. To date, our operations have been limited to organizing and staffing our company, acquiring and developing our proprietary ATLAS technology, identifying potential product candidates and undertaking preclinical studies and clinical trials for our product candidates. All of our revenue to date has been grant revenue. We have not generated any product revenue and do not expect to do so for the foreseeable future. We have primarily financed our operations through the issuance of our equity securities, debt financings and amounts received through grants. As of December 31, 2014, we had received an aggregate of \$172 million in gross proceeds from the issuance of equity securities and gross proceeds from debt facilities

and an aggregate of \$7.9 million from grants. At December 31, 2014, our cash and cash equivalents and marketable securities were \$47.1 million.

Since inception, we have incurred significant operating losses. Our net losses were \$35.3 million, \$20.8 million and \$13.4 million for the years ended December 31, 2014, 2013 and 2012 respectively, and our accumulated deficit was \$115.4 million as of December 31, 2014. We expect to incur significant expenses and increasing operating losses for the foreseeable future. Our net losses may fluctuate significantly from quarter to quarter and year to year. We will need to generate significant revenue to achieve profitability, and we may never do so.

On January 20, 2014, the board of directors and stockholders approved a 1-for-11.9 reverse stock split of the Company's Common Stock, which was effected on January 21, 2014. Stockholders entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. The Company's historical share and per share information has been retroactively adjusted to give effect to this reverse stock split. Shares of Common Stock underlying outstanding stock options were proportionately reduced and the respective exercise prices proportionately increased. Shares of Common Stock reserved for future issuance were presented on an as converted basis and the financial statements disclose the adjusted conversion ratios.

In February 2014, we completed an initial public offering, or IPO, of 5.5 million shares of our Common Stock at a price of \$12.00 per share for an aggregate offering price of \$66.0 million. We received net proceeds from the offering of approximately \$61.4 million, after deducting approximately \$4.6 million in underwriting discounts and commission, excluding offering costs payable by us. In November 2014, we entered into a loan and security agreement with Hercules Technology Growth Capital, Inc., ("Hercules"), which provided up to \$27.0 million in debt financing in three separate tranches. As of December 31, 2014 we have drawn down \$12.0 million under this agreement.

We believe that our cash, cash equivalents, marketable securities and available future borrowings under our credit facility at December 31, 2014 will enable us to fund our operating expenses and capital expenditure requirements into the first quarter of 2016, by which time we expect to have top-line data from our ongoing Phase 2 dose optimization clinical trial and commenced our Phase 2 dose regimen clinical trial for GEN-003 for genital herpes and have top-line data from our current Phase 2a clinical trial for GEN-004 for pneumococcus. However, costs related to clinical trials can be unpredictable and therefore there can be no guarantee that our current balances of cash, and cash equivalents and marketable securities and any proceeds received from other sources will be sufficient to fund these studies or our operations through this period. These funds will not be sufficient to enable us to conduct pivotal clinical trials for, seek marketing approval for or commercially launch GEN-003, GEN-004 or any other product candidate. Accordingly, to obtain marketing approval for and to commercialize these or any other product candidates, we will be required to obtain further funding through public or private equity offerings, debt financings, collaboration and licensing arrangements or other sources. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital when needed would have a negative effect on our financial condition and our ability to pursue our business strategy.

## Financial Overview

### Revenue

Grant revenue consists of revenue earned to conduct vaccine development research. We have received grants from private not-for-profit organizations and federal agencies. These grants have related to the discovery and development of several of our product candidates, including product candidates for the prevention of pneumococcus, chlamydia, and malaria. Revenue under these grants is recognized as research services are performed. Funds received in advance of research services being performed are recorded as deferred revenue. We plan to continue to pursue grant funding, but there can be no assurance we will be successful in obtaining such grants in the future.

We have no products approved for sale. We will not receive any revenue from any product candidates that we develop until we obtain regulatory approval and commercialize such products or until we potentially enter into agreements with third parties for the development and commercialization of product candidates. If our development efforts for any of our product candidates result in regulatory approval or we enter into collaboration agreements with third parties, we may generate revenue from product sales or from such third parties.

We expect that our revenue will be less than our expenses for the foreseeable future and that we will experience increasing losses as we continue our development of, and seek regulatory approvals for, our product candidates and begin to commercialize any approved products. Our ability to generate revenue for each product candidate for which we receive regulatory approval will depend on numerous factors, including competition, commercial manufacturing capability and market acceptance of our products.

### Research and Development Expenses

Research and development expenses consist primarily of costs incurred to advance our preclinical and clinical candidates, which include:

- personnel-related expenses, including salaries, benefits, stock-based compensation expense and travel;
- expenses incurred under agreements with contract research organizations, or CROs, contract manufacturing organizations, or CMOs, consultants and other vendors that conduct our clinical trials and preclinical activities;
- costs of acquiring, developing and manufacturing clinical trial materials and lab supplies; and
- facility costs, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies.

We expense internal research and development costs to operations as incurred. We expense third party costs for research and development activities, such as conducting clinical trials, based on an evaluation of the progress to completion of specific tasks such as patient enrollment, clinical site activations or information, which is provided to us by our vendors.

The following table identifies research and development expenses on a program-specific basis for our product candidates for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Years ended December 31,		
	2014	2013	2012
HSV-2 (GEN-003)(1)	\$ 15,147	\$ 7,730	\$ 5,605
Pneumococcus (GEN-004)(1)	4,778	5,848	4,247
Other research and development (2)	3,802	2,117	1,388
Total research and development	<u>\$ 23,727</u>	<u>\$ 15,695</u>	<u>\$ 11,240</u>

(1) Includes direct and indirect internal costs and external costs such as CMO and CRO costs.

(2) Includes costs related to other product candidates and technology platform development costs related to ATLAS.

We expect our research and development expenses will increase as we continue the manufacture of pre-clinical and clinical materials and manage the clinical trials of, and seek regulatory approval for, our product candidates.

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

General and administrative expenses consist principally of salaries and related costs for personnel, including stock-based compensation and travel expenses, in executive and other administrative functions. Other general and administrative expenses include facility-related costs, communication expenses and professional fees associated with corporate and intellectual property legal expenses, consulting and accounting services.

We anticipate that our general and administrative expenses will increase in the future to support the continued research and development of our product candidates and to operate as a public company. These increases will likely include increased costs for insurance, costs related to the hiring of additional personnel and payments to outside consultants, lawyers and accountants, among other expenses. Additionally, if and when we believe a regulatory approval of our first product candidate appears likely, we anticipate that we will increase our salary and personnel costs and other expenses as a result of our preparation for commercial operations.

### ***Interest Expense, Net***

Interest expense, net consists primarily of interest expense on our long-term debt facilities and non-cash interest related to the amortization of debt discount and issuance costs, partially offset by interest earned on our cash and cash equivalents.

### ***Other (Expense) Income***

Other (expense) income consists of fair value adjustments on warrants to purchase preferred stock. Upon completion of our IPO on February 10, 2014, warrants to purchase preferred stock were converted to warrants to purchase common stock and as a result, the Company no longer recorded fair value adjustments for its warrants. Other (expense) income also consists of loss on debt extinguishment.

### ***Accretion of Preferred Stock***

Certain classes of our preferred stock were redeemable beginning in 2017 at the original issuance price plus any declared or accrued but unpaid dividends upon written election of the preferred stockholders in accordance with the terms of our articles of incorporation. Accretion of preferred stock reflects the accretion of issuance costs and, for Series B preferred stock, cumulative dividends based on their respective redemption values. On February 10, 2014, we completed our IPO and all shares of preferred stock were converted into 11,466,479 shares of our Common Stock. No accretion of preferred stock is recorded after this date as no shares of preferred stock are outstanding.

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

Our management's discussion and analysis of our financial position and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate estimates, which include, but are not limited to, estimates related to clinical trial accruals, prepaid and accrued research and development expenses, stock-based compensation expense, common stock warrants, warrants to purchase redeemable securities, and reported amounts of revenues and expenses during the reported period. We base our estimates on historical experience and other market-specific or other relevant assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from those estimates or assumptions.

While our significant accounting policies are described in more detail in the notes to our financial statements appearing elsewhere in this Annual Report on Form 10-K, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements.

### ***Prepaid and Accrued Research and Development Expenses***

As part of the process of preparing our financial statements, we are required to estimate our prepaid and accrued research and development expenses and other current liabilities. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed for us and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We

make estimates of our prepaid and accrued research and development expenses and other current liabilities as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments, if necessary. Examples of estimated prepaid and accrued research and development expenses and other current liabilities include fees paid to CROs in connection with clinical trials, CMOs with respect to pre-clinical and clinical materials and intermediaries and vendors in connection with preclinical development activities.

We base our expenses related to clinical trials on our estimates of the services performed pursuant to contracts with clinical sites that conduct clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of subjects and the completion of required data submission. In accruing service fees, we estimate the time period over which services will be performed, enrollment of subjects, number of sites and services performed in each period. Additionally, we accrue 10% of the earned amounts at each clinical site, which is payable upon completion of the required data submission for the clinical trial. If our estimates of the status and timing of services performed differs from the actual status and timing of services performed we may report amounts that are too high or too low in any particular period. To date, there has been no material differences from our estimates to the amount actually incurred.

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

We have applied the fair value recognition provisions of Financial Accounting Standards Board Accounting Standards Codification, or FASB ASC, Topic 718, *Compensation — Stock Compensation*, or ASC 718, to account for stock-based compensation for employees and ASC 718 and FASB ASC Topic 505, *Equity*, or ASC 505, for non-employees. We recognize compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant. Stock compensation related to non-employee awards is re-measured at each reporting period until the awards are vested. Described below is the methodology we have utilized in measuring stock-based compensation expense.

Determining the amount of stock-based compensation to be recorded requires us to develop estimates of the fair value of stock-based awards as of their measurement date. We recognize stock-based compensation expense over the requisite service period, which is the vesting period of the award. Calculating the fair value of stock-based awards requires that we make highly subjective assumptions. We use the Black-Scholes option pricing model to value our stock option awards. Use of this valuation methodology requires that we make assumptions as to the volatility of our common stock, the fair value of our common stock on the measurement date, the expected term of our stock options, the risk free interest rate for a period that approximates the expected term of our stock options and our expected dividend yield. Because of our limited operating history as a publicly traded entity, we utilize data from a representative group of publicly traded companies to estimate expected stock price volatility. We selected representative companies from the biopharmaceutical industry with characteristics similar to us. We use the simplified method as prescribed by the SEC Staff Accounting Bulletin No. 107, *Share-Based Payment* as we do not have sufficient historical stock option activity data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. For non-employee grants, we use an expected term equal to the remaining contractual term of the award. We utilize a dividend yield of zero based on the fact that we have never paid cash dividends and have no current intention of paying cash dividends. The risk-free interest rate used for each grant is based on the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life.

Under ASC 718, we are required to estimate the level of forfeitures expected to occur and record stock-based compensation expense only for those awards that we ultimately expect will vest. For all periods presented, our estimated annual forfeiture rate was 10.52%.

Stock-based compensation expense includes options granted to employees and non-employees and has been reported in our statements of operations and comprehensive loss as follows (in thousands):

	Years ended December 31,		
	2014	2013	2012
Research and development	\$ 1,511	\$ 322	\$ 102
General and administrative	1,394	350	205
Total	<u>\$ 2,905</u>	<u>\$ 672</u>	<u>\$ 307</u>

We estimated the fair value of stock options of each employee stock award at the grant date using assumptions regarding the fair value of the underlying common stock on each grant date and the following additional assumptions:

	Years ended December 31,		
	2014	2013	2012
Expected Volatility	86.2%-103.6%	97.1%	99.2%
Risk-free interest rate	1.75%-2.00%	0.59%-1.83%	0.99%
Expected term (in years)	6.25	6.25	6.25
Expected dividend yield	0%	0%	0%

At December 31, 2014, we had approximately \$7.9 million of total unrecognized compensation expense, net of related forfeiture estimates, which we expect to recognize over a weighted-average remaining vesting period of approximately three years. Our stock-based compensation expense for stock options has grown in 2014 due to increases in the value of our common stock and an increase in the number of stock options granted due to increases in our overall headcount.

We utilized significant estimates and assumptions in determining the fair value of our common stock for periods prior to the closing of our IPO. We granted stock options at exercise prices not less than the fair market value of our common stock as determined by the board of directors, with input from management. The board of directors determined the estimated fair value of our common stock based on a number of objective and subjective factors, including external market conditions affecting the biotechnology industry sector and the prices at which we sold shares of redeemable convertible preferred stock, the superior rights and preferences of securities senior to our common stock at the time and the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company.

For periods prior to the closing of our IPO, our board of directors determined the fair value of our common stock considering, in part, the work of an independent third-party valuation specialist. The board determined the estimated per share fair value of our common stock at various dates considering valuations performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, also known as the Practice Aid. We engaged an independent third-party valuation specialist to perform contemporaneous valuations as of December 31, 2011, December 31, 2012, December 31, 2013, July 25, 2013, August 12, 2013 and October 21, 2013 and a retrospective valuation as of March 6, 2013. In conducting the valuations, the independent third-party valuation specialist considered all objective and subjective factors that it believed to be relevant for each valuation conducted in accordance with the Practice Aid, including our best estimate of our business condition, prospects and operating performance at each valuation date. Significant changes to the key assumptions used in the valuations could have resulted in different fair values of common stock at each valuation date.

Following the closing of our IPO, the fair value of our common stock is determined based on the quoted market price of our common stock on the NASDAQ Global Market.

## Results of Operations

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

(in thousands)	Years Ended December 31,		Increase (Decrease)
	2014	2013	
Grant revenue	\$ 308	\$ 731	\$ (423)
Operating expenses:			
Research and development	23,727	15,695	8,032
General and administrative	9,747	4,961	4,786
Total operating expenses	33,474	20,656	12,818
Loss from operations	(33,166)	(19,925)	(13,241)
Other expense:			
Other expense, net	(1,160)	(422)	(738)
Interest expense, net	(970)	(459)	(511)
Other expense	(2,130)	(881)	(1,249)
Net loss	\$ (35,296)	\$ (20,806)	\$ (14,490)



### *Grant Revenue*

Grant revenue decreased \$0.4 million to \$0.3 million for the year ended December 31, 2014 from \$0.7 million for the year ended December 31, 2013. The decrease was due to the completion of a grant to fund research for our pneumococcus program during 2013. In September 2014, we received \$1.2 million from a grant entered into with the Bill & Melinda Gates Foundation. We recognized \$0.3 million in revenue under the agreement in the fourth quarter of 2014.

### *Research and Development Expenses*

Research and development expense increased \$8.0 million to \$23.7 million for the year ended December 31, 2014 from \$15.7 million for the year ended December 31, 2013. The increase was attributable to: an increase of \$2.4 million in R&D personnel costs, including \$1.2 million in stock-based compensation; an increase of \$0.4 million in licensing milestones related to the start of GEN-003 and GEN-004 Phase 2 clinical studies; an increase of \$2.8 million in GEN-003 external costs, reflecting increased manufacturing costs and clinical trial costs; and an increase of \$2.4 million in GEN-004 external costs, reflecting manufacturing costs and clinical trial costs.

### *General and Administrative Expenses*

General and administrative expense increased \$4.7 million to \$9.7 million for the year ended December 31, 2014 from \$5.0 million for the year ended December 31, 2013. The increase was primarily due to additional personnel costs in 2014 of \$2.0 million, including \$1.0 million in increased stock-based compensation due to the vesting of certain performance-based common stock options; \$1.1 million in increased audit, legal and consulting expenses; and \$0.7 million in public company overhead costs.

### *Other Expense, Net*

Other expense increased \$0.8 million to \$1.2 million for the year ended December 31, 2014 from \$0.4 million for the year ended December 31, 2013. The increase was due to an increase in the fair value of warrants to purchase preferred stock as a result of an increase in the fair value of the underlying stock both before and on the date of the completion of our IPO on February 10, 2014. Additionally, an increase of \$0.2 million related to the loss on debt extinguishment of a term note.

### *Interest Expense, Net*

Interest expense, net increased \$0.5 million to \$1.0 million for the year ended December 31, 2014 from \$0.5 million for the year ended December 31, 2013. The increase was due primarily to higher average principal balances related to our term loan in 2014 as compared to 2013.

### *Comparison of the Years Ended December 31, 2013 and December 31, 2012*

(in thousands)	Years Ended December 31,		Increase (Decrease)
	2013	2012	
Grant revenue	\$ 731	\$ 1,977	\$ (1,246)
Operating expenses:			
Research and development	15,695	11,240	4,455
General and administrative	4,961	3,690	1,271
Total operating expenses	20,656	14,930	5,726
Loss from operations	(19,925)	(12,953)	(6,972)
Other (expense) income:			
Other (expense) income	(422)	93	(515)
Interest expense, net	(459)	(507)	48
Other expense	(881)	(414)	(467)
Net loss	\$ (20,806)	\$ (13,367)	\$ (7,439)

### *Grant Revenue*

Grant revenue decreased \$1.2 million to \$0.7 million for the year ended December 31, 2013 from \$2.0 million for the year ended December 31, 2012. The decrease was due to the completion of a grant to fund research for our pneumococcus program during 2012.

### *Research and Development Expenses*

Research and development expenses increased \$4.5 million to \$15.7 million for the year ended December 31, 2013 from \$11.2 million for the year ended December 31, 2012. The increase was attributable to: an increase of \$2.9 million in GEN-004 external costs reflecting increased manufacturing costs, an increase of \$0.3 million in GEN-003 costs, reflecting clinical trial costs, an increase of \$0.4 million in GEN-004 costs, reflecting clinical trial costs, an increase of \$0.8 million in R&D personnel costs and an increase of \$0.1 million in consulting costs.

### *General and Administrative Expenses*

General and administrative expenses increased \$1.3 million to \$5.0 million for the year ended December 31, 2013 from \$3.7 million for the year ended December 31, 2012. This increase was primarily due to: additional overhead and personnel costs of \$0.3 million, \$0.8 million in increased audit, legal and tax expenses, and \$0.2 million in other general and administrative costs.

### *Other (Expense) Income*

Other (expense) income decreased \$0.5 million to \$0.4 million in (expense) for the year ended December 31, 2013 from \$0.1 million in income for the year ended December 31, 2012. The decrease in other (expense) income was due to a \$0.3 million increase in the fair value of our warrants to purchase preferred stock as a result of an increase in the fair value of the underlying preferred stock and a \$0.2 million loss on debt extinguishment recorded during the third quarter of 2013 with no comparable activity in the prior year.

### *Interest Expense, Net*

Interest expense, net decreased \$48 thousand to \$0.5 million for the year ended December 31, 2013 from \$0.5 million for the year ended December 31, 2012. The decrease was primarily attributable to lower average principal balances for the year ended December 31, 2013 from the year ended December 31, 2012.

## **Liquidity and Capital Resources**

### *Overview*

Since our inception through December 31, 2014, we have received an aggregate of \$172 million in gross proceeds from the issuance of equity securities and gross proceeds from debt facilities and an aggregate of \$7.9 million from grants. At December 31, 2014, our cash and cash equivalents and marketable securities were \$47.1 million, comprising cash and cash equivalents of \$20.1 million and marketable securities of \$27.0 million. In February 2014, we completed an IPO of 5.5 million shares of our Common Stock at a price of \$12.00 per share for an aggregate offering price of \$66.0 million. We received net proceeds from the offering of approximately \$61.4 million, after deducting approximately \$4.6 million in underwriting discounts and commission, excluding offering costs payable by us.

### *Debt Financings*

On November 20 2014, the Company entered into a new loan and security agreement, which provided up to \$27.0 million in debt financing in three separate tranches ("2014 Term Loan"). The first tranche of \$17.0 million is available through June 30, 2015. The second tranche of up to \$5.0 million may be drawn, at the Company's option, on or prior to December 15, 2015, subject to the Company receiving favorable data from its ongoing GEN-003 Phase 2 dose optimization trial and either (i) the commencement of the Company's next clinical trial for GEN-003 or (ii) the receipt of at least \$40.0 million in net proceeds from an equity financing and/or a strategic corporate partnership. The third tranche of up to \$5.0 million may be drawn, at the Company's option, on or prior to December 15, 2015, subject to the Company receiving favorable data from its ongoing Phase 2a human challenge study for GEN-004.

The 2014 Term Loan matures on July 1, 2018. If the eligibility requirements for the second tranche are met, the maturity date may be extended to December 31, 2018 at the Company's sole election.

Each advance accrues interest at a floating rate per annum equal to the greater of (i) 7.25% or (ii) the sum of 7.25% plus the prime rate minus 5.0%. The 2014 Term Loan provides for interest-only payments until December 31, 2015, which may be extended for a six month period if the eligibility requirements for the second tranche are met. Thereafter, payments will be made monthly in 30 equal installments of principal and interest (subject to recalculation upon a change in prime rates).

Upon closing the 2014 Term Loan, the Company drew down \$12.0 million under the first tranche of the loan and security agreement using approximately \$9.8 million of the proceeds to repay all outstanding indebtedness under the 2013 Term Loan. In

connection with the 2014 Term Loan, the Company issued a common stock warrant to Hercules on November 20, 2014. The warrant is exercisable for 73,725 shares of the Company's Common Stock (equal to \$607,500 divided by the exercise price of \$8.24).

### ***Operating Capital Requirements***

Our primary uses of capital are, and we expect will continue to be for the near future, compensation and related expenses, manufacturing costs for pre-clinical and clinical materials, third party clinical trial research and development services, laboratory and related supplies, clinical costs, legal and other regulatory expenses and general overhead costs.

We believe that our cash, cash equivalents, marketable securities and available future borrowings under our credit facility at December 31, 2014 will enable us to fund our operating expenses and capital expenditure requirements into the first quarter of 2016, by which time we expect to have top-line data from our ongoing Phase 2 dose optimization clinical trial and commenced our Phase 2 dose regimen clinical trial for GEN-003 for genital herpes and have top-line data from our current Phase 2a clinical trial for GEN-004 for pneumococcus. We expect that these funds will not be sufficient to enable us to seek marketing approval or commercialize any of our product candidates.

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 ongoing Phase 2 dose optimization clinical trial and planned Phase 2 dose regimen trial for GEN-003 and our ongoing Phase 2a clinical trial for GEN-004;
- the progress, timing and costs of manufacturing GEN-003 and GEN-004 for current and planned clinical trials;
- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our other product candidates and potential product candidates;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for GEN-003, GEN-004 and other product candidates if we receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- the receipt of marketing approval, revenue received from commercial sales of our product candidates;
- the terms and timing of any future collaborations, grants, licensing, consulting or other arrangements that we may establish;
- the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights, including milestone and royalty payments and patent prosecution fees that we are obligated to pay pursuant to our license agreements;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims; and
- the extent to which we in-license or acquire other products and technologies.

We expect that we will need to obtain substantial additional funding in order to commercialize GEN-003, GEN-004 and our other product candidates in order to receive regulatory approval. To the extent that we raise additional capital through the sale of common stock, convertible securities or other equity securities, the ownership interests of our existing stockholders may be materially diluted and the terms of these securities could include liquidation or other preferences that could adversely affect the rights of our existing stockholders. In addition, debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, that could adversely affect our ability to conduct our business. If we are unable to raise

capital when needed or on attractive terms, we could be forced to significantly delay, scale back or discontinue the development or commercialization of GEN-003, GEN-004 or our other product candidates, seek collaborators at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available, and relinquish or license, potentially on unfavorable terms, our rights to GEN-003, GEN-004 or our other product candidates that we otherwise would seek to develop or commercialize ourselves.

## Cash Flows

The following table summarizes our sources and uses of cash for the years ended December 31, 2014 and 2013 (in thousands):

	Years ended December 31,	
	2014	2013
Net cash used in operating activities	\$ (27,604)	\$ (19,873)
Net cash used in investing activities	(28,573)	(389)
Net cash provided by financing activities	64,027	20,954
Net increase in cash and cash equivalents	<u>\$ 7,850</u>	<u>\$ 692</u>

### Operating Activities

Net cash used in operations increased \$7.7 million to \$27.6 million for the year ended December 31, 2014 from \$19.9 million for the year ended December 31, 2013. The increase was due primarily to an increase in the net loss of approximately \$14.5 million, partially offset by an increase of \$0.2 million on loss on debt extinguishment, an increase in stock based compensation of \$2.2 million, an increase in change in fair value of warrant liability of \$0.5 million, an increase in non-cash interest expense of \$0.2 million, an increase in depreciation expense of \$0.2 million and an increase of \$3.4 million in our working capital accounts.

### Investing Activities

Net cash used in investing activities increased \$28.2 million to \$28.6 million for the year ended December 31, 2014 from \$0.4 million for the year ended December 31, 2013. The increase was due largely to the purchase of marketable securities of \$27.1 million and an increase in cash used to purchase property and equipment of \$1.1 million.

### Financing Activities

Net cash provided by financing activities increased \$43.0 million to \$64.0 million for the year ended December 31, 2014 from \$21.0 million for the year ended December 31, 2013. The increase was due largely to the net proceeds from our IPO in 2014 of \$60.0 million, net proceeds from the issuance of long-term debt of \$11.8 million, net proceeds from the issuance of common stock of \$2.0 million, an increase in proceeds from the exercise of stock options and warrants of \$0.6 million, and an increase in proceeds from the issuance of common stock under the ESPP of \$0.1 million, which was partially offset by the issuance of preferred stock of \$15.3 million in 2013, the issuance of long-term debt of \$10.0 million in 2013, and an increase in repayments of long-term debt of \$6.2 million, which was due to the debt refinancing in November 2014.

The following table summarizes our sources and uses of cash for the years ended December 31, 2013 and 2012 (in thousands):

	Years Ended December 31,	
	2013	2012
Net cash used in operating activities	\$ (19,873)	\$ (12,681)
Net cash used in investing activities	(389)	(460)
Net cash provided by financing activities	20,954	18,915
Net increase in cash and cash equivalents	<u>\$ 692</u>	<u>\$ 5,774</u>

### Operating Activities

Net cash used in operations increased \$7.2 million to \$19.9 million for the year ended December 31, 2013, from \$12.7 million for the year ended December 31, 2012. The increase was due primarily to an increase in the net loss of approximately

\$7.4 million and a decrease of \$0.6 million in the change in our working capital accounts, partially offset by an increase in stock based compensation expense of \$0.4 million, an increase in change in fair value of warrants of \$0.3 million and an increase in loss on debt extinguishment of \$0.2 million.

### *Investing Activities*

Net cash used in investing activities decreased \$0.1 million to \$0.4 million for the year ended December 31, 2013 from \$0.5 million for the year ended December 31, 2012. The decrease was due to a decrease in cash used for the purchase of property and equipment to facilitate our research and development activities and headcount.

### *Financing Activities*

Net cash provided by financing activities increased \$2.1 million to \$21.0 million for the year ended December 31, 2013 from \$18.9 million for the year ended December 31, 2012. The increase was due largely to an increase of \$0.2 million in net proceeds from the issuance of preferred stock and an increase of \$1.9 million in net proceeds from the issuance of long term debt.

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

We do not have any off-balance sheet arrangements.

### **Net Operating Loss Carryforwards**

At December 31, 2014, we had United States federal and state net operating loss carryforwards of approximately \$105.0 million and \$90.5 million, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2034. At December 31, 2014, we had federal and state research and development tax credit carryforwards of approximately \$2.6 million and \$1.7 million available, respectively, to reduce future tax liabilities which expire at various dates through 2034. Net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities and may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the United States Internal Revenue Code of 1986, as amended, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of our company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. At December 31, 2014, we recorded a 100% valuation allowance against our net operating loss and research and development tax credit carryforwards, as we believe it is more likely than not that the tax benefits will not be fully realized. In the future, if we determine that a portion or all of the tax benefits associated with our tax carryforwards will be realized, net income would increase in the period of determination.

### **Contractual Obligations**

The following table summarizes our outstanding contractual obligations as of payment due date by period at December 31, 2014 (in thousands):

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Long-term debt(1)	\$ 12,594	\$ —	\$ 9,405	\$ 3,189	\$ —
Operating leases(2)	2,158	976	1,182	—	—
Manufacturing agreements(3)	3,905	3,584	321	—	—
	<u>\$ 18,657</u>	<u>\$ 4,560</u>	<u>\$ 10,908</u>	<u>\$ 3,189</u>	<u>\$ —</u>

- (1) As of December 31, 2014, we had a total of \$12.0 million in long-term debt due consisting of amounts due under the 2014 Term Loan. We are obligated to pay an end of term charge of 4.95% of the balance drawn when the principal balance is repaid. \$0.6 million is included in this table for the end of term charge.
- (2) In July 2012, we leased office and laboratory space at 100 Acorn Park Drive, Cambridge, MA that expires in February 2017.
- (3) Consists of payments of approximately \$4.0 million related to supply agreements to contract manufacturers for the production of clinical materials.

In February 2014, the Company entered into a supply agreement with Fujifilm for the manufacture and supply of certain antigens for its GEN-003 clinical program. Under the agreement, the Company is obligated to pay Fujifilm manufacturing milestones, in addition to reimbursement of certain production related costs. Additionally, the Company is responsible for the payment of a

reservation fee, which will equal a percentage of the expected production fees, to reserve manufacturing slots in the production timeframe. The Company has incurred expenses of \$3.5 million under this agreement for the year ended December 31, 2014.

In October 2014, the Company entered a product development and clinical supply agreement with Baxter Pharmaceutical Solutions LLC, or Baxter. The product development and clinical supply agreement provides the terms and conditions under which Baxter will formulate, fill, inspect, package, label and test our lead product, GEN-003 for clinical supply. The Company is obligated to pay Baxter for each batch of GEN-003 manufactured. Additionally, certain set-up fees and equipment purchased for the purposes of batch production will be invoiced separately by Baxter. The Company is also responsible for the payment of a monthly service fee for project management services for the duration of the arrangement. The Company has not incurred any expenses under this agreement as of December 31, 2014.

We also have obligations to make future payments to third party licensors that become due and payable on the achievement of certain development, regulatory and commercial milestones. We have not included these commitments on our balance sheet or in the table above because the achievement and timing of these milestones is not fixed or determinable. These additional contractual commitments include the following:

*License Agreement with The Regents of the University of California.* Under our license agreement with The Regents of the University of California, or UC, in respect of UC patent rights covering aspects of our ATLAS discovery platform, we agreed to pay UC low single digit royalties on net sales by us of vaccine products comprising antigens identified through use of the ATLAS discovery platform covered by licensed UC patent rights. If we sublicense UC patent rights, we will owe UC a percentage of sublicensing revenue, including any royalty paid to us on net sales by sublicensees.

*License Agreement with Harvard.* Under our license agreement with President and Fellows of Harvard College, or Harvard, in respect of Harvard patent rights covering certain chlamydia antigens, we agreed to pay Harvard royalties in the high single-digits on worldwide net sales by us or our sublicensees of vaccine products comprising such chlamydia antigens. In addition, we are required to pay Harvard specified milestone payments for development of the first such chlamydia vaccine. Under the same license agreement, in respect of patent rights covering aspects of our antigen discovery platform, we agreed to pay Harvard royalties in the low single-digits on worldwide net sales by us or our sublicensees, for a period of 10 years from first commercial sale, of vaccine products comprising antigens (other than chlamydia antigens above) identified through use of the antigen discovery platform covered by licensed Harvard patent rights. In addition, we are required to pay Harvard specified milestone payments for development of such vaccines. We estimate that it is reasonably likely that we will make milestone payments in the low six figures through 2015 under this agreement. If we sublicense Harvard patent rights, we will owe Harvard a percentage of sublicensing revenue, excluding payments we receive based on the level of sales or profits. We notified the President and Fellows of Harvard College of our partial termination of the license agreement with regard to the chlamydia antigens on December 8, 2014. Effective March 8, 2015, the license agreement with the President and Fellows of Harvard College with regard to the chlamydia antigens will be terminated and we will no longer hold a license to two of the three in-licensed Harvard patent families, or to a chlamydia antigen covered by the remaining family. The remaining family covers certain aspects of the ATLAS platform, as well as one chlamydia antigen, and we continue to maintain exclusive rights to aspects of the ATLAS platform covered by this family.

*License Agreement with Novavax.* Under our license agreement with Isconova AB, now Novavax, Inc., in respect of Novavax patent rights and trademarks covering adjuvant Matrix-M, we agreed to pay Novavax tranching royalties in the low single-digits on worldwide net sales by us or our sublicensees of vaccine products comprising our antigens and Matrix-M. In addition, we are required to pay Novavax specified milestone payments for development and commercialization of the first vaccine in each unique disease field. We estimate that it is reasonably likely that we will make milestone payments in the low six figures through 2015 under this agreement. If we sublicense Novavax patent rights, we will owe Novavax a percentage of the initial signing or upfront sublicensing fees we receive.

*License Agreement with Children's Medical Center Corporation.* Under our license agreement with Children's Medical Center Corporation, or Childrens, in respect of Childrens rights in jointly-owned patent rights covering certain Streptococcus antigens, we agreed to pay Childrens low single digit royalties on worldwide net sales by us or our sublicensees of vaccine products comprising such Streptococcus antigens. In addition, we are required to pay Childrens specified milestone payments for development and commercialization of such vaccines. We estimate that it is reasonably likely that we will pay milestone payments in the low six figures through 2015. If we sublicense the jointly-owned patent rights, we will owe Childrens a percentage of sublicensing revenue, excluding payments we receive based on the level of sales or profits.

We also enter into contracts in the normal course of business with CROs for clinical trials and clinical supply manufacturing and with vendors for preclinical safety and research studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination on notice and do not include any minimum purchase commitments, and therefore are cancelable contracts and not included in the table above.



## **JOBS Act**

In April 2012, the JOBS Act was enacted in the United States. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies.

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

We are exposed to market risk related to changes in interest rates. As of December 31, 2014 and 2013, we had cash, cash equivalents and marketable securities of \$47.1 million and \$12.2 million, respectively, consisting primarily of money market funds and U.S Treasury securities. The investments in these financial instruments are made in accordance with an investment policy approved by our board of directors, which specifies the categories, allocations and ratings of securities we may consider for investment. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. Some of the financial instruments in which we invest could be subject to market risk. This means that a change in prevailing interest rates may cause the value of the instruments to fluctuate. For example, if we purchase a security that was issued with a fixed interest rate and the prevailing interest rate later rises, the value of that security will probably decline. To minimize this risk, we intend to maintain a portfolio that may include cash, cash equivalents and investment securities available-for-sale in a variety of securities, which may include money market funds, government and non-government debt securities and commercial paper, all with various maturity dates. Based on our current investment portfolio, we do not believe that our results of operations or our financial position would be materially affected by an immediate change of 10% in interest rates.

We do not hold or issue derivatives, derivative commodity instruments or other financial instruments for speculative trading purposes. Further, we do not believe our cash equivalents and investment securities have significant risk of default or illiquidity. We made this determination based on discussions with our investment advisors and a review of our holdings. Although we believe our cash equivalents and investment securities do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. All of our investments are recorded at fair value.

We are also exposed to market risk related to change in foreign currency exchange rates. We contract with certain vendors that are located in Europe which have contracts denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign exchange rate risk. As of December 31, 2014 and December 31, 2013, we had minimal liabilities denominated in foreign currencies.

### **Item 8. Financial Statements and Supplementary Data**

Our financial statements, together with the report of our independent registered public accounting firm, appear on pages F-1 through F-31 of this Annual Report on Form 10-K.

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

Not applicable.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934 is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial

officer have concluded based upon the evaluation described above that, as of December 31, 2014, our disclosure controls and procedures were effective at the reasonable assurance level, having implemented the remediation measures relating to the material weakness identified in the first quarter of 2014 as described below.

A “material weakness” is defined under SEC rules as 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 a company’s annual or interim financial statements will not be prevented or detected on a timely basis by the company’s internal controls. As of March 31, 2014, as a result of management’s evaluation of our disclosure controls and procedures, and other internal reviews and evaluations that were completed after the quarter ended March 31, 2014, management concluded that we had a material weakness in our control environment and financial reporting process regarding our disclosure controls and procedures related to accounting for a milestone-based stock option award. Specifically, non-cash stock compensation expense relating to a milestone-based option granted to our Chief Executive Officer on July 25, 2013 was incorrectly calculated at “mark-to-market” on the vesting date rather than the grant date fair value.

This error was corrected prior to the filing of our Quarterly Report on Form 10-Q for the period ended March 31, 2014 as filed with the SEC on May 9, 2014, and has no impact on the financial results disclosed in prior periods. We do not believe the material weakness described above caused any meaningful or significant misreporting of our financial condition and results of operations for the year ended December 31, 2014.

### ***Management’s Remediation Initiatives***

Management has implemented corrective measures to address the material weakness described above. In an effort to remediate the identified material weakness and enhance our internal controls, we have completed the following series of measures:

- Improved the technical capabilities of the accounting group through training and the retention of expert consultants to assist in the analysis and recording of complex accounting transactions;
- Replaced the accounting software used to calculate stock compensation expense and completed testing of stock compensation expense calculations in the new system through parallel operation and reconciliation of new and old systems;
- Improved segregation of duties related to data entry and review of information in stock compensation systems; and
- Improved the process for the review and monitoring of complex accounting matters.

We believe the measures described above have remediated the material weakness we identified and strengthened our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures.

### **Management’s Annual Report on Internal Controls Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as the process designed by, or under the supervision of, our Chief Executive Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorizations of management and directors; and
- (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework provided in Internal Control—

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

### **Changes in Internal Control Over Financial Reporting**

During the year ended December 31, 2014, there have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Securities Exchange Act of 1934, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

#### Executive Officers, Significant Employees and Directors

Below is a list of the names, ages as of February 27, 2015 and positions, and a brief account of the business experience of the individuals who serve as our executive officers and directors as of the date of this Annual Report on Form 10-K.

Name	Age	Position
William Clark	46	President and Chief Executive Officer; Director (Class III)
Seth Hetherington, M.D.	62	Chief Medical Officer
Jonathan Poole	40	Chief Financial Officer
Eric Hoffman, Ph.D.	45	Chief Business Officer
Robert E. Farrell Jr., CPA	49	Vice President of Finance and Administration
Jessica Baker Flechtner, Ph.D.	43	Senior Vice President of Research
Paul Giannasca, Ph.D.	51	Vice President, Biopharmaceutical Development & Production
Kenneth Bate	64	Director (Class I)
Kevin Bitterman, Ph.D.	38	Director (Class I)
Katrine Bosley	46	Director (Class II)
Michael Higgins	52	Director (Class II)
Stephen J. Hoffman, M.D., Ph.D.	60	Director (Class II)
George Siber, M.D.	70	Director (Class III)

**William Clark** has served as our President and Chief Executive Officer since February 2011. Previously he served as our Chief Business Officer from August 2010 to February 2011. Mr. Clark has served on our board of directors since February 2011. Prior to joining our Company, he served as Chief Business Officer at Vanda Pharmaceuticals, Inc., or Vanda, a biopharmaceutical company he co-founded in 2004. While at Vanda, he lead the company's strategic and business development activities, and played a central role in raising more than \$220 million in multiple public and private financings. Prior to Vanda, Mr. Clark was a principal at Care Capital, LLC, a venture capital firm investing in biopharmaceutical companies, after serving in a variety of commercial and strategic roles at SmithKline Beecham (now GlaxoSmithKline). Mr. Clark holds a B.A. from Harvard University and an M.B.A. from The Wharton School at the University of Pennsylvania. We believe that Mr. Clark's operation and historical experience with our Company gained from serving as our Chief Executive Officer, President and member of our board of directors, combined with his prior experience at Vanda and in the venture capital industry focusing on biopharmaceutical companies qualify him to serve as a member of our board of directors.

**Seth Hetherington, M.D.** has served as our Chief Medical Officer since joining our Company in January 2011. Prior to joining our Company, Dr. Hetherington served as Senior Vice President of Clinical and Regulatory Affairs at Icagen, Inc., or Icagen, from May 2006 through December 2010. Prior to Icagen, Dr. Hetherington served as Vice President, Clinical Development and Chief Medical Officer at Inhibitex Inc. from June 2002 through April 2005 and held various positions of increasing responsibility in clinical drug development at GlaxoSmithKline from 1995 through June 2002. Dr. Hetherington has also served as a faculty member at the University of North Carolina School of Medicine and held appointments at several leading academic medical centers, including the University of Tennessee, St. Jude Children's Research Hospital in Memphis and Albany Medical College. Dr. Hetherington earned his B.S. at Yale University and his M.D. at the University of North Carolina, Chapel Hill. He completed his postgraduate training in pediatrics and pediatric infectious diseases at the University of North Carolina and the University of Minnesota, respectively. Dr. Hetherington has published extensively in medical and scientific literature, and is board certified in both pediatrics and pediatric infectious diseases. He also served as the industry representative to the Vaccines and Related Blood Products Advisory Committee of the FDA. He currently serves as the industry representative on the National Vaccine Advisory Committee of the U.S. Department of Health and Human Services.

**Jonathan Poole** has served as our Chief Financial Officer since joining our Company in April 2014. Prior to joining our Company, Mr. Poole served as Senior Vice President of Finance for Pipeline and Technical Operation at Shire plc ("Shire") from June 2013 through March 2014, leading finance support for Shire's global business development, research and development and technical operations activities. Mr. Poole previously served as divisional Chief Financial Officer of Shire HGT, Shire's rare disease division, from May 2010 through June 2013 and held various positions of increasing responsibility in finance at Shire from 2006 through May 2010. He began his career in the United Kingdom in investment banking at UBS Warburg and ING Barings and also worked as an investment manager for Avanti Capital plc, a United Kingdom private equity investment firm. Mr. Poole has a MBA from London Business School and a BSc in biological sciences from Durham University in the United Kingdom.

**Eric Hoffman, Ph.D.** has served as our Chief Business Officer since joining our Company in December 2014. Prior to joining our Company, Mr. Hoffman served as Vice President of Corporate and Business Development where he also oversaw Program Management and Commercial Operations at Idenix Pharmaceuticals, Inc. from January 2012 until its acquisition by Merck & Co. in August 2014. Mr. Hoffman also held a role overseeing investor relations and corporate communications while at Idenix from January 2011 to December 2011. Prior to Idenix, Mr. Hoffman spent nearly five years, from 2006 to 2011, at Biogen Idec in investor relations and business development roles and spent nearly six years from 2001 to 2006 on Wall Street as an equity research analyst at J.P. Morgan, Schwab Soundview Capital Markets and Bear Stearns. Before starting on Wall Street in 2001, he was a post-doctoral research scientist in the Department of Immunobiology at Guy's Hospital in London, studying T cell development from 1999 to 2000. He has authored several book chapters and peer-reviewed papers, including in Cell, Immunity, and Genes & Development. Mr. Hoffman has a Ph.D. in Immunobiology from Yale University and a B.S. in Biology from Trinity University.

**Robert E. Farrell Jr., CPA** has served as our Vice President of Finance and Administration since joining our Company in May 2009. Prior to joining our Company, he served as Senior Director of Finance at Magen Biosciences, Inc., or Magen, from September 2008 to May 2009. In that position, he was responsible for all finance and administrative functions and he played a key role in the acquisition of Magen by PPD, Inc. Prior to Magen, Mr. Farrell held senior level financial positions at Oscient Pharmaceuticals Corp. and NeoGenesis Pharmaceuticals, Inc. where he built and directed all financial reporting efforts and helped guide the company through an initial public offering. Mr. Farrell is a licensed certified public accountant and holds a B.S. degree in Accounting from Bentley University.

**Jessica Baker Flechtner, Ph.D.** has held multiple scientific roles since joining our Company in March 2007 and has served as our Senior Vice President of Research since February 2014, Vice President of Research from January 2010 to February 2014 and Senior Director of Research from March 2007 to January 2010. Prior to joining our Company, Dr. Flechtner was an Immunology Consultant at BioVest International, Inc. from June 2006 to March 2007, where she guided the development of assays to evaluate the success of the company's autologous Follicular (Non-Hodgkin's) Lymphoma vaccine in patients. As a researcher at Mojave Therapeutics, Inc., or Mojave, and Antigenics Inc. (now Agenus), which acquired Mojave's intellectual property, from 2001 to 2005, Dr. Flechtner developed protein and peptide-based vaccines and immunotherapies for cancer, infectious disease, autoimmunity and allergy. She is an inventor on 10 pending or issued patents and has multiple peer-reviewed scientific publications. Dr. Flechtner performed her post-doctoral work in the laboratory of Dr. Harvey Cantor at the Dana Farber Cancer Institute and Harvard Medical School and holds a Ph.D. in Cellular Immunology and B.S. in Animal Science from Cornell University. She is a member of the American Association of Immunologists and the American Society for Microbiology.

**Paul Giannasca, Ph.D.** has served as our Vice President, Biopharmaceutical Development & Production since joining our Company in January 2010. Prior to joining our Company, Dr. Giannasca served as Vice President, Development at Acambis (now Sanofi Pasteur) from 2004 to 2010. He also served as Project Leader of the Clostridium difficile program and R&D Franchise Head for Nosocomials at Acambis/Sanofi Pasteur. Prior to Acambis, he was a senior scientist at OraVax from 1995 to 1999, where he contributed to the company's research initiatives for several vaccines, focusing on evaluating vaccine adjuvants and elucidating mechanisms of vaccine-induced protection. Dr. Giannasca holds multiple patents covering active and passive immunization against Clostridium difficile disease and has published more than 25 papers in the areas of infectious diseases, vaccine-induced protection and vaccine development. Dr. Giannasca received his B.S. in Biology from Fairleigh Dickinson University and his Ph.D. in Molecular and Cellular Biology from the University of Massachusetts-Amherst. He completed his post-doctoral training at Harvard Medical School/Children's Hospital Boston.

**Kenneth Bate** has served as a member of our board of directors since September 2014. Mr. Bate is currently chairman of the board of Cubist Pharmaceuticals, Inc., and is a director of BioMarin Pharmaceuticals, AVEO Pharmaceuticals and Catabasis Pharmaceuticals. Mr. Bate previously served as president and chief executive officer of Archemix Corp. and NitroMed Inc., chief financial officer of Millennium Pharmaceuticals Inc. and Biogen Inc., and co-founded JSB Partners LLC, a banking and advisory services firm for biopharmaceutical and life sciences companies. He holds a MBA from the Wharton School of the University of Pennsylvania and a BA from Williams College. We believe that Mr. Bate's experience as a chief executive officer of multiple biotechnology companies, as well as his experience as a director of other companies, qualifies him to serve as a member of our board of directors.

**Kevin Bitterman, Ph.D.** has served as a member of our board of directors since August 2006. Dr. Bitterman serves as a partner at Polaris Partners, or Polaris, where he has been employed since 2004 and where he focuses on investments in life sciences companies. Prior to joining Polaris, Dr. Bitterman completed his Ph.D. in genetics at Harvard Medical School. His doctoral research focused on the molecular regulation of caloric restriction and on modulation of a novel class of protein deacetylases. Dr. Bitterman is a cofounder of Sirtris Pharmaceuticals, Inc. acquired by GlaxoSmithKline and was the founding CEO at Visterra Inc. and Editas Medicine Inc. In addition to representing Polaris as a director of our Company, he currently represents Polaris as a director of Editas Medicine Inc., InSeal Medical, Kala Pharmaceuticals, Neuronetics, Inc., Visterra, Inc., TARIS Biomedical, and Vets First Choice. He received a Ph.D. in Genetics from Harvard Medical School and a Bachelor's in Biology from Rutgers College. We believe that Dr. Bitterman's extensive experience investing in, guiding and leading start-up and early phase companies, as well as his experience as a director of other companies, qualifies him to serve as a member of our board of directors.

**Katrine Bosley** has served as a member of our board of directors since March 2013 and as our chairperson since August 2013. Ms. Bosley is the Chief Executive Officer of Editas Medicine Inc., or Editas, a position to which she was appointed in June 2014. Prior to Editas, Ms. Bosley was the Entrepreneur-in-Residence at The Broad Institute from September 2013 to May 2014. She served as Chief Executive Officer of Avila Therapeutics Inc., or Avila, from May 2009 to March, 2012, when Avila was acquired by Celgene Corporation. Before Avila, she was Vice President, Strategic Operations at Adnexus, a Bristol-Myers Squibb Company and was Vice President, Business Development at Adnexus Therapeutics Inc., or Adnexus, before that. She joined Adnexus from Biogen Idec where she held roles in business development, commercial operations, and portfolio strategy in the United States and Europe and led the in-licensing of Tysabri (natalizumab) among a number of other transactions. Earlier, she was part of the healthcare team at the venture firm Highland Capital Partners from 1993 to 1995. In addition to serving as a director of our Company, Ms. Bosley currently serves as a director of Galapagos NV, Scholar Rock LLC, and Coco Therapeutics Ltd. Ms. Bosley graduated from Cornell University with a Bachelor of Arts degree in biology. We believe that Ms. Bosley's experience as a chief executive officer of a biotechnology company and her breadth of experience in creating strategic and business development value qualifies her to serve as a member of our board of directors.

**Michael Higgins** has served as a member of our board of directors since February 2015. In January 2015, Mr. Higgins joined Polaris Venture Partners as an entrepreneur-in-residence. Prior to joining Polaris Venture Partners, Mr. Higgins served as Chief Operating Officer and Chief Financial Officer at Ironwood Pharmaceuticals from 2003 through 2014, playing a key role in Ironwood's evolution from a privately-funded discovery organization through its initial public offering and the launch of its first commercial product. Under his leadership, the company was able to raise more than one billion dollars to help support the development of the business during that period. Prior to his work at Ironwood, from 1997 through 2003, Mr. Higgins worked at Genzyme Corporation in a variety of leadership roles including Vice President, Corporate Finance and Vice President, Business Development. While at Genzyme, he was involved with multiple businesses including the Cell Therapy, Gene Therapy, and Orphan Disease business units. Previously, Mr. Higgins served as Chief Financial Officer of Procept, Inc., from 1992 to 1997 and led the company through its initial public offering. Mr. Higgins began his pharmaceutical career as a sales representative for Schering-Plough Corporation in 1986. Mr. Higgins earned his Bachelor of Science degree from Cornell University and holds a Masters in Business Administration from the Amos Tuck School of Business at Dartmouth College. We believe that Mr. Higgins' financial and business expertise, including his diversified background as an executive officer in public pharmaceutical companies, qualifies him to serve as a member of our board of directors.

**Stephen J. Hoffman, M.D., Ph.D.** has served as a member of our board of directors since December 2010. Dr. Hoffman has been a Senior Advisor to PDL BioPharma, Inc. since February 2014. Prior to that, Dr. Hoffman served as a managing director at Skyline Ventures, a venture capital firm, since May 2007. From January 2003 to March 2007, Dr. Hoffman was a general partner at TVM Capital, a venture capital firm. Prior to that, he served as President, Chief Executive Officer and a director of Allos Therapeutics, Inc., or Allos, a biopharmaceutical company, from 1994 to 2002, and as Chairman of the Board until 2012. From 1990 to 1994, Dr. Hoffman completed a fellowship in clinical oncology and a residency/fellowship in dermatology, both at the University of Colorado. Dr. Hoffman was the scientific founder of Somatogen Inc., a biotechnology company that was acquired by Baxter International, Inc., a global medical products and services company, in 1998, where he held the position of Vice President of Science and Technology from 1987 until 1990. In addition to serving as a director of our Company, he currently serves as a director of several biopharmaceutical companies, including AcetRx, Inc., Concert Pharmaceuticals, Inc., Collegium Pharmaceuticals, Inc., Dicerna Pharmaceuticals, Inc. and Proteon Therapeutics, Inc. Previously, Dr. Hoffman served on the board of directors of Sirtris Pharmaceuticals, Inc., a pharmaceutical company that was acquired by GlaxoSmithKline, in 2008. Dr. Hoffman holds a Ph.D. in bio-organic chemistry from Northwestern University and an M.D. from the University of Colorado School of Medicine. We believe that Dr. Hoffman's scientific, financial and business expertise, including his diversified background as an executive officer and investor in public pharmaceutical companies as well as a director of a public pharmaceutical company, qualifies him to serve as a member of our board of directors.

**George Siber, M.D.** has served as a member of our board of directors since 2007. From 1996 to 2007, Dr. Siber served as Executive Vice President and Chief Scientific Officer of Wyeth Vaccines, or Wyeth. While at Wyeth, Dr. Siber oversaw the development and approval of multiple widely-used childhood vaccines, including Prevnar, a pneumococcal vaccine which has achieved multibillion dollar revenues; Acet-Immune, an acellular pertussis vaccine; and Meningitec, a meningococcal meningitis vaccine. Prior to Wyeth, Dr. Siber was Director of the Massachusetts Public Health Biologic Laboratories and a Harvard Medical School Associate Professor of Medicine at Dana Farber Cancer Institute. During this time, Dr. Siber led the research and manufacturing of multiple vaccines and immune globulins including Respigam, a human immune globulin against respiratory syncytial virus. Since 2007, Dr. Siber has served on the boards of directors of several vaccine companies, including Crucell, Selecta Biosciences, Vedantra Pharmaceuticals and Affinivax Inc., and as a consultant or scientific advisory board member of ClearPath Vaccines Company, of which he is currently the Chief Scientific Officer, PaxVax, Vaxess Technologies, Inc., the Bill & Melinda Gates Foundation, PATH, the Wellcome Trust, the European Commission (on vaccinations), the National Institutes of Health, or NIH, and the Korean FDA. Dr. Siber serves as a member of the Board of Trustees of the International Vaccine Institute. Dr. Siber holds an MD degree from McGill University in Canada, received post-doctoral training in



Internal Medicine at Rush-Presbyterian Hospital in Chicago and Beth Israel Hospital in Boston and Infectious Disease and vaccinology training at Children’s Hospital and Beth Israel Hospital, Harvard Medical School Boston. We believe that Dr. Siber’s experience in life sciences and vaccine industries and his experience overseeing the development of multiple vaccines qualifies him to serve as a member of our board of directors.

**Board Composition and Election of Directors**

*Board Composition*

Our board of directors is currently comprised of seven members. Our board of directors has determined that each of Mr. Bate, Dr. Bitterman, Ms. Bosley, Mr. Higgins and Dr. Hoffman is independent for NASDAQ purposes. Our directors hold office until their successors have been elected and qualified or until their earlier death, resignation or removal. There are no family relationships among any of our directors or executive officers.

Our amended and restated certificate of incorporation and amended and restated by-laws provide that the authorized number of directors may be changed only by resolution of our board of directors. Our amended and restated certificate of incorporation and amended and restated by-laws also provide that our directors may be removed only for cause by the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in an annual election of directors, and that any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

In accordance with the terms of our certificate of incorporation and by-laws that, our board of directors are divided into three classes, class I, class II and class III, with members of each class serving staggered three-year terms. The members of the classes are divided as follows:

- the class I directors are Mr. Bate and Dr. Bitterman, whose terms expire in 2015;
- the class II directors are Ms. Bosley, Mr. Higgins, and Dr. Hoffman, whose terms expire in 2016; and
- the class III directors are Mr. Clark and Dr. Siber, whose terms expire in 2017.

Upon the expiration of the term of a class of directors, directors in that class will be eligible to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires.

We have no formal policy regarding board diversity. Our priority in selection of board members is identification of members who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business and understanding of the competitive landscape.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Our directors, executive officers and beneficial owners of more than 10% of our common stock are required under Section 16(a) of the Exchange Act, to file reports of ownership and changes in ownership of our securities with the Securities and Exchange Commission. To our knowledge, based solely on review of these filings and written representations from the certain reporting persons, we believe that during the year ended December 31, 2014, our officers, directors and beneficial owners of more than 10% of our common stock have filed the appropriate forms under Section 16(a) of the Exchange Act except (a) Jonathan Poole was delinquent in filing a Form 4 to report options acquired upon becoming an officer of the Company and (b) S.R. One Limited, a more than 10% stockholder of our common stock, was delinquent in filing a Form 3 with the pricing of our IPO on February 4, 2014; each of which have been made at the time of filing our Annual Report on Form 10-K.

### **Board Committees**

Our board of directors has three standing committees: the audit committee, the compensation committee and the nominating and corporate governance committee. Our board of directors may establish other committees from time to time.

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

Our audit committee is composed of Mr. Bate, Ms. Bosley, and Dr. Hoffman, with Dr. Hoffman serving as chairman of the committee. Our board of directors has determined that each member of the audit committee meets the independence requirements of Rule 10A-3 under the Exchange Act and the applicable listing standards of NASDAQ. Our board of directors has determined that Mr. Bate, Ms. Bosley and Dr. Hoffman are “audit committee financial expert” within the meaning of the Securities and Exchange Commission regulations and applicable listing standards of NASDAQ. The audit committee’s responsibilities include:

- appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the internal audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- reviewing the adequacy of our internal control over financial reporting;

- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the audit committee’s review and discussions with management and the independent registered public accounting firm, whether our audited financial statements shall be included in our Annual Report on Form 10-K;
- monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by the rules of the SEC to be included in our annual proxy statement;
- viewing all related party transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing and discussing with management and our independent registered public accounting firm our earnings releases and scripts.

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

Our compensation committee is composed of Mr. Bate and Dr. Bitterman, with Mr. Bate serving as chairman of the committee. Our board of directors has determined that Mr. Bate and Dr. Bitterman are “independent” as defined under the applicable listing standards of NASDAQ. The compensation committee’s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining and approving the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- conducting the independence assessment outlined in NASDAQ rules with respect to any compensation consultant, legal counsel or other advisor retained by the compensation committee;
- annually reviewing and reassessing the adequacy of the committee charter in its compliance with the listing requirements of NASDAQ;
- reviewing and establishing our overall management compensation philosophy and policy;
- overseeing and administering our equity compensation and other compensatory plans;
- reviewing and approving our equity and incentive policies and procedures for the grant of equity-based awards and approving the grant of such equity-based awards;
- reviewing and making recommendations to the board of directors with respect to director compensation; and
- reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

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

Our nominating and corporate governance committee is composed of Dr. Bitterman, Ms. Bosley and Dr. Hoffman, with Ms. Bosley serving as chairman of the committee. Our board of directors has determined that each member of the nominating and corporate governance committee is “independent” as defined under the applicable listing standards of NASDAQ. The nominating and corporate governance committee’s responsibilities include:

- developing and recommending to the board of directors criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board of directors a set of corporate governance principles;
- articulating to each director what is expected, including reference to the corporate governance principles and directors' duties and responsibilities;
- reviewing and recommending to the board of directors practices and policies with respect to directors;
- reviewing and recommending to the board of directors the functions, duties and compositions of the committees of the board of directors;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- consider and report to the board of directors any questions of possible conflicts of interest of board of directors members;
- provide for new director orientation and continuing education for existing directors on a periodic basis;
- performing an evaluation of the performance of the committee; and
- overseeing the evaluation of the board of directors and management.

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

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. A current copy of the code is posted on the "Investor Relations — Corporate Governance" section of our website, which is located at [ir.genocoea.com](http://ir.genocoea.com). In addition, we have posted on our website all disclosures that are required by law, the rules of the Securities and Exchange Commission or NASDAQ stock market listing standards concerning any amendments to, or waivers from, any provision of the code.

### **Item 11. Executive and Director Compensation**

#### **Overview**

The following discussion relates to the compensation of our President and Chief Executive Officer, William Clark, and our two most highly compensated executive officers (other than our Chief Executive Officer), Seth Hetherington, M.D., our Chief Medical Officer, and Jonathan Poole, our Chief Financial Officer. Mr. Poole commenced employment with us, and became our Chief Financial Officer, on April 7, 2014. These three executives are collectively referred to in this Annual Report on Form 10-K as our named executive officers. Each year, the compensation committee of our board of directors and our board of directors review and determine the compensation of our named executive officers.

#### **Elements of Executive Compensation**

The compensation of our named executive officers consists of base salary, annual cash bonuses and equity awards as well as employee benefits that are made available to substantially all salaried employees. Our named executive officers are also entitled to certain compensation and benefits upon certain terminations of employment and change of control transactions pursuant to employment letter agreements.

**Base Salaries.** Base salaries for our named executive officers are reviewed annually by our compensation committee and are set by our board of directors. When making its base salary recommendations to our board of directors, our compensation committee takes factors into account such as each executive's experience and individual performance, the Company's performance as a whole, data from surveys of compensation paid by comparable companies, cost of living increases and general industry conditions, but does not assign any specific weighting to any factor. Our board of directors determines each named executive officer's base salary after reviewing the compensation committee's recommendation with respect to such salaries. In fiscal 2014, on the recommendation of our compensation committee, our board of directors approved a base salary of \$399 thousand for Mr. Clark and \$369 thousand for Dr. Hetherington, representing an increase of 19.1% and 11.1%, respectively, from the base salary for each such executive in 2013. Mr. Poole's employment letter agreement, which became effective on April 7, 2014 upon commencement of his employment with us, provides for an initial base salary of \$320 thousand.

**Annual Cash Bonuses.** Our annual cash bonus program promotes and rewards the achievement of key strategic business goals and individual performance goals. For fiscal 2014, the target annual bonus as a percentage of base salary, was 50% for Mr. Clark, and 35% for each of Dr. Hetherington, and Mr. Poole. In the case of Mr. Clark, 100% of his annual bonus was based on the achievement of pre-established corporate performance goals and, in the case of Dr. Hetherington and Mr. Poole, 50% of the executive's respective annual bonus was based on the achievement of pre-established corporate performance goals and 50% was based on a quantitative and qualitative assessment of pre-established individual performance goals.

At the beginning of fiscal 2014, our compensation committee established the corporate performance goals for 2014, each having a designated weighting. These corporate performance goals included key strategic and financial goals related to business development and grant funding, maintenance of a certain level of cash reserves, the development and commencement of certain clinical and commercial programs, the completion of research reports, and other strategic objectives related to our clinical pipeline. Also at the beginning of fiscal 2014, our chief executive officer, working with Dr. Hetherington, established Dr. Hetherington's individual performance goals and their weightings. In the case of Mr. Poole, individual and corporate performance goals and their weightings were established by Mr. Clark upon the commencement of his employment with us in April 2014. These goals included, to the extent applicable to the executive, objectives related to oversight of clinical activities for compliance with laws, developing and conducting clinical programs and studies, research and development, managing studies according to schedule and within budgets, business and corporate development and demonstrating leadership with respect to direct reports.

In February 2015, our compensation committee met to determine the level of performance achieved for purposes of making its recommendation to our board of directors regarding the amount of the annual cash bonus to be paid to each of our named executive officers for performance in fiscal 2014. The compensation committee evaluated our performance against the pre-established corporate performance goals for 2014, taking into consideration Mr. Clark's evaluation of our performance in 2014. With respect to the individual performance goals applicable to Dr. Hetherington and Mr. Poole, our compensation committee also considered Mr. Clark's determination that Dr. Hetherington and Mr. Poole had achieved 95% and 97%, respectively, of each such executive's individual performance goals. After determining that 90% of the corporate performance goals were achieved in fiscal 2014, and after considering Mr. Clark's determination regarding the level of achievement of individual performance goals, our compensation committee recommended, and our board of directors approved, a 2014 cash bonus of \$179,744 for Mr. Clark, \$119,612 for Dr. Hetherington, and \$78,540 for Mr. Poole. Mr. Poole's annual cash bonus for fiscal 2014 reflects an amount that was pro-rated for the period from April 7, 2014 (the day he commenced his employment with us) to December 31, 2014.

In addition to the annual cash bonus for fiscal 2014, Mr. Poole received a one-time signing bonus of \$50 thousand upon the commencement of his employment with us on April 7, 2014.

**Equity Awards.** Our named executive officers are eligible to participate in the Genocoe Biosciences, Inc. 2014 Equity Incentive Plan, which we refer to as the "2014 Equity Plan". Our 2014 Equity Plan was adopted by our board of directors in connection with our initial public offering. Mr. Clark and Dr. Hetherington have also each been granted equity awards under the Genocoe Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan, which we refer to as the "2007 Equity Plan". Following the adoption of the 2014 Equity Plan and our initial public offering, all equity-based awards have been and will be granted under our 2014 Equity Plan and no future awards will be made under the 2007 Equity Plan.

In April 2014, in connection with the commencement of his employment with us, Mr. Poole received an award of time-vesting stock options to purchase 200,726 shares of our common stock under the 2014 Equity plan that vests as to 25% of the shares subject to stock option 12 months from the date of grant, and thereafter vests in equal monthly installments over the following 36 months, generally subject to his continued employment. No other equity awards were granted to our named executive officers in fiscal 2014.

Stock option awards serve to align the interests of our named executive officers with our shareholders because no value is created unless the value of our common stock appreciates after grant. Stock option awards also encourage retention through the use of time-based vesting conditions. We have in the past also granted stock options that are subject to performance-based vesting

conditions, thereby incentivizing the achievement of key strategic goals. Pursuant to agreements with our named executive officers, their stock option awards will vest automatically upon certain terminations of employment following a change of control of our Company. See “—Employment Letter Agreements” below for additional details about these agreements.

**Benefits.** We provide modest benefits to our named executive officers, which are limited to participation in our 401(k) plan and basic health and welfare benefit coverage. These benefits are available to substantially all of our salaried employees.

**Employment Letter Agreements.** We have entered into an employment letter agreement with each of our named executive officers that, in each case, includes severance and change of control protections. Our named executive officers are also subject to restrictive covenants, covering noncompetition, nonsolicitation and confidentiality.

### Summary Compensation Table

The following table sets forth information about compensation awarded or paid to our named executive officers for fiscal years 2014, in the case of all of our named executive officers, and 2013, in the case of Mr. Clark and Dr. Hetherington.

Name and principal position	Year	Salary \$(2)	Bonus \$(3)	Option awards \$(4)	Nonequity incentive plan compensation \$(5)	Total (\$)
William Clark,	2014	393,561	—	—	179,744	573,305
President and Chief Executive Officer	2013	334,280	—	413,842	107,320	855,442
Seth Hetherington, M.D.,	2014	366,074	—	—	119,612	485,686
Chief Medical Officer	2013	331,459	—	176,616	88,989	597,064
Jonathan Poole,	2014	235,151	50,000	2,904,505	78,540	3,268,196
Chief Financial Officer (1)						

- (1) Mr. Poole was not a named executive officer in fiscal year 2013 and, as a result, no amounts with respect to fiscal year 2013 have been included for Mr. Poole in the table above. Amounts in the table represent Mr. Poole’s compensation for the period since he commenced employment with the Company in April 2014.
- (2) Salaries include amounts contributed by the named executive officer to our 401(k) plan.
- (3) Amount reflects the signing bonus paid to Mr. Poole in connection with the commencement of his employment with us.
- (4) Amounts shown reflect the aggregate grant date fair value of time-vesting stock options awarded in fiscal 2013 and fiscal 2014, computed in accordance with FASB ASC Topic 718 and exclude the value of estimated forfeitures. Assumptions used in the calculation of these amounts are included in Note 12 to our financial statements included elsewhere in this Annual Report on Form 10-K. Mr. Clark was also granted a performance-vesting stock option in 2013. The grant date fair value of the performance-vesting stock option granted to Mr. Clark in fiscal year 2013 was based on the probable outcome of the performance conditions associated with the stock option as of the date of grant. No amount was included in 2013 in the table above for this stock option since the performance conditions were not considered probable of occurring on the date of grant in 2013. The aggregate grant date fair value of this performance-vesting stock option assuming the highest levels of performance conditions are achieved is \$252,981. This performance-vesting stock option awarded to Mr. Clark in 2013 vested in full upon the completion of our IPO on February 10, 2014.
- (5) Amounts shown reflect the cash amount paid to the named executive officer that was earned based on the achievement of Company performance goals, in the case of Mr. Clark, and Company and individual performance goals, in the case of Dr. Hetherington and Mr. Poole.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding equity awards held by our named executive officers as of December 31, 2014. Our named executive officers do not hold any equity awards other than stock options.



## OPTION AWARDS

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: number of securities underlying unexercised unearned options (#)	Option Exercise Price (\$)(5)	Option Expiration Date(6)
William Clark	24,716(1)	—	—	\$ 2.86	12/17/2020
	—	—	39,807(2)	\$ 2.86	12/17/2020
	326,377(1)	14,191(1)	—	\$ 2.02	2/17/2021
	64,018(3)	69,584(3)	—	\$ 3.45	7/25/2023
	81,670(2)	—	—	\$ 3.45	7/25/2023
Seth Hetherington, M.D.	72,425(4)	1,541(4)	—	\$ 2.02	2/17/2021
	14,551(2)	—	—	\$ 2.02	2/17/2021
	27,321(3)	29,696(3)	—	\$ 3.45	7/25/2023
Jonathan Poole	—	200,726(4)	—	\$ 17.89	4/7/2024

- (1) Reflects time-based stock options to purchase shares of our common stock that vest in 48 equal monthly installments following the date of grant, generally subject to the executive's continued employment.
- (2) Reflects performance-based stock options to purchase shares of our common stock that vest as to 100% of the shares subject to the stock option, in the case of Mr. Clark, upon the company's achievement of specified strategic financing or development milestones, and in the case of Dr. Hetherington, upon the company's achievement of a milestone related to the initiation of a clinical trial, in each case, generally subject to the executive's continued employment. The performance-based stock option awarded to Mr. Clark on July 25, 2013 vested in full upon the completion of our IPO on February 10, 2014. The performance-based stock option awarded to Dr. Hetherington vested in full in fiscal 2012.
- (3) Reflects time-based stock options to purchase shares of our common stock that vested as to 1/8th of the shares subject to the stock option on the date of grant and that continue to vest in equal monthly installments over 42 months following the date of grant, generally subject to the executive's continued employment.
- (4) Reflects time-based stock options to purchase shares of our common stock that vest as to 25% of the shares subject to the stock option on the vesting commencement date (approximately 12 months from the grant date) and thereafter vest in equal monthly installments over the following 36 months, generally subject to the executive's continued employment.
- (5) The exercise price of the stock options is not less than the fair market value of a share of our common stock, as determined by our board of directors based, in part, on an independent third party valuation. For stock options granted following our IPO, the exercise price is the closing price of a share of our common stock on the date of grant of the stock option.
- (6) All stock options have a 10-year term measured from the date of grant.

**Retirement Benefits**

We do not maintain any qualified or non-qualified defined benefit plans or supplemental executive retirement plans that cover our named executive officers. We offer a tax-qualified retirement plan, which we refer to as our 401(k) plan, to eligible employees, including our named executive officers. Our 401(k) plan permits eligible employees to defer their annual eligible compensation subject to the limitations imposed by the Internal Revenue Service. We may, but are not required to, make discretionary profit-sharing contributions on behalf of eligible employees under this plan. We did not make any contributions on behalf of eligible employees in fiscal year 2014.

**Employment Letter Agreements**

We have entered into employment letter agreements with each of our named executive officers. On January 16, 2014, we entered into an amended and restated employment letter agreement with each of Mr. Clark, and Dr. Hetherington, each of which became effective prior to the completion of our IPO. We also entered into an employment letter agreement with Mr. Poole, who began serving as our Chief Financial Officer on April 7, 2014. Each employment letter agreement provides for an initial base salary of \$399,433, in the case of Mr. Clark, \$369,458 in the case of Dr. Hetherington, and \$320,000 in the case of Mr. Poole, as well as a discretionary performance-based bonus, with a target, as a percentage of base salary, of 50% for Mr. Clark and 35% for each of Dr. Hetherington and Mr. Poole. In addition, pursuant to Mr. Poole's employment letter agreement, he was entitled a cash signing bonus of

\$50,000, payable within 30 days of the commencement of his employment, and a stock option to purchase 200,726 shares of our common stock (which was equal to 1% of the total number of shares of our common stock outstanding on a fully diluted basis on the date of grant) under the 2014 Equity Plan. Each agreement also provides for severance payments and benefits upon certain terminations of the executive's employment as described below.

***Termination of Employment without Cause or for Good Reason Following a Change of Control.*** If, within 12 months after a change of control (as defined in the executive's employment letter agreement), the executive's employment is terminated by us without cause or the executive terminates his employment for good reason (as such terms are defined in the executive's employment letter agreement), all stock options or other equity awards then held by the executive will fully vest. In addition, the executive will be entitled to receive base salary and payment of COBRA premiums for 18 months, in the case of Mr. Clark, or 15 months, in the case of Dr. Hetherington and Mr. Poole, following such termination of employment.

***Termination of Employment without Cause or for Good Reason.*** If the executive's employment is terminated by us without cause or the executive terminates his employment for good reason (as such terms are defined in the executive's employment letter agreement) other than following a change of control as described above, the executive will be entitled to receive base salary and payment of COBRA premiums for 12 months, in the case of Mr. Clark, or nine months, in the case of Dr. Hetherington and Mr. Poole, following such termination of employment.

***Termination of Employment Due to Death or Disability.*** If the executive's employment is terminated by us due to the executive's disability or is terminated due to the executive's death, we will pay the executive a portion of the executive's target annual cash bonus for the year in which such termination of employment occurs, prorated based on the number of days the executive was employed during such year until the date of such termination.

***Severance Subject to Release of Claims.*** Our obligation to provide the executive with any severance payments or other benefits under the executive's employment letter agreement is conditioned on the executive signing and not revoking an effective release of claims in our favor.

***Other Termination of Employment.*** If the executive's employment is terminated for any reason other than by us without cause, by the executive for good reason, or due to the executive's death or disability, the executive will only be entitled to receive earned but unpaid base salary and any accrued but not used vacation as of the termination date.

***280G Better-of Provision .*** In the event of a change in ownership or control of our Company under Section 280G of the Internal Revenue Code of 1986, as amended, or the Code, and the regulations thereunder, if any portion of the payments made pursuant to the executive's employment letter agreement (or otherwise) constitutes an "excess parachute payment" within the meaning of Section 280G of the Code, the executive will be entitled to receive an amount of such payments reduced so that no portion of the payments would constitute an excess parachute payment, or the amount otherwise payable to the executive under the employment letter agreement (or otherwise) reduced by all applicable taxes, including the excise tax, whichever amount results in the greater amount payable to the executive.

***Employment Conditioned on Restrictive Covenants.*** As a condition to the executive's employment with us, the executive was required to sign and must comply with the terms of an At-Will Employment, Confidential Information, Invention Assignment and Non-Competition Agreement, pursuant to which the executive has agreed not to compete with us for a period of 12 months following the termination of his employment and not to solicit our employees or independent contractors for a period of 36 months following the termination of his employment. Each executive has also agreed to covenants relating to the use and disclosure of confidential information and the assignment of inventions.

## **2014 Director Compensation**

The following table sets forth information concerning the compensation earned by our directors during 2014. From and after the completion of our IPO in February 2014, all of our non-employee directors were compensated for service on our board of directors under our non-employee director compensation policy. Prior to the completion of our IPO, Dr. Siber and Ms. Bosley were the only directors who were compensated for service on our board of directors. Mr. Clark receives no additional compensation for his service as a director, and, consequently, is not included in this table. The compensation received by Mr. Clark as our chief executive officer during 2014 is included in the "Summary Compensation Table" above.

## Director Compensation

Name	Fees Earned or Paid in Cash \$(1)	Option awards \$(2)	Total (\$)
Kenneth Bate	15,978	96,946(3)	112,924
Kevin Bitterman, Ph.D.	41,455	—	41,455
Katrine Bosley	71,710	—	71,710
Stephen Hoffman, M.D., Ph.D.	47,407	—	47,407
George Siber, M.D.	156,006	—	156,006

- (1) Amounts represent annual director fees and, in the case of Dr. Siber, consulting fees, for services rendered. Consulting fees paid to Dr. Siber were paid in equal bi-monthly installments and all other fees were paid quarterly in arrears.
- (2) As of December 31, 2014, our directors held the following aggregate number of options to purchase shares of our common stock: Mr. Bate held options to purchase 10,084 shares of our common stock, Ms. Bosley held options to purchase 36,966 shares of our common stock, and Dr. Siber held options to purchase 133,672 shares of our common stock. As of December 31, 2014, Ms. Bosley held 16,840 restricted shares, which she received upon the exercise of the option granted to her on February 4, 2013.
- (3) Amount represents the aggregate grant date fair value of awards of time-vesting stock options granted to Mr. Bate in September 2014, upon his election to our Board of Directors, pursuant to our non-employee director compensation policy. This amount was computed in accordance with FASB ASC Topic 718 and excludes the value of estimated forfeitures. Assumptions used in the calculation of this amount are included in Note 12 to our financial statements included elsewhere in this Annual Report on Form 10-K. No stock options were granted to our non-employee directors in fiscal 2014 other than to Mr. Bate.

## Non-Employee Director Compensation Policy

In connection with our IPO, our board of directors adopted a non-employee director compensation policy that is designed to enable us to attract and retain, on a long-term basis, highly qualified non-employee directors. Under the policy, all non-employee directors will be paid cash compensation from and after the completion of our IPO, as set forth in the following table:

	Annual Retainer
<b>Board of Directors:</b>	
All non-employee members	\$ 35,000
Additional retainer for chair	\$ 25,000
<b>Audit Committee:</b>	
Members	\$ 7,500
Additional retainer for chair	\$ 7,500
<b>Compensation Committee:</b>	
Members	\$ 5,000
Additional retainer for chair	\$ 5,000
<b>Nominating and Corporate Governance Committee:</b>	
Members	\$ 3,500
Additional retainer for chair	\$ 3,500

Under our non-employee director compensation policy, each individual who is not an employee who is initially appointed or elected to our board of directors will be eligible to receive a grant of stock options to purchase 10,084 shares of our common stock under our 2014 Equity Plan at the time of his or her initial appointment or election to our board of directors, which will vest annually in equal installments over a three-year period. In addition, each continuing non-employee director will be eligible to receive, on the first business day following January 1<sup>st</sup> of each calendar year, an annual stock option grant to purchase 5,042 shares of our common stock, which will vest in full on the first anniversary of the grant date. The stock options will be granted with an exercise price equal to the fair market value of a share of our common stock on the date of grant and have a 10-year term.

## **Director Agreements**

### ***Dr. Siber***

We entered into a consulting agreement with Dr. Siber dated May 16, 2007, as amended on June 30, 2009, December 16, 2010, June 15, 2011 and June 5, 2013, providing for a consulting fee of \$10 thousand per month, for consulting services performed by Dr. Siber related to strategic scientific and business development as well as for his service as the chairman of our board of directors. Dr. Siber was also entitled to receive grants of restricted stock and stock options in connection with his service to us. All stock options granted to Dr. Siber pursuant to the consulting agreement will fully vest if, within 12 months following a change of control of our Company, either we (or our successor) terminate the consulting agreement without cause (as such term is described in the consulting agreement), or we (or our successor) do not offer to extend the term of the agreement.

Dr. Siber has agreed not to solicit our employees, contractors, and customers for a period of 12 months following the termination of the consulting agreement and is subject to covenants relating to the use and disclosure of confidential information and the assignment of inventions. Unless extended or earlier terminated, the term of the consulting agreement will expire on June 17, 2015.

### ***Ms. Bosley***

We entered into a letter agreement with Ms. Bosley, the chair of our board of directors, dated as of February 4, 2013, the date she was appointed to serve on our board of directors. Pursuant to the letter agreement, Ms. Bosley was entitled to an annual fee for board meeting attendance of \$30,000 per year (which annual fee was subsequently increased to \$50,000 per year) and was also entitled to certain equity rights. Effective as of the completion of our IPO, this letter agreement terminated and Ms. Bosley is eligible to participate in our non-employee director compensation policy described above on the same terms as other directors.

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

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee. Our compensation committee is composed of Mr. Bate and Dr. Bitterman, with Mr. Bate serving as chairman of the committee. None of the members of our compensation committee has ever been employed by us. For a description of transactions between us and members of our compensation committee and affiliates of such members, please see the section of this Annual Report on Form 10-K titled “Certain Relationships and Related Party Transactions”.

## **Compensation Committee Report**

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management and recommends to the board of directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

In accordance with the rules of the Securities and Exchange Commission, this report is not to be deemed “soliciting material”, or deemed to be “filed” with the Securities and Exchange Commission or subject to the Securities and Exchange Commission’s Regulation 14A or Regulation 14C, other than as provided in Item 407 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference in documents otherwise filed.

February 27, 2015

Members of the Compensation Committee:

Kenneth Bate, Chair  
Kevin Bitterman

*The Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.*

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

**Securities Authorized for Issuance Under Equity Compensation Plans**

See “Securities Authorized for Issuance Under Equity Compensation Plans” in Item 5 of this Annual Report on Form 10-K.

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information relating to the beneficial ownership of our common stock as of February 15, 2015, by: each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding shares of common stock; each of our directors; each of our named executive officers; and all directors and executive officers as a group.

The percentage of shares beneficially owned is computed on the basis of 17,858,705 shares of our common stock outstanding as of February 15, 2015. The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Shares of our common stock that a person has the right to acquire within 60 days of February 15, 2015 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. Unless otherwise indicated below, the address for each beneficial owner listed is c/o Genoclea Biosciences, Inc., Cambridge Discovery Park, 100 Acorn Park Drive, Cambridge, MA 02140

Name and Address of Beneficial Owned	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% or greater stockholders:</b>		
FMR LLC, and related funds(1) 245 Summer Street Boston, MA 02210	2,641,523	14.8%
Polaris Venture Partners, and related funds(2) 650 East Kendall Street, 4th Floor Cambridge, MA 02142	2,055,230	11.5%
S.R. One, Limited(3) c/o Corporation Service Company 2595 Interstate Drive, Suite 103 Harrisburg, PA 17110	1,671,668	9.4%
Johnson & Johnson Development Corporation(4) 410 George Street New Brunswick, NJ 08901	1,431,520	8.0%
Skyline Venture Partners V, L.P.(5) 525 University Avenue, Suite 610 Palo Alto, CA 94301	1,292,415	7.2%
CVF, LLC(6) 222 N. LaSalle Street, Suite 2000 Chicago, IL 60601	1,218,740	6.8%
Lux Ventures, and related funds(7) 295 Madison Avenue, 24th Floor New York, NY 10017	1,072,611	6.0%
<b>Directors and Named Executive Officers:</b>		
William Clark(8)	559,128	3.1%
Seth Hetherington, M.D.(9)	130,401	*
Jonathan Poole(10)	41,568	*
George Siber, M.D.(11)	103,300	*
Kevin Bitterman, Ph.D.(12)	2,055,230	11.5%
Katrine Bosley(13)	44,184	*
Stephen Hoffman, M.D., Ph.D. (14)	1,292,415	7.2%
Kenneth Bate	—	—
All executive officers and directors as a group (12 persons)(15)	4,386,687	24.6%

\* Represents beneficial ownership of less than one percent of our outstanding common stock.

(1) Consists of 2,641,523 shares of common stock held by FMR LLC. Edward C. Johnson 3d, Chairman of FMR LLC, has sole power to dispose of the 2,641,523 shares owned by FMR LLC. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. For information regarding FMR LLC and its affiliates, we have relied on the Schedule 13G filed by FMR LLC with the SEC on February 13, 2015.

(2) Consists of (i) 1,983,164 shares of common stock held by Polaris Venture Partners V, L.P., (ii) 38,648 shares of common stock held by Polaris Venture Partners Entrepreneurs' Fund, L.P., (iii) 13,585 shares of common stock held by Polaris Venture Partners Founders' Fund V, L.P., and (iv) 19,833 shares of common stock held by Polaris Venture Partners Special Founders' Fund V, L.P. (together with Polaris Venture Partners V, L.P., Polaris Venture Partners Entrepreneurs' Fund, L.P. and Polaris Venture Partners Founders' Fund V, L.P., the Polaris Funds). North Star Venture Management 2000, LLC directly or indirectly provides investment advisory services to various venture capital funds, including the Polaris Funds. Jonathan Flint and Terrance McGuire, managing members of North Star Venture Management 2000, LLC, exercise voting and investment power with respect to North Star Venture Management, 2000. Each of the Polaris Funds has the sole voting and investment power with respect to the shares of the Company directly held by the applicable Polaris Fund. The respective general partners of the Polaris Funds may be deemed to have sole voting and investment power with respect to the shares held by such funds. The respective general partners disclaim beneficial ownership of all the shares held by the Polaris Funds except to the extent of their proportionate pecuniary interests therein. The members of North



Star Venture Management 2000, LLC (the Polaris Management Members) are also members of Polaris Venture Management Co., V, L.L.C. (the general partner of each of the Polaris Funds). Jonathan Flint and Terrance McGuire, managing members of Polaris Venture Management Co. V, L.L.C., exercise voting and investment power with respect to Polaris Venture Management Co. V, L.L.C. As members of the general partner and North Star Venture Management 2000, LLC, the Polaris Management Members may be deemed to share voting and investment powers for the shares held by the Polaris Funds. The Polaris Management Members disclaim beneficial ownership of all such shares held by the funds except to the extent of their proportionate pecuniary interests therein. Kevin Bitterman, a director of the Company, has an assignee interest in Polaris Venture Management Co. V, L.L.C. To the extent that he is deemed to share voting and investment powers with respect to the shares held by the Polaris Funds, Dr. Bitterman disclaims beneficial ownership of all the shares held by the funds except to the extent of his proportionate pecuniary interest therein.

(3) Consists of 1,671,668 shares of common stock held by S.R. One, Limited, an indirect, wholly-owned subsidiary of GlaxoSmithKline plc.

(4) Consists of 1,431,520 shares of common stock held by Johnson & Johnson Development Corporation. For information regarding Johnson & Johnson Development Corporation, we have relied on the Schedule 13G filed by Johnson & Johnson Development Corporation with the SEC on February 5, 2015.

(5) Consists of 1,292,415 shares of common stock held by Skyline Venture Partners V, L.P. The general partner of Skyline Venture Partners V, L.P. is Skyline Venture Management V, LLC. John G. Freund and Yasunori Kaneko are Managers of Skyline Venture Management V, LLC and hereby disclaim beneficial ownership of all the shares held by Skyline Venture Partners V, L.P. except to the extent of his respective proportionate pecuniary interest therein. Stephen Hoffman has an assignee interest in Skyline Venture Partners V, L.P. To the extent that he is deemed to share voting and investment powers with respect to the shares held by the Skyline Venture Funds, Dr. Hoffman disclaims beneficial ownership of all the shares held by the funds except to the extent of his proportionate pecuniary interest therein.

(6) Consists of 1,218,740 shares of common stock. Richard H. Robb, manager of CVF, LLC, exercises voting and investment power with respect to shares held by CVF, LLC. Mr. Robb disclaims beneficial ownership of all shares held by CVF, LLC except to the extent of his pecuniary interest therein.

(7) Consists of (i) 1,025,835 shares of common stock held by Lux Ventures II, L.P. ("LV-II") and (ii) 46,776 shares of common stock held by Lux Ventures II Sidecar, L.P. ("Sidecar") (together with LV-II and Sidecar, the "Lux Funds"). Lux Venture Partners II, L.P. ("LVP-II") is (i) the general partner of the Lux Funds, Robert Paull, Joshua Wolfe and Peter Hebert are the individual managers of LCM LLC (the "Individual Managers"). LVP II and LCM LLC disclaim beneficial ownership of such shares, except to the extent of their pecuniary interest therein. LCM LLC, as sole member, may be deemed to share voting and investment powers for the shares held by the Lux Funds. As one of three individual managers, each of the Individual Managers disclaims beneficial ownership over the shares reported herein, and in all events disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(8) Consists of 39,807 shares of common stock, 506,658 shares of common stock that can be acquired upon the exercise of outstanding options and 12,663 shares of common stock that can be acquired upon the exercise of options within 60 days of February 15, 2015.

(9) Consists of 11,000 shares of common stock, 117,026 shares of common stock that can be acquired upon the exercise of outstanding options and 2,375 shares of common stock that can be acquired upon the exercise of options within 60 days of February 15, 2015.

(10) Consists of 1,423 shares of common stock, 40,145 shares of common stock that can be acquired upon the exercise of options within 60 days of February 15, 2015.

(11) Consists of 2,016 shares of common stock, 100,001 shares of common stock that can be acquired upon the exercise of outstanding options and 1,283 shares of common stock that can be acquired upon the exercise of options within 60 days of February 15, 2015.

(12) Consists of shares held by Polaris Venture Partners or related funds. By virtue of the relationships described in footnote 2 above, Dr. Bitterman may be deemed to share beneficial ownership in the shares held by Polaris Venture Partners or related funds. Dr. Bitterman disclaims beneficial ownership of the shares referred to in footnote 2 above.

(13) Consists of 31,092 shares of common stock, 11,552 shares of common stock that can be acquired upon the exercise of outstanding options and 1,540 shares of common stock that can be acquired upon the exercise of options within 60 days of February 15, 2015.

(14) Consists of shares held by Skyline Venture Partners V, L.P. or related funds. By virtue of the relationships described in footnote 5 above, Dr. Hoffman may be deemed to share beneficial ownership in the shares held by Skyline Venture Partners V, L.P. or related funds. Dr. Hoffman disclaims beneficial ownership of the shares referred to in footnote 5 above.

(15) Consists of (i) 3,434,864 shares of common stock and 951,823 shares of common stock that can be acquired upon the exercise of outstanding options and the exercise of options within 60 days of February 15, 2015.

**Item 13. Certain Relationships and Related Party Transactions and Director Independence**

The following is a description of transactions since January 2014, to which we have been a party, in which the amount involved exceeded or will exceed \$120 thousand, and in which any related person had a direct or indirect material interest.

**Participation in Initial Offering**

In February 2014, we issued and sold an aggregate of 5,500,000 shares of our common stock in our IPO at a price of \$12.00 for an aggregate purchase price of \$66.0 million. Citigroup Global Markets, Inc. and Cowen and Company, LLC acted as joint book-running managers of the offering and as representatives of the underwriters. Stifel, Nicolaus & Company, Incorporated and Needham & Company, LLC acted as co-managers for the offering. The following table sets forth the number of shares of our common stock that were purchased by our 5% stockholders and their affiliates:

Investor	Number of Shares of Common Stock
Polaris Venture Partners	232,820
S.R. One, Limited	250,931
CVF, LLC	132,099
Johnson & Johnson Development Corporation	167,908
Skyline Venture Partners	250,931

**Indemnification Agreements**

In connection with our IPO, we entered into indemnification agreements with each of our directors and executive officers. These agreements will require us to indemnify these individuals and, in certain cases, affiliates of such individuals, to the fullest extent permissible under Delaware law against liabilities that may arise by reason of their service to us or at our direction, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

**Registration Rights Agreement**

We are a party to a registration rights agreement with certain holders of common stock, including some of our directors, executive officers and 5% stockholders and their affiliates and entities affiliated with our directors. The registration rights agreement provides these holders the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing.

**Transactions with Our Executive Officers, Directors and 5% Stockholders**

On May 16, 2007, we entered into a consulting agreement with Dr. George Siber, a member of our board of directors. The consulting agreement was amended on each of June 30, 2009, December 16, 2010, June 15, 2011 and June 5, 2013 and is in effect through June 17, 2015. Pursuant to the consulting agreement, Dr. Siber performs various consulting services for us, including determining our general scientific and business direction, recruitment of scientific advisory board members and consultants, recruitment of full-time management and scientific personnel and identifying and reviewing scientific developments and intellectual property. Since the beginning of 2012, Dr. Siber has been paid approximately \$10 thousand per month under the consulting agreement. See “Executive and Director Compensation — Director Agreements — Dr. Siber” for further details on compensation paid to Dr. Siber under the consulting agreement.

**Related Person Transactions Policy**

We have adopted a related person transaction approval policy that will govern the review of related person transactions following the closing of this offering. Pursuant to this policy, if we want to enter into a transaction with a related person or an affiliate of a related person, our Vice President of Finance and Administration will review the proposed transaction to determine, based on applicable NASDAQ and Securities and Exchange Commission rules, if such transaction requires pre-approval by the audit committee and/or board of directors. If pre-approval is required, such matters will be reviewed at the next regular or special audit committee and/or board of directors meeting. We may not enter into a related person transaction unless our Vice President of Finance and Administration has either specifically confirmed in writing that no further reviews are necessary or that all requisite corporate reviews have been obtained.

**Director Independence**

Our board of directors has determined that Mr. Bate, Dr. Bitterman, Ms. Bosley and Dr. Hoffman are “independent directors” as defined under applicable NASDAQ rules. In making such determination, our board of directors considered the relationships that each such non-employee director has with our Company and all other facts and circumstances that our board of directors deemed relevant in determining his or her independence, including the beneficial ownership of our capital stock by each non-employee director. Mr. Clark is not an independent director under these rules because he is our Chief Executive Officer and Dr. Siber is not an independent director under these rules because of his consulting relationship with us. See — “Transactions with Our Executive Officers, Directors and 5% Stockholders”.

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

**Item 14. Principal Accountant Fees and Services****Audit Fees**

The following table summarizes the fees of Ernst & Young LLP, our independent registered public accounting firm, billed to us for each of the last two fiscal years.

<b>Fee Category</b>	<b>2014</b>	<b>2013</b>
Audit Fees	\$ 559,117	\$ 1,197,124
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
<b>Total Fees</b>	<b>\$ 559,117</b>	<b>\$ 1,197,124</b>

*Audit Fees.* Consists of fees billed for professional services rendered for the audit of our annual financial statements, the review of interim financial statements and services provided in connection with our registration statement on Form S-1.

*Audit-Related Fees.* Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.

*Tax Fees.* Consists of fees billed for tax compliance, tax advice and tax planning and includes fees for tax return preparation.

*All Other Fees.* Consists of all other fees billed other than those described above under Audit Fees, Audit-Related Fees and Tax Fees.

All such accountant services and fees were pre-approved by our audit committee in accordance with the “Pre-Approval Policies and Procedures” described below.

**Pre-Approval Policies and Procedures**

Our Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, our Audit Committee may pre-approve specified types of services that are expected to be provided to us by our registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. 100% of audit fees were approved by the Audit Committee.

## **PART IV**

### **Item 15. Exhibits and Financial Statement Schedules**

#### **Financial Statements**

The following financial statements and supplementary data are filed as a part of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

Balance Sheets as of December 31, 2014 and 2013

Statements of Operations for each of the three years in the period ended December 31, 2014

Statements of Comprehensive Loss for each of the three years in the period ended December 31, 2014

Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit) for each of the three years in the period ended December 31, 2014

Statements of Cash Flows for each of the three years in the period ended December 31, 2014

Notes to Financial Statements

#### **Financial Statement Schedules**

All financial statement schedules are omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

#### **Exhibits**

Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits hereto and such listing is incorporated herein by reference.

Genoceca Biosciences, Inc.

Index to Financial Statements

	<u>Pages</u>
Report of independent registered public accounting firm	F-2
Balance sheets as of December 31, 2014 and 2013	F-3
Statements of operations for each of the three years in the period ended December 31, 2014	F-4
Statements of comprehensive loss for each of the three years in the period ended December 31, 2014	F-5
Statements of redeemable convertible preferred stock and stockholders' equity (deficit) for each of the three years in the period ended December 31, 2014	F-6
Statements of cash flows for each of the three years in the period ended December 31, 2014	F-7
Notes to financial statements	F-8

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of  
Genocea Biosciences, Inc.

We have audited the accompanying balance sheets of Genocea Biosciences, Inc. as of December 31, 2014 and 2013, and the related statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Genocea Biosciences, Inc. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Boston, Massachusetts  
February 27, 2015



## Genocea Biosciences, Inc.

## Balance Sheets

(In thousands, except per share data)

	December 31, 2014	December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,058	\$ 12,208
Marketable securities	27,021	—
Restricted cash	—	157
Prepaid expenses and other current assets	963	510
Total current assets	48,042	12,875
Property and equipment, net	1,956	865
Restricted cash	316	158
Other assets	117	1,863
Total assets	<u>\$ 50,431</u>	<u>\$ 15,761</u>
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 2,692	\$ 2,176
Accrued expenses and other current liabilities	2,486	1,418
Deferred revenue	555	12
Current portion of long-term debt	—	861
Current portion of deferred rent	107	26
Total current liabilities	5,840	4,493
Non-current liabilities:		
Long-term debt, net of current portion	11,488	8,933
Accrued interest payable	—	11
Deferred rent, net of current portion	168	237
Warrant to purchase redeemable securities	—	656
Deferred revenue, net of current portion	350	—
Other non-current liabilities	78	—
Total liabilities	17,924	14,330
Commitments and contingencies ( Note 9 )		
Redeemable convertible preferred stock:		
Seed convertible preferred stock, \$0.001 par value;		
Authorized – 0 shares at December 31, 2014; Issued and outstanding – 0 and 4,615 shares at December 31, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$3,000 at December 31, 2014 and December 31, 2013, respectively	—	3,000
Series A redeemable convertible preferred stock, \$0.001 par value;		
Authorized – 0 shares at December 31, 2014; Issued and outstanding – 0 and 35,577 shares at December 31, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$23,125 at December 31, 2014 and December 31, 2013, respectively	—	23,125
Series B redeemable convertible preferred stock, \$0.001 par value;		
Authorized – 0 shares at December 31, 2014; Issued and outstanding – 0 and 34,581 shares at December 31, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$24,937 at December 31, 2014 and December 31, 2013, respectively	—	24,937
Series C redeemable convertible preferred stock, \$0.001 par value;		
Authorized – 0 shares at December 31, 2014; Issued and outstanding – 0 and 52,586 shares at December 31, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$30,500 at December 31, 2014 and December 31, 2013, respectively	—	30,500
Stockholders' equity (deficit):		
Common stock, \$0.001 par value;		
Authorized – 175,000 shares at December 31, 2014; Issued – 17,869 and 327 shares at December 31, 2014 and December 31, 2013, respectively; outstanding – 17,852 and 303 at December 31, 2014 and December 31, 2013, respectively	18	—
Additional paid-in-capital	147,923	—
Accumulated other comprehensive loss	(7)	—
Accumulated deficit	(115,427)	(80,131)
Total stockholders' equity (deficit)	32,507	(80,131)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	<u>\$ 50,431</u>	<u>\$ 15,761</u>

See accompanying notes to financial statements.



## Genocea Biosciences, Inc.

## Statements of Operations

(In thousands, except per share data)

	Years Ended December 31,		
	2014	2013	2012
Grant revenue	\$ 308	\$ 731	\$ 1,977
Operating expenses:			
Research and development	23,727	15,695	11,240
General and administrative	9,747	4,961	3,690
Total operating expenses	33,474	20,656	14,930
Loss from operations	(33,166)	(19,925)	(12,953)
Other expense:			
Change in fair value of warrants	(725)	(222)	93
Loss on debt extinguishment	(435)	(200)	—
Interest expense, net	(970)	(459)	(507)
Other expense	(2,130)	(881)	(414)
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Reconciliation of net loss to net loss applicable to common stockholders			
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Accretion of redeemable convertible preferred stock to redemption value	(180)	(1,605)	(1,781)
Net loss attributable to common stockholders	\$ (35,476)	\$ (22,411)	\$ (15,148)
Net loss per share attributable to common stockholders-basic and diluted	\$ (2.27)	\$ (75.46)	\$ (51.35)
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted	15,618	297	295

See accompanying notes to financial statements.

**Genoceca Biosciences, Inc.**

**Statements of Comprehensive Loss**

**(In thousands, except per share data)**

	Years Ended December 31,		
	2014	2013	2012
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	(7)	—	—
Comprehensive loss	<u>\$ (35,303)</u>	<u>\$ (20,806)</u>	<u>\$ (13,367)</u>

See accompanying notes to financial statements

**Genocea Biosciences, Inc.**  
**Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
**(In thousands)**

[illegible]

IPO, net of issuance costs of \$2,403	—	—	—	—	—	—	—	—	5,500	6	58,971	—	—	58,977
Issuance of common Stock upon ESPP purchase	—	—	—	—	—	—	—	—	16	—	93	—	—	93
Issuance of common Stock upon private placement offering, net of issuance costs of \$36	—	—	—	—	—	—	—	—	223	—	1,964	—	—	1,964
Issuance of warrants, net of issuance costs of \$6	—	—	—	—	—	—	—	—	—	—	334	—	—	334
Exercise of stock options	—	—	—	—	—	—	—	—	282	1	682	—	—	683
Vesting of restricted stock	—	—	—	—	—	—	—	—	8	—	10	—	—	10
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	2,905	—	—	2,905
Unrealized loss on marketable securities	—	—	—	—	—	—	—	—	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(35,296)	(35,296)
<b>Balance at December 31, 2014</b>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>17,852</u>	<u>\$ 18</u>	<u>\$ 147,923</u>	<u>\$ (7)</u>	<u>(115,427)</u>	<u>\$ 32,507</u>

See accompanying notes to financial statements



**Genocea Biosciences, Inc.**  
**Statements of Cash Flows**  
(In thousands)

	Years ended December 31,		
	2014	2013	2012
<b>Operating activities</b>			
Net loss	\$ (35,296)	\$ (20,806)	\$ (13,367)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	469	318	300
Stock-based compensation	2,905	672	307
Amortization of premium on investments	26	—	—
Change in fair value of warrants liability	725	222	(93)
Gain on sale of equipment	(18)	—	—
Non-cash interest expense	254	22	46
Loss on debt extinguishment	435	200	—
Changes in operating assets and liabilities:			
Restricted cash	—	97	(315)
Prepaid expenses and other current assets	(442)	27	(145)
Other long-term assets	782	(1,539)	(237)
Accounts payable	516	724	515
Deferred revenue	893	12	(23)
Accrued expenses and other liabilities	1,135	468	(191)
Deferred rent	12	(155)	376
Accrued interest payable	—	(135)	146
Net cash used in operating activities	(27,604)	(19,873)	(12,681)
<b>Investing activities</b>			
Purchases of property and equipment	(1,520)	(389)	(460)
Purchase of available-for-sale securities	(27,053)	—	—
Net cash used in investing activities	(28,573)	(389)	(460)
<b>Financing activities</b>			
Proceeds from IPO, net of issuance costs	59,974	—	—
Proceeds from issuance of preferred stock, net	—	15,250	15,078
Proceeds from issuance of long-term debt, net of issuance costs	11,784	9,965	5,000
Repayment of long-term debt	(10,401)	(4,245)	(1,164)
Proceeds from sale of common stock, net of issuance costs	1,964	—	—
Proceeds from issuance of common stock under ESPP	93	—	—
Proceeds from exercise of stock options	683	42	1
Proceeds from the exercise of warrants	33	—	—
Payments for debt issuance costs	(103)	(58)	—
Net cash provided by financing activities	64,027	20,954	18,915
Net increase in cash and cash equivalents	\$ 7,850	\$ 692	\$ 5,774
Cash and cash equivalents at beginning of period	12,208	11,516	5,742
Cash and cash equivalents at end of period	\$ 20,058	\$ 12,208	\$ 11,516
<b>Supplemental cash flow information</b>			
Cash paid for interest	\$ 815	\$ 426	\$ 323
<b>Supplemental disclosure of non-cash investing and financing activities</b>			
Conversion of preferred stock to common stock upon closing of IPO	\$ 81,774	\$ —	\$ —
Reclassification of prepaid IPO closing costs from non-current assets to additional paid-in capital	\$ 997	\$ —	\$ —
Reclassification of warrants to additional paid-in capital	\$ 1,381	\$ —	\$ —
Accretion of redeemable convertible preferred stock to redemption value	\$ 180	\$ 1,605	\$ 1,781
Vesting of restricted stock	\$ 10	\$ 1	\$ —
Leasehold improvements financed by landlord	\$ —	\$ —	\$ 237
Cashless exercise of warrants	\$ 98	\$ —	\$ —
Issuance of common stock warrant	\$ 340	\$ —	\$ —
Equipment purchased under capital lease	\$ 21	\$ —	\$ —

See accompanying notes to financial statements.

**Genocea Biosciences, Inc.**

**Notes to Financial Statements**

**1. Organization and operations**

***The Company***

Genocea Biosciences, Inc. (the “Company”) is a clinical stage biopharmaceutical company that was incorporated in Delaware on August 16, 2006 and has a principal place of business in Cambridge, Massachusetts. The Company has two products in clinical development:

- GEN-003, which has completed a Phase 1/2a clinical trial and is currently in a Phase 2 dose optimization clinical trial, to treat patients with genital herpes, and
- GEN-004, which is being developed to prevent infections caused by pneumococcus. The Company has completed a Phase 1 clinical trial and is currently conducting a Phase 2a clinical trial.

The Company also has other product candidates that are currently in preclinical development. The Company developed GEN-003, GEN-004 and its preclinical product candidates using its proprietary platform technology called the AnTigen Lead Acquisition System (“ATLAS™”). The ATLAS™ proprietary technology platform mimics the human immune response in the laboratory, potentially improving the effectiveness of vaccine discovery and reducing the time needed to create promising vaccines.

The Company is devoting substantially all of its efforts to product research and development, initial market development, and raising capital. The Company has not generated any product revenue related to its primary business purpose to date and is subject to a number of risks similar to those of other clinical stage companies, including dependence on key individuals, competition from other companies, the need for development of commercially viable products, and the need to obtain adequate additional financing to fund the development of its product candidates. The Company is also subject to a number of risks similar to other companies in the life sciences industry, including regulatory approval of products, uncertainty of market acceptance of products, competition from substitute products and larger companies, the need to obtain additional financing, compliance with government regulations, protection of proprietary technology, dependence on third parties, product liability, and dependence on key individuals.

As of December 31, 2014, the Company had an accumulated deficit of approximately \$115.4 million. The Company had cash, cash equivalents and marketable securities of \$47.1 million as of December 31, 2014. The Company believes that its existing cash, cash equivalents and marketable securities and available future borrowings under the Company’s credit facility, will be sufficient to fund projected operating expenses and capital expenditure requirements into the first quarter of 2016.

**2. Summary of significant accounting policies**

***Initial Public Offering***

On February 10, 2014, the Company completed its initial public offering (“IPO”) of its common stock, \$0.001 par value per share (“Common Stock”), pursuant to a registration statement on Form S-1, as amended. An aggregate of 5,500,000 shares of Common Stock registered under the registration statement were sold at a price of \$12.00 per share. Net proceeds of the IPO were \$61.4 million, excluding offering expenses of \$2.4 million payable by the Company. In conjunction with this transaction, all shares of the Company’s redeemable convertible preferred stock were converted into 11,466,479 shares of common stock, and 96,988 employee and nonemployee performance-based options vested.

***Basis of presentation and use of estimates***

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates its estimates, which include, but are not limited to, estimates related to prepaid and accrued research and development expenses, stock-based compensation expense, the valuation of common stock warrants and warrants to purchase redeemable securities, and reported amounts of revenues and expenses

during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

For periods prior to the closing of the IPO, the Company utilized significant estimates and assumptions in determining the fair value of its common stock (“Common Stock”). The Company utilized various valuation methodologies in accordance with the framework of the 2004 and 2013 American Institute of Certified Public Accountants Technical Practice Aids, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, to estimate the fair value of its Common Stock. Each valuation methodology includes estimates and assumptions that require the Company’s judgment. These estimates and assumptions include a number of objective and subjective factors, including external market conditions affecting the biotechnology industry sector, the prices at which the Company sold shares of preferred stock, the superior rights and preferences of securities senior to the Company’s Common Stock at the time and the likelihood of achieving a liquidity event, such as an initial public offering or a sale of the Company. Significant changes to the key assumptions used in the valuations could result in different fair values of Common Stock at each valuation date and materially affect the financial statements.

Following the closing of the IPO, the fair value of common stock is determined based on the quoted market price of the common stock.

### ***Segment information***

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company and the Company’s chief operating decision maker view the Company’s operations and manage its business in one operating segment, which is the business of developing and commercializing vaccines. The Company operates in only one geographic segment.

### ***Cash, cash equivalents and marketable securities***

The Company considers all highly liquid investments with maturities of 90 days or less from the purchase date to be cash equivalents. Cash and cash equivalents are held in depository and money market accounts and are reported at fair value.

Marketable securities consist of U.S. treasury securities with maturities of more than 90 days. The Company has determined the appropriate balance sheet classification of the securities as current since they are available for use in current operating activities, regardless of actual maturity dates. Marketable securities are classified as available-for-sale pursuant to FASB ASC Topic 320, *Investments — Debt and Equity Securities*, (“ASC 320”) and are recorded on the balance sheet at fair value with unrealized gains and losses (excluding other-than-temporary impairments) reported as a separate component of accumulated other comprehensive income (loss). Realized gains and losses, as well as other-than-temporary impairments, are recognized in the statement of operations based on the specific identification method.

The Company reviews its marketable securities for other-than-temporary impairment whenever the fair value of a marketable security is less than the amortized cost and evidence indicates that a marketable security’s carrying amount is not recoverable within a reasonable period of time. Other-than-temporary impairment of marketable securities are recognized in the statements of operations if the Company has experienced a credit loss, has the intent to sell the marketable securities, or if it is more likely than not that the Company will be required to sell the marketable securities before recovery of the amortized cost basis.

### ***Concentrations of credit risk and off-balance sheet risk***

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents and marketable securities. The Company’s cash, cash equivalents and marketable securities are held in accounts with a financial institution that management believes is creditworthy. The Company’s investment policy includes guidelines on the quality of the institutions and financial instruments and defines allowable investments that the Company believes minimizes the exposure to concentration of credit risk. These amounts at times may exceed federally insured limits. The Company has not experienced any credit losses in such accounts and does not believe it is exposed to any significant credit risk on these funds. The Company has no financial instruments with off-balance sheet risk of loss.

### ***Deferred initial public offering costs***

Deferred public offering costs, which primarily consist of direct, incremental legal and accounting fees related to the IPO, were capitalized within other assets as of December 31, 2013. The Company incurred \$2.4 million in IPO costs and in February 2014, these public offering costs were offset against the proceeds upon completion of the IPO.

### ***Fair value of financial instruments***

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. FASB ASC Topic 820, *Fair Value Measurement and Disclosures*, (“ASC 820”) established a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the inputs that market participants would use in pricing the financial instrument and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported or disclosed fair value of the financial instruments and is not a measure of the investment credit quality. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations that require inputs that reflect the Company’s own assumptions that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Financial instruments measured at fair value on a recurring basis include cash equivalents and marketable securities (Note 3) and warrants (Note 8).

An entity may elect to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in net loss. The Company did not elect to measure any additional financial instruments or other items at fair value. The Company is also required to disclose the fair value of financial instruments not carried at fair value. The fair value of the Company’s long-term debt (Note 7) is determined using current applicable rates for similar instruments as of the balance sheet dates and assessment of the credit rating of the Company. The carrying value of the Company’s long-term debt approximates fair value because the Company’s interest rate yield is near current market rates. The Company’s long-term debt is considered a Level 3 liability within the fair value hierarchy.

Except for the valuation methodology utilized to value the warrants to purchase redeemable securities (Note 8), there have been no changes to the valuation methods utilized by the Company during the years ended December 31, 2014, 2013, and 2012. The Company evaluates transfers between levels at the end of each reporting period. There were no transfers of financial instruments between levels during the years ended December 31, 2014, 2013 and 2012.

### ***Derivative Instruments***

The Company occasionally issues financial instruments in which a derivative instrument is “embedded”. Upon issuing the financial instrument, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and carried at fair value with any changes in fair value recorded in current period earnings.

In connection with the issuance of the 2014 Term Loan (Note 7), the Company evaluated all features of the agreement noting none that required bifurcation under FASB ASC Topic 815, *Derivatives and Hedging* (“ASC 815”).

### ***Property and equipment***

Property and equipment is stated at cost, less accumulated depreciation. Maintenance and repairs that do not improve or extend the lives of the respective assets are expensed to operations as incurred, while costs of major additions and betterments are capitalized. Upon disposal, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the statements of operations. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, which are as follows:

Asset	Estimated useful life
Laboratory equipment	5 years
Furniture and office equipment	5 years
Computer equipment and software	3-5 years
Leasehold improvements	Shorter of the useful life or remaining lease term

### ***Impairment of long-lived assets***

The Company evaluates long-lived assets for potential impairment when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. Recoverability is measured by comparing the book values of the assets to the expected future net undiscounted cash flows that the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the book value of the assets exceed their fair value. The Company has not recognized any impairment losses in any reporting periods through December 31, 2014.

### ***Reverse stock split***

On January 20, 2014, the Board of Directors and stockholders approved a 1-for-11.9 reverse stock split of the Company's Common Stock, which was effected on January 21, 2014. Stockholders entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares upon the completion of our IPO. The Company's historical share and per share information were retroactively adjusted to give effect to this reverse stock split. Shares of Common Stock underlying outstanding stock option were proportionately reduced and the respective exercise prices proportionately increased. Shares of Common Stock reserved for future issuance were presented on an as converted basis and the financial statements disclose the adjusted conversion ratios.

### ***Revenue recognition***

The Company has generated revenue solely through research and development grants with private not-for-profit organizations and federal agencies for the development and commercialization of product candidates.

The Company recognizes revenue in accordance with FASB ASC Topic 605, *Revenue Recognition* ("ASC 605"). Accordingly, revenue is recognized for each unit of accounting when all of the following criteria are met:

- persuasive evidence of an arrangement exist
- delivery has occurred or services have been rendered
- the fee is fixed or determinable
- collectability is reasonably assured

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in the Company's balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as a current liability. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as a non-current liability.

### ***Grant revenue***

The Company has received grants from private not-for-profit organizations and federal agencies. Grant revenue consists of revenue earned from grants to conduct vaccine development research. Funds received in advance of services being performed are

recorded as deferred revenue. Revenue under these grants is recognized as research services are performed. The Company recognized a total of \$308 thousand, \$731 thousand, and \$2.0 million in 2014, 2013, and 2012, respectively, related to these grants.

In September 2014, the Company received \$1.2 million in the form of a grant entered into with the Bill & Melinda Gates Foundation for the identification of protective T cell antigens for malaria vaccines. The grant will allow for the continued expansion of the Company's malaria antigen library and aid in the identification of novel protein antigens to facilitate the development of highly efficacious anti-infection malarial vaccines. The Company recognized revenue of \$308 thousand under the agreement in the fourth quarter of 2014.

#### *Multiple-element arrangements*

The Company analyzes multiple-element arrangements based on the guidance in FASB ASC Topic 605-25, *Revenue Recognition—Multiple-Element Arrangements* ("ASC 605-25"). The Company applies this guidance to new arrangements as well as existing arrangements that contain multiple deliverables. The Company determines the elements, or deliverables, included in the arrangement and allocates consideration under the arrangement to the various elements based on each element's relative selling price. The identification of individual elements in a multiple-element arrangement and the estimation of the selling price of each element involves significant judgment, including consideration as to whether each delivered element has stand-alone value to the collaborator.

The Company determines the estimated selling price for deliverables within the arrangement using vendor-specific objective evidence ("VSOE") of selling price, if available, or third-party evidence of selling price if VSOE was not available or the Company's best estimate of selling price, if neither VSOE nor third-party evidence was available. The Company uses its best estimate of a selling price to estimate the selling price for licenses for its technology, know-how, and trademarks since it does not have VSOE or third-party evidence of selling price for these deliverables. In order to determine the best estimate of selling price, the Company considers market conditions, as well as entity-specific factors, including those factors contemplated in negotiating the agreements, as well as internally developed estimates that include assumptions related to the market opportunity, estimated development costs, probability of success, and the time needed to commercialize assays. In validating its best estimate of selling price, the Company evaluates whether changes in the key assumptions used to determine best estimate of selling price would have a significant effect on the allocation of arrangement consideration between deliverables. The Company recognizes consideration allocated to an individual element when all other revenue recognition criteria are met for that element, which generally occurs upon delivery or over the period in which services are provided.

#### *License agreement*

In 2012, the Company entered into a license agreement with a not-for-profit entity whereby the not-for-profit entity could utilize certain programs discovered or developed by the Company in certain developing countries. The Company did not receive any up-front consideration related to this agreement; however, the Company is entitled to receive reimbursement of a pro rata share of any payments, including milestone payments, that the Company is required to make under license agreements with third parties that comprise these programs. As of December 31, 2014, the licenses from third parties that comprise these programs have not been determined yet as these programs are either in the early stages of development or have not yet been identified. As a result, the Company is not currently eligible to receive any milestone payments under this arrangement.

Concurrent with the execution of the license agreement, the not-for-profit entity also purchased 4,310,345 shares of the Company's Series C Preferred Stock (Note 10).

At the inception of the agreement, the Company evaluated whether each potential milestone payment that could be received from the not-for-profit entity for reimbursement of a portion of milestones owed to third parties from existing license agreements that could comprise these programs is substantive and at risk to both parties on the basis of the contingent nature of the milestone. The evaluation included an assessment of whether (a) the consideration is commensurate with either (i) the entity's performance to achieve the milestone or (ii) the enhancement of the value of the delivered items as a result of a specific outcome resulting from the entity's performance to achieve the milestone; (b) the consideration related solely to past performance; and (c) the consideration was reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluated factors such as the scientific, regulatory, and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone, and whether the milestone considerations are reasonable relative to all deliverables and payment terms in the arrangement in making this assessment. Substantive, at-risk milestones are recognized as revenue when the milestone is achieved.

As there was no up-front consideration, there were no amounts to allocate to the various deliverables. The milestones under the arrangement related to reimbursement for milestone payments by the Company owed to third parties for existing license agreements that could comprise these programs are considered to be substantive and at risk and will be recognized when earned. Since



the licenses from third parties that could comprise these programs have not been determined yet, the amount and timing of such milestones cannot be determined at this time.

### ***Research and development expenses***

Research and development costs are charged to expense as incurred in performing research and development activities. The costs include employee compensation costs, facilities and overhead, clinical study and related clinical manufacturing costs, regulatory and other related costs.

Nonrefundable advanced payments for goods or services to be received in the future for use in research and development activities are deferred and capitalized. The capitalized amounts are expensed as the related goods are delivered or the services are performed.

### ***Stock-based compensation expense***

The Company accounts for its stock-based compensation awards to employees and directors in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock, to be recognized in the statements of operations and comprehensive loss based on their grant date fair values. Compensation expense related to awards to employees is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Share-based payments issued to non-employees are recorded at their fair values, and are periodically revalued as the equity instruments vest and are recognized as expense over the related service period in accordance with the provisions of ASC 718 and FASB ASC Topic 505, *Equity*, ("ASC 505") and are expensed using an accelerated attribution model.

The Company estimates the fair value of its stock options using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (a) the expected volatility of the Company's stock price, (b) the expected term of the award, (c) the risk-free interest rate, (d) expected dividends and (e) the estimated fair value of the Company's common stock on the measurement date. Due to the limited operating history of the Company as a public entity and a lack of company specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. When selecting these public companies on which it has based its expected stock price volatility, the Company selected companies with comparable characteristics to it, including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected term of the stock-based awards. The Company computes historical volatility data using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available. Due to the lack of Company specific historical option activity, the Company has estimated the expected term of its employee stock options using the "simplified" method, whereby, the expected term equals the arithmetic average of the vesting term and the original contractual term of the option. The expected term for non-employee awards is the remaining contractual term of the option. The risk-free interest rates are based on the U.S. Treasury securities with a maturity date commensurate with the expected term of the associated award. The Company has never paid, and does not expect to pay dividends in the foreseeable future. Refer to *Basis of presentation and use of estimates* in Note 2 for a discussion of the Company's estimated fair value of its common stock prior to the IPO. Following the closing of the Company's IPO, the fair value of common stock is determined based on the quoted market price of the common stock.

The Company is also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from its estimates. The Company uses historical data to estimate forfeitures and records stock-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from the Company's estimates, the differences are recorded as a cumulative adjustment in the period the estimates were revised. Stock-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest.

### ***Income taxes***

Income taxes are recorded in accordance with FASB ASC Topic 740, *Income Taxes* (“ASC 740”), which provides for deferred taxes using an asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized. The Company has evaluated available evidence and concluded that the Company may not realize the benefit of its deferred tax assets; therefore a valuation allowance has been established for the full amount of the deferred tax assets.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of December 31, 2014 and 2013, the Company does not have any significant uncertain tax positions. The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

### ***Net loss per share attributable to common stockholders***

Basic net loss per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period, without consideration for common stock equivalents. Net loss attributable to common stockholders is calculated by adjusting the net loss of the Company for cumulative preferred stock dividends and accretion of preferred stock issuance costs. During periods of income, the Company allocates participating securities a proportional share of income determined by dividing total weighted average participating securities by the sum of the total weighted average common shares and participating securities (the “two-class method”). The Company’s redeemable convertible preferred stock and restricted stock participate in any dividends declared by the Company and are therefore considered to be participating securities. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of income. During periods of loss, the Company allocates no loss to participating securities because they have no contractual obligation to share in the losses of the Company. Diluted net loss per share attributable to common stockholders is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share attributable to common stockholders calculation, preferred stock, stock options, unvested restricted stock, and warrants are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share were the same for all periods presented.

### ***Comprehensive loss***

Comprehensive loss consists of net income or loss and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. For all periods presented other comprehensive income (loss), if any, consists of unrealized gains and losses on the Company’s investments.

**Recent accounting pronouncements**

<b>Standard</b>	<b>Description</b>	<b>Date of adoption</b>	<b>Effect on the financial statements or other significant matters</b>
<i>Standards that are not yet adopted</i>			
ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i>	The standard will replace existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. It may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date.	January 1, 2017	At this time, the Company has not decided on which method it will use to adopt the new standard, nor has it determined the effects of the new guidelines on its results of operations and financial position. For the foreseeable future, the Company's revenues will be limited to grants received from government agencies or nonprofit organizations, and the Company is evaluating the effects of the new standard on this type of revenue.
ASU No. 2014-15, <i>Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern</i> ("ASU 2014-15").	The standard requires a company to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued.	January 1, 2017	The Company is evaluating the effects of the new standard, but does not expect it will have a material impact on its financial conditions, results of operations, or cash flows.
<i>Standards that were adopted</i>			
ASU No. 2014-10, <i>Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation</i> ("ASU 2014-10")	The standard eliminates the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage.	June 30, 2014	The Company adopted ASU 2014-10 on June 30, 2014, and the adoption did not have a material impact on its financial statements.

**Subsequent events**

The Company considers events or transactions that occur after the balance sheet date but prior to the date the financial statements are issued for potential recognition or disclosure in the financial statements.

**3. Cash, cash equivalents and marketable securities**

As of December 31, 2014 and 2013, cash, cash equivalents and, in the case of December 31, 2014, marketable securities comprised funds in depository, money market accounts and U.S. treasury securities.

The following table presents the cash, cash equivalents and marketable securities carried at fair value in accordance with the hierarchy defined in Note 2 (in thousands):

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>December 31, 2014</b>				
Cash	\$ 1,066	\$ 1,066	\$ —	\$ —
Money Market funds, included in cash equivalents	18,992	18,992	—	—
Marketable securities - U.S. treasuries	27,021	27,021	—	—
Total	<u>\$ 47,079</u>	<u>\$ 47,079</u>	<u>\$ —</u>	<u>\$ —</u>
<b>December 31, 2013</b>				
Cash	\$ 249	\$ 249	\$ —	\$ —
Money Market funds, included in cash equivalents	11,959	11,959	—	—
Total	<u>\$ 12,208</u>	<u>\$ 12,208</u>	<u>\$ —</u>	<u>\$ —</u>

Cash equivalents and marketable securities have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. The Company validates the prices provided by its third party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. After completing its validation procedures, the Company did not adjust any fair value measurements provided by the pricing services as of December 31, 2014 and 2013.

Marketable securities at December 31, 2014 consist of the following (in thousands):

	Contracted Maturity	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Current</b>					
U.S. Treasuries	166-365 days	\$ 27,028	\$ —	\$ (7)	\$ 27,021
Total		<u>\$ 27,028</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ 27,021</u>

At December 31, 2014, the aggregate fair value of marketable securities in an unrealized loss position was \$24.0 million with unrealized losses of \$8 thousand. At December 31, 2014, the aggregate fair value of marketable securities in an unrealized gain position was \$3.0 million with unrealized gains of \$1 thousand. The Company evaluated its securities for other-than-temporary impairment and considered the decline in market value for the securities to be primarily attributable to current economic and market conditions. It is not more likely than not that the Company will be required to sell the securities, and the Company does not intend to do so prior to the recovery of the amortized cost basis. Based on this analysis, these marketable securities were not considered to be other-than-temporarily impaired as of December 31, 2014.

The Company did not hold any marketable securities as of December 31, 2013.

#### 4. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following (in thousands):

	December 31,	
	2014	2013
Prepaid tenant improvement costs	\$ —	\$ 237
Prepaid insurance	90	7
Prepaid research and development costs	664	190
Interest receivable	21	—
Other	188	76
Total	<u>\$ 963</u>	<u>\$ 510</u>

## 5. Property and equipment, net

Property and equipment, net consist of the following (in thousands):

	December 31,	
	2014	2013
Laboratory equipment	\$ 2,510	\$ 1,694
Furniture office equipment	186	14
Computer equipment and software	257	142
Leasehold improvements	799	344
Total property and equipment	3,752	2,194
Accumulated depreciation	(1,796)	(1,329)
Property and equipment, net	<u>\$ 1,956</u>	<u>\$ 865</u>

Depreciation expense was \$469 thousand, \$318 thousand and \$300 thousand for the years ended December 31, 2014, 2013, 2012.

During 2014, the Company sold fully depreciated fixed assets with an original cost basis of \$12 thousand and a net book value of \$10 thousand, recognizing a gain on sale of \$18 thousand. The Company did not sell or dispose of any fixed assets during 2013.

## 6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	
	2014	2013
Payroll and employee-related costs	\$ 1,066	\$ 738
Research and development costs	1,117	323
Accrued professional fees	270	303
Other	33	54
Total	<u>\$ 2,486</u>	<u>\$ 1,418</u>

## 7. Long-term debt

In October 2011, the Company entered into a Loan and Security Agreement with a financial institution, which provided for up to \$5.0 million in debt financing (“2011 Term Loan”). The 2011 Term Loan provided for a draw-down period on the facility through March 1, 2012. On March 1, 2012, the Company drew down the full \$5.0 million available under the terms of this arrangement.

From March 1, 2012 through May 1, 2012, the Company was obligated to make interest-only payments at the greater of the financial institution’s prime rate plus 5.00% or 8.00%. The Company began making 36 equal monthly payments of principal and accrued interest thereafter. During the 36-month period, the Term Loan bears interest at the greater of the financial institution’s prime rate plus 4.75% or 8.00%. The Company was also obligated to pay 6.50% of the advance on the final repayment date of the draw, which was April 1, 2015. This final payment was accrued over the term of the debt and was recorded in accrued interest payable.

In connection with the 2011 Term Loan, the Company issued a fully-exercisable warrant to purchase 517,242 shares of Series B Preferred Stock. Upon completion of our IPO, these Series B preferred stock warrants automatically converted into warrants exercisable for 43,465 shares of Common Stock at an exercise price of \$6.90 per share (Note 5). The 2011 Term Loan was collateralized by all the assets of the Company, except for those assets collateralized by an equipment term loan that was repaid as of December 31, 2013.

On September 30, 2013, the Company entered into a new loan agreement which provided up to \$10.0 million in debt financing (“2013 Term Loan”). Upon the closing of the 2013 Term Loan, the Company drew down \$3.5 million and paid off the remaining balance under the 2011 Term Loan. As part of the early repayment, the Company incurred a loss on debt extinguishment of \$0.2 million. The 2013 Term Loan provided for a draw-down period on the remaining facility of \$6.5 million, which the Company drew down on December 19, 2013. The Company was obligated to make interest-only payments for the first 9 months and 33 equal payments of principal, together with accrued interest thereafter for each advance. The 2013 Term Loan bore interest at a rate of 8% per annum. The Company was also obligated to pay 2% of the advance on the final repayment date of each draw. The final payment is being accrued over the term of the debt and recorded in accrued interest payable on the balance sheet as at December 31, 2013.

In connection with the 2013 Term Loan, the Company issued a warrant to purchase 689,655 shares of Series C Preferred Stock at \$0.58 per share. Upon the completion of our IPO, these Series C preferred stock warrants automatically converted into warrants exercisable for 57,954 shares of Common Stock at an exercise price of \$6.90 per share (Note 5).

On November 20 2014, the Company entered into a loan and security agreement (the “Loan Agreement”) with Hercules Technology Growth Capital, Inc., (“Hercules”), which provided up to \$27.0 million in debt financing in three separate tranches (“2014 Term Loan”). The first tranche of \$17.0 million is available through June 30, 2015. The second tranche of up to \$5.0 million may be drawn, at the Company’s option, on or prior to December 15, 2015, subject to the Company receiving favorable data from its ongoing GEN-003 Phase 2 dose optimization trial and either (i) the commencement of the Company’s next clinical trial for GEN-003 or (ii) the receipt of at least \$40.0 million in net proceeds from an equity financing and/or a strategic corporate partnership. The third tranche of up to \$5.0 million may be drawn, at the Company’s option, on or prior to December 15, 2015, subject to the Company receiving favorable data from its ongoing Phase 2 human challenge study for GEN-004.

The 2014 Term Loan matures on July 1, 2018. If the eligibility requirements for the second tranche are met, the maturity date may be extended to December 31, 2018 at the Company’s sole election.



Each advance accrues interest at a floating rate per annum equal to the greater of (i) 7.25% or (ii) the sum of 7.25% plus the prime rate minus 5.0%. The 2014 Term Loan provides for interest-only payments until December 31, 2015, which may be extended at the Company's sole election for a six month period if the eligibility requirements for the second tranche are met. Thereafter, payments will be made monthly in 30 equal installments of principal and interest (subject to recalculation upon a change in prime rates). The 2014 Term Loan may be prepaid in whole or in part upon seven business days' prior written notice to Hercules. Prepayments will be subject to a charge of 3.0% if an advance is prepaid within twelve months following the closing date, 2.0%, if an advance is prepaid between twelve months and twenty four months following the closing date, and 1.0% thereafter. Amounts outstanding during an event of default shall be payable on demand and shall accrue interest at an additional rate of 5.0% per annum on any outstanding amounts past due. The Company must also pay an End of Term Charge of 4.95% of the balance drawn when the advances are repaid.

The 2014 Term Loan is secured by a lien on substantially all of the assets of the Company, other than intellectual property, provided that such lien on substantially all assets includes any rights to payments and proceeds from the sale, licensing or disposition of intellectual property. The Loan Agreement contains non-financial covenants and representations, including a financial reporting covenant, and limitations on dividends, indebtedness, collateral, investments, distributions, transfers, mergers or acquisitions, taxes, corporate changes, deposit accounts, and subsidiaries. There are no financial covenants.

The Loan Agreement contains a Material Adverse Effect provision that requires all material adverse effects to be reported under the financial reporting covenant. Loan advances are subject to a representation that no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing. Under the Loan Agreement, a Material Adverse Effect means a material adverse effect upon: (i) the business, operations, properties, assets or condition (financial or otherwise) of the Company; or (ii) the ability of the Company to perform the secured obligations in accordance with the terms of the Loan Agreements, or the ability of agent or lender to enforce any of its rights or remedies with respect to the secured obligations; or (iii) the collateral or agent's liens on the collateral or the priority of such liens. Any event that has a Material Adverse Effect is an event of default under the Loan Agreement and repayment of amounts due under the Loan Agreement may be accelerated by the lender under the same terms as an event of default.

Events of default under the Loan Agreement include failure to make any payments of principal or interest as due on any outstanding indebtedness, breach of any covenant, any false or misleading representations or warranties, insolvency or bankruptcy, any attachment or judgment on the Company's assets of at least \$100,000, or the occurrence of any material default of the Company involving indebtedness in excess of \$100,000. If an event of default occurs, repayment of all amounts due under the Loan Agreement may be accelerated by the lender, including the applicable Prepayment Charge.

The 2014 Term loan is automatically redeemable upon a change in control whereas the Company must prepay the outstanding principal and any accrued and unpaid interest through the prepayment date including any unpaid agent's and lender's fees and expenses accrued to the date of the repayment including the End of Term Charge and the applicable Prepayment Charge. If a change in control occurs, repayment of amounts due under the Loan Agreement may be accelerated by the lender.

Upon closing the 2014 Term Loan, the Company drew down \$12.0 million under the first tranche of the Loan Agreement using approximately \$9.8 million of the proceeds to repay all outstanding indebtedness under the 2013 Term Loan. As a result, the Company recorded \$435 thousand as a loss on extinguishment of debt which was recorded in other income / expense on the Statements of Operations. The loss on extinguishment consisted of deferred debt charges, the unamortized portion of the original issue discount related to the 2013 Term Loan and other fees associated with extinguishing the debt.

In connection with the 2014 Term Loan Agreement, the Company issued a common stock warrant to Hercules on November 20, 2014. The warrant is exercisable for 73,725 shares of the Company's Common Stock (equal to \$607,500 divided by the exercise price of \$8.24). The exercise price and the number of shares are subject to adjustment upon a merger event, reclassification of the shares of Common Stock, subdivision or combination of the shares of Common Stock or certain dividends payments. The warrant is exercisable until November 20, 2019 and will be exercised automatically on a net issuance basis if not exercised prior to the expiration date and if the then-current fair market value of one share of Common Stock is greater than the exercise price then in effect. The warrant has been classified as equity for all periods it has been outstanding.

Contemporaneously with the 2014 Loan Agreement, the Company also entered into an equity rights letter agreement on November 20, 2014 (the "Equity Rights Letter Agreement"). Pursuant to the Equity Rights Letter Agreement, the Company issued to Hercules 223,463 shares of the Company's Common Stock for an aggregate purchase price of approximately \$2.0 million at a price per share equal to the closing price of the Company's Common Stock as reported on The NASDAQ Global Market on November 19, 2014 (the "Initial Equity Investment"). The shares will be subject to resale limitations and may be resold only pursuant to an effective registration statement or an exemption from registration.

Additionally, under the Equity Rights Letter Agreement, Hercules has the right to participate in any one or more subsequent private placement equity financings of up to \$2.0 million on the same terms and conditions as purchases by the other investors in each subsequent equity financing. The Equity Rights Letter Agreement, and all rights and obligations thereunder, will terminate upon the earlier of (1) such time when Hercules has purchased \$2.0 million of subsequent equity financing securities in the aggregate and (2) the later of (a) the repayment of all indebtedness under the Loan Agreement and (b) the expiration or termination of the exercise period for the warrant issued in connection with the Loan Agreement. The Company allocated \$36 thousand of financing costs to additional paid-in capital for issuance fees that were reimbursed to Hercules.

In connection with the issuance of the 2014 Term Loan, the Company incurred \$103 thousand of financing costs which were recorded in other assets. The Company also reimbursed the lenders \$210 thousand for debt financing costs which has been

recorded as a debt discount. The 2014 Term Loan included various embedded features which were evaluated for separate accounting as derivatives under ASC Topic No. 815, “*Derivatives and Hedging*”. In accordance with Topic No. 815, it was determined that none of these embedded features required separate accounting from the debt host. The debt discount is being amortized to interest expense over the life of the 2014 Term Loan using the effective interest method.

As of December 31, 2014 and 2013, the Company had outstanding borrowings under the 2014 Term Loan of \$12.0 million and none, respectively. Interest expense related to the 2014 Term Loan was \$143 thousand and \$0 for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Company had outstanding borrowings under the 2013 Term Loan of none and \$10.0 million, respectively. Interest expense related to the 2013 Term Loan was \$813 thousand and \$124 thousand for the years ended December 31, 2014 and 2013, respectively.

Future principal payments on the 2014 Term Loan are as follows (in thousands):

	<u>December 31, 2014</u>
2015	\$ —
2016	4,529
2017	4,876
2018	2,595
Total	<u>\$ 12,000</u>

## 8. Warrants

Warrants outstanding represent the right to acquire the following number of shares (in thousands):

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Warrants to purchase Series A Preferred Stock	—	1,085
Warrants to purchase Series B Preferred Stock	—	517
Warrants to purchase Series C Preferred Stock	—	690
Warrants to purchase Common Stock	78	—
Total	<u>78</u>	<u>2,292</u>

### *Hercules Warrants*

In accordance with ASC Topic No. 815, “*Derivatives and Hedging*” (Topic No. 815), the Company determined the common stock warrant issued to Hercules to be equity classified. The Company estimated the fair value of this warrant as of the issuance date using a Black-Scholes option pricing model (with a 10% discount for lack of marketability) with the following assumptions:

	<u>November 20, 2014</u>
Fair value of underlying instrument	\$ 9.05
Expected volatility	70.0%
Expected term (in years)	5.00
Risk-free interest rate	1.64%
Expected dividend yield	0.0%

The Company utilized this fair value in its allocation of debt proceeds between debt and the warrants which was performed on a relative fair value basis. Ultimately, the Company allocated \$334 thousand to the Hercules warrants and recognized this amount in additional paid-in capital.

As of December 31, 2014, the common stock warrants issued to Hercules had not been exercised and were still outstanding.

***Warrants to purchase redeemable securities***

As of December 31, 2013, the Company had outstanding warrants to purchase 2,291,512 shares of redeemable convertible preferred stock. On January 29, 2014, 21,695 warrants to purchase Series A preferred stock were exercised for cash. On February 4, 2014, an additional 28,926 warrants to purchase Series A preferred stock were exercised for cash. Prior to the completion of our IPO on February 10, 2014, warrants to purchase 987,840 shares of Series A preferred stock were exercised in a cashless exercise for 316,932 shares of Series A preferred stock, which automatically converted into 26,633 shares of Common Stock upon the completion of our IPO. Also upon the completion of our IPO, warrants exercisable for 1,253,051 shares of redeemable convertible preferred stock were automatically converted into warrants exercisable for 105,297 shares of Common Stock. On February 12, 2014, 43,465 warrants were exercised in a cashless exercise for 16,593 shares of Common Stock. On April 23, 2014, 57,954 warrants were exercised in a cashless exercise for 37,250 shares of Common Stock. As of December 31, 2014, 3,878 of these warrants remained outstanding.

In connection with the completion of our IPO, all the warrants exercisable for redeemable convertible preferred stock were automatically converted into warrants exercisable for Common Stock, resulting in the reclassification of the related warrant to purchase redeemable securities liability to additional paid-in capital as the warrants to purchase shares of Common Stock are accounted for as equity instruments. The warrant to purchase redeemable securities liability was re-measured to fair value prior to reclassification to additional paid-in capital. As of December 31, 2014, the Company had no outstanding warrants to purchase redeemable securities liability.

The warrant to purchase redeemable securities liability measured at fair value as of December 31, 2013 is as follows (in thousands):

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>December 31, 2013</b>				
Warrants to purchase redeemable securities	\$ 656	\$ —	\$ —	\$ 656
<b>Total</b>	<b>\$ 656</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 656</b>

These warrants are considered Level 3 liabilities because their fair value measurements are based, in part, on significant inputs not observed in the market and reflect the Company's assumptions as to the expected volatility of the Company's Preferred Stock. The Company determined the fair value of the warrants to purchase redeemable securities based on input from management and the Board of Directors, which utilized an independent valuation of the Company's enterprise value, determined utilizing an analytical valuation model. Any reasonable changes in the assumptions used in the valuation could materially affect the financial results of the Company.

The following table sets forth a summary of changes in the fair value of the Company's warrants to purchase redeemable securities, which represents a recurring measurement that is classified within Level 3 of the fair value hierarchy wherein fair value is estimated using significant unobservable inputs (in thousands):

	Years ended December 31,		
	2014	2013	2012
Beginning balance	\$ 656	\$ 246	\$ 339
Warrants issued		188	—
Change in fair value	725	222	(93)
Warrants exercised	(323)	—	—
Reclassification to accumulated paid-in capital	(1,058)	—	—
Ending balance	<u>\$ —</u>	<u>\$ 656</u>	<u>\$ 246</u>

These warrants are considered Level 3 liabilities because their fair value measurements are based, in part, on significant inputs not observed in the market and reflect the Company's assumptions as to the expected volatility of the Company's preferred stock. At December 31, 2013, the Company determined the fair value of the warrants to purchase redeemable securities based on input from management and the board of directors, which utilized an independent valuation of the Company's enterprise value, determined utilizing an analytical valuation model. Any reasonable changes in the assumptions used in the valuation could materially affect the financial results of the Company. At December 31, 2013, the analytical valuation model used to calculate the fair value of warrants to purchase redeemable securities was a hybrid approach based on an Option-Pricing Model ("OPM") backsolve method and the Probability-Weighted Expected Return Model ("PWERM"). Thirty-five percent of the value was attributed to the OPM backsolve method and 65% was attributed to the PWERM. After the enterprise value was determined, the total enterprise value was then allocated to the various outstanding equity instruments, including the warrants to purchase redeemable securities, utilizing the OPM.

The fair value of warrants to purchase 21,695 shares of Series A preferred stock prior to exercise on January 29, 2014 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	January 29, 2014
Fair value of underlying instrument	\$ 0.65
Expected Volatility	55.57%
Expected term (in years)	0.04
Risk-free interest rate	1.52%
Expected dividend yield	0.0%

These warrants were re-measured to a fair value of \$7,783, which resulted in an increase in fair value of \$2,142. The fair value of the warrants was reclassified to additional paid-in capital upon exercise on January 29, 2014.

The fair value of warrants to purchase 28,926 shares of Series A preferred stock prior to exercise on February 4, 2014 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	February 4, 2014
Fair value of underlying instrument	\$ 0.65
Expected Volatility	55.03%
Expected term (in years)	0.02
Risk-free interest rate	1.46%
Expected dividend yield	0.0%

These warrants were re-measured to a fair value of \$10,357, which resulted in an increase in fair value of \$2,839. The fair value of the warrants was reclassified to additional paid-in capital upon exercise on February 4, 2014.

The fair value of warrants to purchase 987,840 shares of Series A preferred stock prior to a cashless exercise for 316,932 shares of Series A preferred stock on February 10, 2014, which automatically converted into 26,633 shares of Common Stock upon

the completion of our IPO, was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<u>February 10, 2014</u>
Fair value of underlying instrument	\$ 7.74
Expected Volatility	50.81%
Expected term (in years)	0.003
Risk-free interest rate	1.48%
Expected dividend yield	0.0%

These warrants were re-measured to a fair value of \$304,423, which resulted in an increase in fair value of \$46,581. The fair value of the warrants was reclassified to additional paid-in capital upon exercise on February 10, 2014.

The fair value of warrants exercisable for 1,253,051 shares of redeemable convertible preferred stock, which were automatically converted into warrants exercisable for 105,297 shares of Common Stock, was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<u>February 10, 2014</u>
Fair value of underlying instrument	\$ 6.96
Expected Volatility	92.9%
Expected term (in years)	8.66
Risk-free interest rate	2.43%
Expected dividend yield	0.0%

The fair value of the remaining 105,297 warrants to purchase Common Stock were re-measured to a fair value of \$1,058,269, which resulted in an increase in fair value of \$673,040. The fair value of the warrants was reclassified to additional paid-in capital upon conversion on February 10, 2014.

## 9. Commitments and contingencies

### *Significant Contracts and Agreements*

In August 2006, the Company entered into an agreement to license certain intellectual property from The Regents of the University of California. The agreement calls for payments to be made by the Company upon the occurrence of a certain development milestone and a certain commercialization milestone for each distinct product covered by the licensed patents, in addition to certain royalties to be paid on marketed products or sublicense income. The Company did not incur any expenses under this agreement for the years ended December 31, 2014, 2013 and 2012.

In November 2007, the Company entered into an agreement to license certain intellectual property from Harvard University. The agreement calls for payments to be made by the Company upon the occurrence of certain development and regulatory milestones, in addition to certain royalties on marketed products or sublicense income. In addition, the Company must make annual maintenance fee payments, which vary depending on the type of products under development. The Company incurred expenses of \$157 thousand, \$83 thousand and \$83 thousand in annual maintenance fees and clinical milestones to Harvard University for the years ended December 31, 2014, 2013 and 2012, respectively. The Company notified the President and Fellows of Harvard College of its partial termination of the license agreement with regard to the intellectual property covering chlamydia antigens on December 8, 2014. Effective March 8, 2015, the license agreement with the President and Fellows of Harvard College with regard to the intellectual property covering chlamydia antigens will be terminated. The Company determined that the chlamydia antigens were not relevant to the continued development of GEN-001. The Company will continue to maintain exclusive rights to aspects of the ATLAS platform covered by Harvard University intellectual property.

In August 2009, the Company entered into an agreement to license certain intellectual property from Isconova AB, now Novavax. The agreement calls for payments to be made by the Company upon the occurrence of certain development and commercial milestones, in addition to certain royalties to be paid on marketed products or sublicense income.

The Company incurred expenses of \$402 thousand, none and \$290 thousand related to services provided by Novavax for the years ended December 31, 2014, 2013 and 2012, respectively.

In January 2010, the Company entered into an agreement to license certain intellectual property from the University of Washington. The agreement also calls for payments to be made by the Company upon the occurrence of certain development and commercial milestones, in addition to certain royalties on marketed products or sublicense income. In addition, the Company must make annual maintenance fee payments, which vary depending on the number of years from the effective date. The Company incurred expenses of \$24 thousand, \$45 thousand and \$15 thousand related to this agreement for the years ended December 31, 2014, 2013, 2012, respectively. Effective October 27, 2014, the agreement between the Company and the University of Washington was terminated. As of December 31, 2014 no further rights or obligations exist under the terminated agreement.

In March 2014, the Company announced a joint research collaboration with Dana-Farber Cancer Institute and Harvard Medical School to characterize anti-tumor T cell responses in melanoma patients. This collaboration extends the use of our proprietary ATLAS platform for the rapid discovery of T cell antigens to cancer immunotherapy approaches.

#### ***Supply agreement***

In August 2009, the Company entered into a supply agreement with a third party for the manufacture and supply of antigens used in the Company's product candidates. The agreement calls for payments to be made by the Company upon the occurrence of certain manufacturing milestones, in addition to reimbursement of certain consumables. In June 2013, the Company entered into another supply agreement with the same vendor for the manufacture and supply of antigens to be used in the Company's next clinical trials. The Company incurred expenses of \$791 thousand, \$1.5 million, \$180 thousand related to these agreements for the years ended December 31, 2014, 2013, and 2012, respectively.

In February 2014, the Company entered into a supply agreement with FUJIFILM Diosynth Biotechnologies U.S.A., Inc. ("Fujifilm") for the manufacture and supply of antigens for future GEN-003 clinical trials. Under the agreement, the Company is obligated to pay Fujifilm manufacturing milestones, in addition to reimbursement of certain material production related costs. Additionally, the Company is responsible for the payment of a reservation fee, which will equal a percentage of the expected production fees, to reserve manufacturing slots in the production timeframe. The Company incurred expenses of \$3.5 million, none, and none, under this agreement for the years ended December 31, 2014, 2013 and 2012, respectively.

In October 2014, the Company entered a product development and clinical supply agreement with Baxter Pharmaceutical Solutions LLC ("Baxter"). The product development and clinical supply agreement provides the terms and conditions under which Baxter will formulate, fill, inspect, package, label and test our lead product, GEN-003 for clinical supply. The Company is obligated to pay Baxter for each batch of GEN-003 manufactured. Additionally, certain set-up fees and equipment purchased for the purposes of batch production will be invoiced separately by Baxter. The Company is also responsible for the payment of a monthly service fee for project management services for the duration of the arrangement. The Company has not any incurred expenses under this agreement for the years ended December 31, 2014, 2013 and 2012.

#### ***Lease commitments***

In July 2012, the Company leased office and laboratory space under an operating sublease ("2012 Facilities Sublease") that expired in February 2014. The Company concurrently signed an operating lease for the same space with the master landlord ("2012 Master Facilities Lease") that commenced in March 2014 and expires in February 2017.

As of December 31, 2014, the minimum future lease payments under the 2012 Master Facilities Lease are as follows (in thousands):

	Operating lease
2015	\$ 976
2016	1,012
2017	170
Total minimum lease payments	\$ 2,158

The Company recorded \$803 thousand, \$476 thousand, and \$1.1 million in rent expense for the years ended December 31, 2014, 2013, and 2012, respectively.

***Restricted cash related to facilities leases***

Restricted cash related to facilities leases consisted of the following (in thousands):

	December 31, 2014	December 31, 2013
2012 Facilities Sublease	\$ —	\$ 157
2012 Master Facilities Lease	316	158
Total	<u>\$ 316</u>	<u>\$ 315</u>

At December 31, 2014, the Company has an outstanding letter of credit with a financial institution related to a security deposit for the 2012 Master Facilities Lease, which is secured by cash on deposit and expires on February 28, 2017. The letter of credit related to the 2012 Facilities Sublease expired on April 30, 2014.

***Litigation***

The Company is not a party to any litigation and does not have contingency reserves established for any litigation liabilities.

**10. Redeemable convertible preferred stock**

Upon the completion of our IPO on February 10, 2014, all of the outstanding shares of the Company's redeemable convertible preferred stock were converted into 11,466,479 shares of its Common Stock. As of December 31, 2014, the Company does not have any redeemable convertible preferred stock issued or outstanding.

As of December 31, 2013, the total authorized capital stock of the Company was 321,340,959 shares, which included 4,615,385 shares of Seed Preferred Stock, \$0.001 par value per share; 36,661,538 shares of Series A Preferred Stock \$0.001 par value per share; 35,098,520 shares of Series B Preferred Stock, \$0.001 par value per share; and 53,275,861 shares of Series C Preferred Stock, \$0.001 par value per share. On February 10, 2014, the Company closed its IPO. In conjunction with this transaction, all shares of the Company's redeemable convertible preferred stock were converted into 11,466,479 shares of Common Stock.

**11. Common stock**

At December 31, 2014, the Company had authorized 175,000,000 shares of Common Stock, \$0.001 par value per share, of which 17,869,235 shares were issued and 17,852,389 were outstanding.

**General**

Prior to the completion of our IPO on February 10, 2014, the voting, dividend and liquidation rights of the holders of shares of Common Stock were subject to and qualified by the rights, powers and preferences of the holders of shares of preferred stock. The Common Stock has the following characteristics:

***Voting***

The holders of shares of Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders and written actions in lieu of meetings. The Common Stockholders have the right to elect one of the eight Directors.



### ***Dividends***

The holders of shares of Common Stock are entitled to receive dividends, if and when declared by the board of directors. Cash dividends may not be declared or paid to holders of shares of Common Stock until paid on each series of outstanding preferred stock in accordance with their respective terms. As of December 31, 2014, no dividends have been declared or paid since the Company's inception.

### ***Liquidation***

After payment to the holders of shares of preferred stock of their liquidation preferences, the holders of the Common Stock are entitled to share ratably in the Company's assets available for distribution to stockholders, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon the occurrence of a deemed liquidation event. As of December 31, 2014, the Company does not have any preferred stock issued or outstanding.

### **Restricted stock**

During 2006 and 2007, the Company's founders and certain employees were issued shares and entered into Stock Restriction and Repurchase Agreements with the Company. During 2013, a director of the Company early exercised stock options and received 31,092 shares of Common Stock which were subject to a Stock Restriction and Repurchase Agreement with the Company. Under the terms of the agreements, shares of Common Stock issued are subject to a vesting schedule. Vesting occurs periodically at specified time intervals and specified percentages. All shares of Common Stock become fully vested within four years of the date of grant. As of December 31, 2013, the Company had 24,615 shares of nonvested restricted stock that were subject to repurchase by the Company. As of December 31, 2014, the Company has issued 35,964 shares of restricted common stock of which 19,124 shares have vested and 16,840 shares are subject to repurchase by the Company.

### **Reserve for future issuance**

The Company has reserved for future issuances the following number of shares of Common Stock (in thousands):

	December 31, 2014	December 31, 2013
Conversion of Seed Preferred Stock	—	388
Conversion of Series A Preferred Stock	—	2,990
Conversion of Series B Preferred Stock	—	3,613
Conversion of Series C Preferred Stock	—	4,419
Options to purchase Common Stock	2,373	1,823
Options to purchase Common Stock under ESPP	185	—
Warrants to purchase Series A Preferred Stock	—	91
Warrants to purchase Series B Preferred Stock	—	43
Warrants to purchase Series C Preferred Stock	—	58
Warrants to purchase Common Stock	78	—
	<u>2,636</u>	<u>13,425</u>

## **12. Stock-based compensation**

The Company's board of directors adopted the 2014 Equity Incentive Plan (the "2014 Equity Plan"), which was approved by its stockholders and became effective prior to the commencement of our IPO. The 2014 Equity Plan replaced the 2007 Equity Incentive Plan (the "2007 Equity Plan").

The 2014 Equity Plan provided for the grant of incentive stock options, non-qualified stock options and restricted stock awards to key employees and directors of, and consultants and advisors to, the Company. The maximum number of shares of Common Stock that may be delivered in satisfaction of awards under the 2014 Equity Plan is 903,494 shares, plus 219,765 shares that were available for grant under the 2007 Equity Plan on the date the 2014 Equity Plan was adopted. The 2014 Equity Plan provides that the number of shares available for issuance will automatically increase annually on each January 1, from January 1, 2015 through January 1, 2024, in amount equal to the lesser of 4.0% of the outstanding shares of the Company's outstanding Common Stock as of the close of business on the immediately preceding December 31 or the number of shares determined the Company's board of directors.

Outstanding options awards granted from the 2007 Equity Plan, at the time of the adoption of the 2014 Equity Plan, remain outstanding and effective. The shares of Common Stock underlying awards that are cancelled, forfeited, repurchased, expire or are

otherwise terminated under the 2007 Equity Plan are added to the shares of Common Stock available for issuance under the 2014 Equity Plan. As of December 31, 2014, the number of common shares that may be issued under both equity plans is 2,373,348 and 83,015 remain available for future grants.

During the years ended 2014, 2013 and 2012, the Company granted a total of none, 44,345 and 49,127 stock options, respectively, to consultants and members of its Scientific Advisory Board, which are included in the following stock option table. The options generally vest over a four-year period, and have a life of ten years. Certain senior advisors of the Company received options that vest upon the occurrence of certain milestones. Stock options issued to non-employees are accounted for using the fair value method of accounting, and are periodically revalued as the options vest, and are recognized as expense over the related service period. The total expense related to all nonemployee options for the years ended December 31, 2014, 2013 and 2012 was \$324 thousand, \$143 thousand and \$18 thousand, respectively.

### ***Stock Based Compensation Expense***

Total stock-based compensation expense is recognized for stock options granted to employees and non-employees and has been reported in the Company's statements of operations as follows (in thousands):

	Years ended December 31,		
	2014	2013	2012
Research and development	\$ 1,511	\$ 322	\$ 102
General and administrative	1,394	350	205
Total	<u>\$ 2,905</u>	<u>\$ 672</u>	<u>\$ 307</u>

### ***Stock Options***

The following table summarizes stock option activity for employees and nonemployees (shares in thousands):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	1,576	\$ 2.66	7.64	\$ 6,682
Granted	1,065	\$ 12.79		
Exercised	(282)	\$ 2.42		
Canceled	(69)	\$ 7.42		
Outstanding at December 31, 2014	<u>2,290</u>	\$ 7.26	8.08	\$ 5,332
Exercisable at December 31, 2014	<u>1,029</u>	\$ 3.36	6.86	\$ 4,198
Vested or expected to vest at December 31, 2014	<u>2,078</u>	\$ 6.98	7.99	\$ 5,123

During the years ended December 31, 2014, 2013 and 2012, the Company granted stock options to purchase an aggregate of 1,064,640, 559,742 and 54,883 of its Common Stock, respectively, with a weighted-average grant date fair values of \$10.11, \$3.41 and \$1.31, respectively.

The total intrinsic value of options exercised in the year ended December 31, 2014 was \$3.1 million and was de minimis in the years ended December 31, 2013 and 2012. As of December 31, 2014, there was \$9.4 million of total unrecognized compensation cost related to employee nonvested stock options granted under the Company's equity plans.

The total unrecognized compensation costs related to non-employees in the year ended December 31, 2014, was \$55 thousand and was immaterial in the years ended December 31, 2013 and 2012.

Total unrecognized compensation cost for employee and non-employee will be adjusted for future forfeitures. The Company expects to recognize that cost over a remaining weighted-average period of 3.23.

The Company estimates the fair value of each employee stock award on the grant date using the Black-Scholes option-pricing model based on the following assumptions and the assumptions regarding the fair value of the underlying Common Stock on each measurement date:

	Years ended December 31,		
	2014	2013	2012
Expected Volatility	86.2%-103.6%	97.1%	99.2%
Risk-free interest rate	1.75%-2.00%	0.59%-1.83%	0.99%
Expected term (in years)	6.25	6.25	6.25
Expected dividend yield	0%	0%	0%

### ***Performance-Based Stock Options***

The Company granted stock options to certain employees, executive officers and consultants, which contain performance-based vesting criteria. Milestone events are specific to the Company's corporate goals, which include, but are not limited to, certain clinical development milestones, business development agreements and capital fundraising events. Stock-based compensation expense associated with these performance-based stock options is recognized if the performance conditions are considered probable of being achieved, using management's best estimates. During the year ended December 31, 2014, the Company determined that 96,988 options related to performance-based milestones were probable of achievement and, accordingly, recorded \$453 thousand in related stock-based compensation expense during the year ended December 31, 2014. As of December 31, 2014, there are 56,336 performance-based common stock options outstanding for which the probability of achievement was not deemed probable.

### ***Employee Stock Purchase Plan***

In connection with the completion of the Company's IPO on February 10, 2014, the Company's board of directors adopted the 2014 Employee Stock Purchase Plan (the "2014 ESPP"). The 2014 ESPP authorizes the initial issuance of up to a total of 200,776 shares of Common Stock to participating eligible employees. The 2014 ESPP provides for six-month option periods commencing on January 1 and ending June 30 and commencing July 1 and ending December 31 of each calendar year. The first offering under the 2014 ESPP began on July 1, 2014. During the year ended December 31, 2014, 15,622 shares were issued under the 2014 ESPP with 185,154 shares remaining for future issuance under the plan as of December 31, 2014. The Company incurred \$43 thousand in stock-based compensation expense related to the 2014 ESPP for the year ended December 31, 2014.

## **13. 401(k) Savings plan**

In 2007, the Company established a defined-contribution savings plan under Section 401(k) of the Internal Revenue Code ("401(k) Plan"). The 401(k) Plan covers all employees who meet defined minimum age and service requirements, and allows participants to defer a portion of their annual compensation on a pretax basis. The Company has not made any contributions to the 401(k) Plan to date.

## **14. Income taxes**

For the years ended December 31, 2014 and 2013, the Company did not record a current or deferred income tax expense or benefit. The Company's losses before income taxes consist solely of domestic losses.

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets are comprised of the following (in thousands):

	December 31,	
	2014	2013
Deferred tax assets:		
U.S. and state net operating loss carryforwards	\$ 39,721	\$ 27,616
Research and development credits	3,655	2,749
Stock based compensation	770	369
Purchased intangibles	245	269
Capitalized organizational and start up expenditures	153	173
Accruals and other temporary differences	659	478
Total deferred tax assets	45,203	31,654
Less valuation allowance	(45,203)	(31,654)
Net deferred tax assets	\$ —	\$ —

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company's history of operating losses, the Company has concluded that it is more likely than not that the benefit of its deferred tax assets will not be realized. Accordingly, the Company has provided a full valuation allowance for deferred tax assets as of December 31, 2014 and 2013. The valuation allowance increased approximately \$13.4 million and \$8.7 million during the year ended December 31, 2014 and 2013, respectively, due primarily to the generation of net operating losses during each period.

A reconciliation of income tax expense computed at the statutory federal income tax rate to income taxes as reflected in the financial statements is as follows:

	Years ended December 31,		
	2014	2013	2012
Federal income tax expense at statutory rate	34.0%	34.0%	34.0%
State income tax, net of federal benefit	4.6%	5.1%	6.8%
Permanent differences	(2.1)%	(0.9)%	(0.2)%
Research and development credit	1.8%	3.6%	0.0%
Other	0.1%	0.0%	0.0%
Change in valuation allowance	(38.4)%	(41.8)%	(40.6)%
Effective tax rate	0.0%	0.0%	0.0%

As of December 31, 2014, 2013, and 2012, the Company had U.S. federal net operating loss carryforwards of approximately \$105.0 million, \$71.4 million, and \$51.7 million, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2034. As of December 31, 2014, 2013, and 2012, the Company also had U.S. state net operating loss carryforwards of approximately \$90.5 million, \$64.5 million, and \$49.0 million, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2034. Included in the federal and state net operating loss carryforwards are approximately \$1.9 million, \$130 thousand, and none, respectively, of deductions related to the exercise of stock options. These amounts represent an excess tax benefit which will be realized when it results in the reduction of cash income tax in accordance with ASC 718.

As of December 31, 2014, 2013, and 2012, the Company had federal research and development tax credit carryforwards of approximately \$2.6 million, \$1.9 million, and \$1.2 million, respectively, available to reduce future tax liabilities which expire at various dates through 2034. As of December 31, 2014, 2013 and 2012, the Company had state research and development tax credit carryforwards of approximately \$1.7 million, \$1.3 million, and \$929 thousand, respectively, available to reduce future tax liabilities which expire at various dates through 2029.

Under the provisions of the Internal Revenue Code, the net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating loss and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50 percent, as defined under Sections 382 and 383 of the Internal Revenue Code, respectively, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has completed

several financings since its inception which may have resulted in a change in control as defined by Sections 382 and 383 of the Internal Revenue Code, or could result in a change in control in the future.

The Company will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2014 and 2013, the Company had no accrued interest or penalties related to uncertain tax positions and no amounts have been recognized in the Company's statements of operations and comprehensive loss.

For all years through December 31, 2014, the Company generated research credits but has not conducted a study to document the qualified activities. This study may result in an adjustment to the Company's research and development credit carryforwards; however, until a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position for these two years. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the deferred tax asset established for the research and development credit carryforwards and the valuation allowance.

The Company files income tax returns in the United States and various state jurisdictions. The federal and state income tax returns are generally subject to tax examinations for the tax years ended December 31, 2011 through December 31, 2014. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service, state or foreign tax authorities to the extent utilized in a future period.

#### 15. Net loss per share attributable to common stockholders

The Company computes basic and diluted earnings (loss) per share using a methodology that gives effect to the impact of outstanding participating securities (the "two-class method"). As the years ended December 31, 2014, 2013 and 2012 resulted in net losses, there is no income allocation required under the two-class method or dilution attributed to weighted average shares outstanding in the calculation of diluted loss per share.

The following common stock equivalents, presented on an as converted basis, were excluded from the calculation of net loss per share for the periods presented, due to their anti-dilutive effect (in thousands):

	Years ended December 31,		
	2014	2013	2012
Preferred stock	—	11,409	8,493
Warrants	78	193	135
Outstanding options	2,290	1,576	1,054
Total	2,368	13,178	9,682

**16. Quarterly financial information (unaudited, in thousands, except share and per share data)**

	Three Months Ended,			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenue	\$ —	\$ —	\$ —	\$ 308
Operating expenses	6,373	6,909	8,958	11,234
Net loss	(7,329)	(7,146)	(9,171)	(11,650)
Net loss per attributable to common stockholders	(7,509)	(7,146)	(9,171)	(11,650)
Net loss per share attributable to common stockholders - basic and diluted	(0.76)	(0.41)	(0.53)	(0.66)
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted	9,859	17,346	17,465	17,696

	Three Months Ended,			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenue	\$ 259	\$ 228	\$ 224	\$ 20
Operating expenses	4,790	4,977	4,699	6,190
Net loss	(4,664)	(4,957)	(4,839)	(6,346)
Net loss per attributable to common stockholders	(5,059)	(5,357)	(5,244)	(6,751)
Net loss per share attributable to common stockholders - basic and diluted	\$ (17.09)	\$ (18.10)	\$ (17.72)	\$ (22.50)
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted	296	296	296	300

**17. Subsequent events**

The Company has completed an evaluation of all subsequent events after the audited balance sheet date of December 31, 2014 through February 27, 2015, the date the financial statements were issued, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of December 31, 2014 and events which occurred subsequently but were not recognized in the financial statements. The Company has no subsequent events to disclose.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 27, 2015.

GENOCEA BIOSCIENCES, INC.

By: /s/ William Clark

William Clark  
*President and Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ William Clark</u> William Clark	President and Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2015
<u>/s/ Jonathan Poole</u> Jonathan Poole	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2015
<u>/s/ Kenneth Bate</u> Kenneth Bate	Director	February 27, 2015
<u>/s/ Kevin Bitterman</u> Kevin Bitterman, Ph.D.	Director	February 27, 2015
<u>/s/ Katrine Bosley</u> Katrine Bosley	Director	February 27, 2015
<u>/s/ Michael Higgins</u> Michael Higgins	Director	February 27, 2015
<u>/s/ Stephen J. Hoffman</u> Stephen J. Hoffman	Director	February 27, 2015
<u>/s/ George Siber</u> George Siber, M.D.	Director	February 27, 2015



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Exhibit Number	Exhibit
3.1	Fifth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on February 12, 2014)
3.2	Amended and Restated By-laws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on February 12, 2014)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
4.2	Form of Warrant to Purchase Preferred Stock, dated January 7, 2008 (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
4.3	Preferred Stock Purchase Warrant, dated September 30, 2013, issued to Ares Capital Corporation (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
4.4	Fourth Amended and Restated Registration Rights Agreement (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
4.5	Warrant Agreement between the Company and Hercules Technology Growth Capital, Inc., dated November 20, 2014 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on November 21, 2014)
10.1	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.2+	Amended and Restated Exclusive License Agreement between Children's Medical Center Corporation and Genocoea Biosciences, Inc., dated March 23, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.3+	Amended and Restated License Agreement between Genocoea Biosciences, Inc. and President and Fellows of Harvard College, dated November 19, 2012 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.4+	License and Collaboration Agreement between Genocoea Biosciences, Inc. and Isconova AB, dated August 5, 2009, as amended on March 19, 2010, June 18, 2010, August 17, 2010, October 19, 2011 and February 6, 2012 (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.5+	Exclusive License Agreement for Escherichia Coli K12 to Deliver Protein to the Macrophage Cytosol between Genocoea Biosciences, Inc. and The Regents of the University of California, dated August 18, 2006 (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.6+	Patent License Agreement between Genocoea Biosciences, Inc. and University of Washington dated January 27, 2010, as amended on July 19, 2012 (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.7	Loan and Security Agreement, dated September 30, 2013, by and between Ares Capital Corporation and Genocoea Biosciences, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.8	Lease, dated as of July 3, 2012, between TBCI, LLC and Genocoea Biosciences, Inc. (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)

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Exhibit Number	Exhibit
10.9	Agreement Regarding Sublease, dated as of July 9, 2012, by TBCI, LLC, FoldRx Pharmaceuticals, Inc., Pfizer Inc. and Genocoea Biosciences, Inc. (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.10	Genocoea Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan, as amended on June 24, 2013 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.11†	Consulting Agreement between Genocoea Biosciences, Inc. and George Siber, dated May 16, 2007, as amended on June 30, 2009, December 16, 2010, June 15, 2011 and June 5, 2013 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.12†	Amended and Restated Employment Letter Agreement between William Clark and Genocoea Biosciences, Inc., dated January 16, 2014 (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 23, 2014)
10.13†	Amended and Restated Employment Letter Agreement between Seth Hetherington, M.D. and Genocoea Biosciences, Inc., dated January 16, 2014 (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 23, 2014)
10.14†	Letter Agreement, dated April 7, 2014, between the Company and Jonathan Poole (incorporated by referenced to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on April 8, 2014)
10.15†	Genocoea Biosciences, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.16†	Genocoea Biosciences, Inc. Cash Incentive Plan (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.17†	Genocoea Biosciences, Inc. Cash Bonus Program for Fiscal Years 2012, 2013 and 2014 (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.18+	Amendment No. 2 to Patent License Agreement between Genocoea Biosciences, Inc. and University of Washington dated September 12, 2012 (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.19+	Amendment No. 3 to Patent License Agreement between Genocoea Biosciences, Inc. and University of Washington dated November 7, 2013 (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.20†	Form of Nonstatutory Stock Option Granted under the Genocoea Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.21†	Form of Incentive Stock Option Granted under the Genocoea Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1, File No. 333-193043, filed on December 23, 2013)
10.22†	Form of Incentive Stock Option under the Genocoea Biosciences, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.23†	Form of Nonstatutory Stock Option under the Genocoea Biosciences, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)

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Exhibit Number	Exhibit
10.24†	Letter Agreement, dated January 9, 2014 terminating the Letter Agreement between Genocoe Biosciences, Inc. and Katrine Bosley, dated February 4, 2013 (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.25†	Restricted Stock Agreement between Genocoe Biosciences, Inc. and Katrine Bosley, dated November 7, 2013 (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.26†	Genocoe Biosciences, Inc. 2014 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 23, 2014)
10.27†	Nonstatutory Stock Option granted under the Genocoe Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan to Katrine Bosley, dated May 13, 2013 (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.28†	Nonstatutory Stock Option granted under the Genocoe Biosciences, Inc. Amended and Restated 2007 Equity Incentive Plan to Katrine Bosley, dated November 5, 2013 (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1, File No. 333-193043, as amended on January 13, 2014)
10.29+	Bioprocessing Services Agreement between the Company and FUJIFILM Diosynth Biotechnologies U.S.A., Inc. dated February 26, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, File No. 001-36289, filed on May 9, 2014)
10.30	Loan and Security Agreement between the Company and Hercules Technology Growth Capital, Inc., dated November 20, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on November 21, 2014)
10.31	Equity Rights Letter Agreement between the Company and Hercules Technology Growth Capital, Inc., dated November 20, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 001-36289, filed on November 21, 2014)
10.32*+	Product Development and Clinical Supply Agreement between the Company and Baxter Pharmaceutical Solutions LLC, dated October 23, 2014
23.1*	Consent of Ernst & Young LLP
31.1*	Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002 by Chief Executive Officer
31.2*	Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002 by Chief Financial Officer
32.1**	Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002 by Chief Executive Officer
32.2**	Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002 by Chief Financial Officer
101. INS*	XBRL Instance Document
101. SCH*	XBRL Taxonomy Extension Schema
101. CAL*	XBRL Taxonomy Extension Calculation Linkbase
101. DEF*	XBRL Taxonomy Extension Definition Linkbase
101. LAB*	XBRL Taxonomy Extension Label Linkbase
101. PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith.

\*\* Furnished herewith.

† Indicates a management contract or compensatory plan.

+ Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been submitted separately to the Securities and Exchange Commission.

**THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH [\* \* \*] AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**PRODUCT DEVELOPMENT  
AND CLINICAL SUPPLY AGREEMENT**

**THIS PRODUCT DEVELOPMENT AND CLINICAL SUPPLY AGREEMENT** (this “**Agreement**”) is made effective as of the 23<sup>rd</sup> day of October, 2014 (the “**Effective Date**”) by and between **BAXTER PHARMACEUTICAL SOLUTIONS LLC**, a Delaware limited liability company having a place of business at 927 South Curry Pike, Bloomington, Indiana 47403 ( “**Baxter**” ), and **GENOCEA BIOSCIENCE, INC.**, a Delaware corporation having a principal place of business at Cambridge Discovery Park, 100 Acorn Park Dr., 5th Floor, Cambridge, MA, 02140 ( “**Client**” ).

**RECITALS**

1. Client is engaged, directly or through partners and contractors, in the development, bulk production, formulation, sale and distribution of pharmaceutical products;
2. Baxter is, among other pharmaceutical activities, engaged in the formulation, filling, inspection, labeling and packaging of pharmaceutical products for various pharmaceutical companies;
3. Client and Baxter desire to have Baxter formulate, fill, inspect, package, label, and test Product for Client for clinical supply.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, Client and Baxter, hereinafter referred to as “**Party**” or “**Parties**”, agree as follows:

**Article 1, DEFINITIONS**

- 1.1.** As used in this Agreement, the following words and phrases shall have the following meanings:

“**Affiliate**” shall mean any corporation or other business entity directly or indirectly controlled by, controlling, or under common control with a Party or its parent corporation. The term “control” (including, with correlative meaning, the terms “controlled by,” “controlling” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Party, whether through the ownership of voting securities, by contract or otherwise, or such other relationship as, in fact, constitutes actual control.

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**“Batch”** shall mean a specific quantity of Product comprising a number of Units mutually agreed upon between Client and Baxter, and that (a) is intended to have uniform character and quality within specified limits, and (b) is Produced according to a single manufacturing order during the same cycle of manufacture.

**“Baxter SOPs”** shall mean Baxter’s standard operating procedures applicable to the Production of Product.

**“Bill of Materials”** or **“BOM”** shall mean the listing of Materials, part numbers, and relative quantities to be used in the Production of Product.

**“Bulk Drug Substance”** or **“BDS”** shall mean the active pharmaceutical ingredient, as set forth in the Development Plan and/or Project Plan, to be supplied by Client for use in the Production of Product.

**“Certificate of Analysis”** or **“CofA”** shall mean a document prepared by Baxter in a Baxter standard format certifying the Batch of the Product release tests performed by Baxter, or Qualified Subcontractors, the specifications and test results for each Batch, as further specified in the Quality Agreement.

**“cGMP Batch”** shall mean a Batch of Product Produced from a cGMP production run conducted in accordance with the Master Batch Record that is used to create Product for research and development or for clinical use.

**“Claims”** means any and all claims, demands, actions, suits by a third party including claims of property damage, death or personal injury for which the Indemnified Parties otherwise would be strictly liable.

**“Completion,” “Completed”** and correlatives shall mean the completion by Baxter of a Batch or other milestone, all as defined in the Project Plan.

**“Completion Timeline”** shall mean the timeline of Completion of an event as defined in the Project Plan (as may be amended by mutual agreement from time to time as set forth in this Agreement).

**“Components”** shall mean the primary packaging components (e.g. vial, stopper and seal) used by Baxter in the Production of Product under this Agreement. Components are listed in the Bill of Materials.

**“Confidential Information”** shall be defined as set forth in Article 18.

**“Current Good Manufacturing Practices”** or **“cGMP”** shall mean the current good manufacturing practices required by the FDA and set forth in the FD&C Act or FDA regulations (including without limitation 21 CFR 210 and 211) as in effect from time to time.

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**“Demonstration Batch”** shall mean a Batch used for process demonstration and engineering of some or all of the Process Services and/or demonstration and engineering of Production in Baxter’s cGMP facility.

**“Development Plan”** shall mean the document containing the parameters for the Process Services which shall be developed by Baxter and Client and agreed to in writing by Client and Baxter for each Product under this Agreement as set forth in Section 2.1.

**“Disposition Date”** shall mean Baxter’s disposition of the Executed Batch Record.

**“Effective Date”** shall mean the date set forth above.

**“Executed Batch Record”** shall mean the completed batch record (disposed by Baxter as released, rejected or aborted) and associated deviation reports, and if applicable, a Lot QC Data Packet for each Batch of Product.

**“FDA”** shall mean the United States Food and Drug Administration or any successor entity thereto.

**“FD&C Act”** shall mean the United States Federal Food, Drug and Cosmetic Act, as may be amended from time to time.

**“Latent Defect”** means any non-conformity of a Product with the Product Requirements that could not reasonably have been expected to have been revealed by review of the Released Executed Batch Record by Client and/or testing performed by Client during the applicable time period for acceptance as provided for in Section 7.1 herein, but is discovered within the time period as provided for in Section 7.1.1.

**“Losses”** shall mean any and all liabilities, obligations, penalties, claims, judgments, demands, actions, disbursements of any kind and nature, suits, losses, damages, costs and expenses (including, without limitation, reasonable attorney’s fees).

**“Lot QC Data Packet”** shall mean the listing of the analytical testing and Product Specifications performed on the Product and the results of such tests and shall contain a CofA for each Batch delivered.

**“Master Batch Record”** or **“MBR”** shall mean, with respect to each Presentation of Product to be Produced hereunder, a mutually agreed formal set of instructions for the Production of each Presentation of such Product. The MBR shall be developed and maintained in Baxter’s standard format by Baxter, using Client’s master formulation and technical support.

**“Materials”** as used in this Agreement shall collectively mean the BDS, Components, Secondary Packaging Materials and Raw Materials as required for Production of Product.

**“Materials Specifications”** shall mean the specifications and testing to be performed on the Materials, as specified in the QCMD.

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**“Non-Conforming Batch”** shall mean:

- (1) a cGMP Batch that has not been Produced in accordance with the Product Requirements.
- (2) A Demonstration Batch that has not been Produced in accordance with the Project Plan.

**“Presentation”** shall mean the specific formulation and Components for the Product as specified in the applicable Master Batch Record and Product Specifications.

**“Process Services”** shall mean those research and development services performed by Baxter to optimize the manufacturing process related to Client’s process to Produce Product. Process Services activities shall be identified in the Development Plan.

**“Produce” or “Production”** shall mean the formulation, filling, packaging, inspecting, labeling, and testing of Product by Baxter during the manufacture and finishing of Product in finished dosage form for research and development and/or clinical use as specified in the applicable Master Batch Record or finishing specification sheet.

**“Product”** shall mean product as specified in the Development Plan, if applicable, and the Project Plan for use in Process Services and/or clinical trials.

**“Product Requirements”** shall mean cGMPs, Baxter SOPs, the Product Specifications and the Master Batch Record.

**“Product Specifications”** shall mean, with respect to Product, the specifications and testing to be performed for the Product (and the BDS to the extent that Baxter is required to test the BDS) and/or the stability program that are set forth in the Baxter SOPs and the Master Batch Records. The Product Specifications include all tests that Baxter is required to conduct or cause to be conducted as specified in the QCMD. The Product Specifications may be modified from time to time only by a written agreement of Client and Baxter.

**“Production Price”** shall be defined in Section 5.1.

**“Project Plan”** shall mean the document(s) containing the parameters, timelines, milestones, Completion and Product Specifications for the Production of each Presentation of Product which shall be developed by Baxter and Client and mutually agreed to in writing by Client and Baxter for each Presentation of Product under this Agreement as set forth in Section 2.2. In addition, the Project Plan may include, without limitation, the Product, Materials, the countries where such Product will be sold, and Presentations for such Product.

**“Quality Agreement”** shall mean an addendum to this Agreement under which the Parties allocate the pharmaceutical responsibilities, as further set forth in Section 2.4.

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**“Quality Control Master Document” or “QCMD”** shall mean a listing of the analytical testing and corresponding Specifications, and the results of such testing, to be performed on the Bulk Drug Substance, Raw Materials and in some instances, Product and shall contain a CofA for each Batch delivered.

**“Qualified Subcontractor”** shall mean a subcontractor with whom Baxter has a signed agreement, with provisions that protect Client Confidential Information and intellectual property at least as stringent as the provisions of this Agreement, and that has been audited and approved as a supplier by Baxter’s quality assurance department to provide the services to be subcontracted.

**“Raw Materials”** shall mean all excipients, inactive ingredients and other substances used by Baxter in the Production of Product under this Agreement with the exception of BDS, Components and Secondary Packaging Materials. All Raw Materials are listed in the Bill of Materials.

**“Regulatory Approval”** shall mean all authorizations by the appropriate Regulatory Authority necessary for use of Product in clinical trials in a jurisdiction, including without limitation, approval of labeling and Production.

**“Regulatory Authority”** shall mean those agencies or authorities responsible for regulation of the Products in the United States and such other Regulatory Authorities expressly agreed upon by the Parties in the Quality Agreement. Baxter will have no obligation to Produce Product in compliance with the requirements of a Regulatory Authority not specified in the applicable Quality Agreement.

**“Regulatory Plan”** shall mean the document(s) containing regulatory services and support for the development and maintenance of regulatory submissions and supporting documentation as set forth in Section 2.3.

**“Released Executed Batch Record”** shall mean the completed batch record and associated exception reports, and Lot QC Data Packet or QCMD created for each Batch of Product.

**“Reschedule Fees”** shall have the meaning given in Section 4.2.

**“Secondary Packaging Materials”** as used in this Agreement shall mean any material employed in the secondary packaging of the Product (e.g. leaflet, label and folded box), but excluding any outer packaging used for transportation or shipment. All Secondary Packaging Materials are listed in the Bill of Materials.

**“Specifications”** shall mean the Materials Specifications and/or the Product Specifications as the context requires.

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“**Start Timeline**” shall mean the timeline for starting a particular milestone or Batch run set forth in the Project Plan (as may be amended by mutual agreement from time to time as set forth in this Agreement).

“**Unit**” shall mean an individually packaged dose of Product, including by way of example only, a vial or prefilled syringe, as specified in the Project Plan.

**Article 2, PLANS/QUALITY AGREEMENT**

**2.1. Development Plan.** Prior to commencing Process Services for any Product, the Parties shall agree in writing upon a Development Plan and/or Project Plan, as applicable. Baxter will not be required to commence Process Services for development of a Product, and Client will not be required to pay for services or costs, until Client has (i) executed and returned the Development Plan and/or Project Plan for such Process Services to Baxter or (ii) issued to Baxter a purchase order or some other written approval by a Genocera Vice President or Genocera officer senior to a Vice President for such services or costs. Upon execution of the Development Plan, Baxter shall commence Development of such Product pursuant to the timeline and otherwise in accordance with the Development Plan.

**2.2. Project Plan/Production.** For Product to be Produced hereunder, the Parties shall agree in writing upon a Project Plan. Baxter has agreed to schedule Production prior to completion and approval of a Project Plan. However, Baxter will not be required to commence any Production, and Client will not be required to pay for services or costs, until (i) a Project Plan for such Product has been approved in writing by both Baxter and Client or (ii) Client has issued to Baxter a purchase order or some other written approval by a Genocera Vice President or Genocera officer senior to a Vice President for such services or costs. Product-specific Master Batch Records shall be reviewed and approved by Baxter and by Client prior to commencement of Production. Any material change to an approved Product-specific Master Batch Record will be reviewed and approved by Baxter and by Client prior to said change being implemented. Upon execution of the Quality Agreement and the corresponding Project Plan for each Product, Baxter shall commence Production of such Product pursuant to the timeline and otherwise in accordance with the Project Plan. Each Batch of Product shall be Produced by using a copy of the Master Batch Record. Each copy of the Master Batch Record for such Batch of Product shall be assigned a unique Batch number. Any deviation from the manufacturing process specified in the Master Batch Record must be documented in the copy of the Master Batch Record for that Batch. Baxter shall provide Client with required supporting development and Production documentation in a form reasonably suitable for Client’s submission to the FDA.

**2.3. Regulatory Plan.** If requested by Client, Baxter shall provide regulatory services in connection with obtaining Regulatory Approval for a Product. Baxter will not be required to conduct regulatory services for a Product, and Client will not be required to pay for services or costs, until (i) the Regulatory Plan for such Product has been agreed upon by the Parties or (ii)

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Client has issued to Baxter a purchase order or some other written approval by a Genoclea Vice President or Genoclea officer senior to a Vice President for such services or costs.

**2.4. Quality Agreement.** The Parties will agree in writing on a Quality Agreement. Baxter will not be required to schedule any Production, and Client will not be required to pay for services or costs, until (i) a Quality Agreement has been duly signed by both Baxter and Client or (ii) with respect to payment for services or costs, Client has issued to Baxter a purchase order or some other written approval by a Genoclea Vice President or Genoclea officer senior to a Vice President for such services or costs.

**2.5. Amendment.** This Agreement and each Development Plan, Project Plan, Regulatory Plan and Quality Agreement may be amended from time to time, only upon mutual written agreement of Client and Baxter. Upon execution of any Development Plan, Project Plan, Regulatory Plan or Quality Agreement, such executed document shall be deemed to be incorporated herein by reference and made a part of this Agreement. In the event that the terms of any Development Plan, Project Plan, Regulatory Plan or purchase order, acknowledgment, invoice or other standard commercial documents are inconsistent with the terms of this Agreement, this Agreement shall control, unless otherwise explicitly agreed to in writing by the Parties. No Development Plan, Project Plan, Regulatory Plan, Quality Agreement or purchase order, acknowledgment, invoice or other standard commercial documents shall be deemed to amend this Agreement. In the event of a conflict between this Agreement and the Quality Agreement, the Quality Agreement will prevail for matters of quality and this Agreement will prevail for all business, legal, and financial issues.

**2.6. Effect of Failure to Execute Plans.** Failure to execute a Development Plan, Project Plan or Regulatory Plan with respect to the Product will not relieve either Party of any obligation accruing with respect to services or costs for such Product prior to such failure to execute provided Client has issued to Baxter a purchase order or some other written approval by a Genoclea Vice President or Genoclea officer senior to a Vice President for such services or costs.

### **Article 3, PURCHASE AND SUPPLY OF MATERIALS**

**3.1. Client Supplied Materials.** Client, at its expense (including, without limitation, shipping costs), shall supply to Baxter, in a timely manner, all Materials listed in the Bill of Materials as Client supplied. On receipt of the Client supplied Materials, Baxter's sole obligation with respect to evaluation of the Client supplied Materials shall be to (i) review the accompanying certificate of analysis to confirm that the Client supplied Materials conform with the specifications, and (ii) perform testing on the BDS in accordance with the Project Plan. Client shall be liable for the conformance of the BDS and Client supplied Materials to their respective specifications, and Client shall be responsible for any liability arising out of any such nonconformance, including without limitation, Non-Conforming Batches of Product, unless Baxter is required to test the Client supplied Materials and such nonconformance was not

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detected by Baxter as a result of its negligence or willful misconduct. Unless specifically set forth otherwise in this Agreement, Baxter disclaims any and all liability with respect to Client's BDS. The responsibility for vendor/supplier qualification is set forth in the Quality Agreement. Baxter shall only use Qualified Subcontractors.

**3.2. Baxter Supplied Materials.** Baxter will purchase, at Baxter's expense, in a timely manner, all Materials listed in the Bill of Materials as Baxter supplied. Baxter shall test such Materials in accordance with the Quality Agreement and QCMD. Baxter shall be liable for the conformance of the Baxter supplied Materials to their respective specifications if such nonconformance is due to Baxter's negligence or willful misconduct as specifically set forth in this Agreement. In addition, Baxter will use commercially reasonable efforts to assist Client in recovering from Baxter's suppliers for indemnification and warranty obligations for purposes of flow through to Client. Baxter shall control packaging materials listed in the Bill of Materials and shall assist Client with evaluation and purchase of modified materials in the event that Client requests a change in Presentation. Baxter shall not initiate any changes to Materials without prior written approval from Client, in its sole discretion.

**3.3. Material Delivery Delays.** Timely delivery of Client supplied Materials and Baxter supplied Materials shall mean that the respective Materials and the required cGMP-related documents reach Baxter prior to the scheduled manufacturing date of such Product per the timing set forth in the Project Plan. A delay in delivery of the Client supplied Materials by the vendor shall not be considered to be a delay by Baxter. A delay in delivery of the Baxter supplied Materials by the vendor shall not be considered to be a delay by Client. Notwithstanding anything in this Agreement to the contrary, in the event that Baxter receives the Client supplied Materials and associated cGMP documents for the Production of Product from Client with less time than requested in the Project Plan, but within sufficient time to Produce such Product on such scheduled date, Baxter shall charge Client an additional fee of [\* \* \*], which shall be paid promptly to Baxter prior to Production, and Baxter shall Produce such Product as per the original schedule. Notwithstanding anything in this Agreement to the contrary, in the event that Baxter receives the Client supplied Materials for Production of Product from Client with less time than requested in the applicable Project Plan prior to the scheduled date of Production of such Product, and without sufficient time to Produce such Product on the scheduled date or in the event Client cancels or reschedules Production of Product, Baxter shall reschedule Production of such Product and shall charge Client the applicable Reschedule Fee pursuant to Section 4.2.

**3.4. Importer of Record.** In the event any material or equipment to be supplied by Client, including without limitation Client supplied Materials, is imported into the United States for delivery to Baxter ( "**Imported Goods**" ), such Imported Goods shall be imported DDP Bloomington, IN (Incoterms 2010). Client shall be the "Importer of Record" of such Imported Goods. As the Importer of Record, Client shall be responsible for all aspects of the Imported Goods including, without limitation (a) customs and other regulatory clearance of Imported Goods, (b) payment of all tariffs, duties, customs, fees, expenses and charges payable in connection with the importation and delivery of the Imported Goods, and (c) keeping all records,

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documents, correspondence and tracking information required by applicable laws, rules and regulations arising out of or in connection with the importation or delivery of the Imported Goods.

#### Article 4, PURCHASE AND SUPPLY OF PRODUCT

**4.1. Agreement to Purchase and Supply.** Pursuant to the terms and conditions of this Agreement, Client will purchase the Product from Baxter, and Baxter will Produce the Product for Client in accordance with this Agreement.

#### **4.2. Reschedule Fees.**

**4.2.1** If Client unilaterally cancels or reschedules (other than where the Parties mutually agree to reschedule through a change order or to extend the Start Timeline or due to breach or default by Baxter) Production of any Batch set forth in a Project Plan, Client shall pay, as liquidated damages and not as a penalty, the following fees ( “**Reschedule Fees**” ) calculated based on the date of Baxter’s receipt of Client’s notice, and payable within thirty (30) days after the invoice date:

(i) for cancellation or rescheduling [\* \* \*] or more in advance of the scheduled Start Timeline for any Demonstration Batch run or cGMP Batch run, no Reschedule Fees shall be due;

(ii) a charge of [\* \* \*] percent ([\* \* \*]%) of the Production Price of the Batch if the Batch is canceled or rescheduled [\* \* \*] from the scheduled Start Timeline but [\* \* \*] from the scheduled Start Timeline;

(iii) a charge of [\* \* \*] percent ([\* \* \*]%) of the Production Price of the Batch if the Batch is canceled or rescheduled [\* \* \*] from the scheduled Start Timeline but [\* \* \*] from the scheduled Start Timeline;

(iv) a charge of [\* \* \*] percent ([\* \* \*]%) of the Production Price of the Batch if the Batch is canceled or rescheduled [\* \* \*] from the scheduled Start Timeline.

Such damages set forth in this Section 4.2.1 are in lieu of all other remedies.

**4.2.2** As further set forth in the Project Plan, Baxter will timely provide Client with milestones, Product and other deliverables, including BDS testing, within the time periods specified in the Project Plan unless the Parties agree to extend such time periods in writing. Delays in providing Product conforming to the Product Requirements caused by Baxter’s [\* \* \*] will, result in liquidated damages, and not as a penalty, as follows:

(i) for rescheduling the Start Timeline [\* \* \*] after the scheduled Start Timeline or, if applicable under Section 7.2, the date Baxter receives replacement BDS from Client, [\* \* \*] percent ([\* \* \*]%) of the Production Price shall be deducted;

(ii) for rescheduling the Start Timeline [\* \* \*], but [\* \* \*] after the scheduled Start Timeline or, if applicable under Section 7.2, the date Baxter receives replacement BDS from Client, [\* \* \*] percent ([\* \* \*]%) of the Production Price shall be deducted;

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(iii) for rescheduling the Start Timeline [\* \* \*], but [\* \* \*] after the scheduled Start Timeline or, if applicable under Section 7.2, the date Baxter receives replacement BDS from Client, [\* \* \*] percent ([\* \* \*]%) of the Production Price shall be deducted, and

(iv) for rescheduling the Start Timeline [\* \* \*] after the scheduled Start Timeline or, if applicable under Section 7.2, the date Baxter receives replacement BDS from the Client, no fee shall be due.

Such damages set forth in this Section 4.2.2 are in addition to all other remedies as specified in Section 7.2, including termination under Section 8.2.

**Article 5, PRICE**

**5.1. Product Production Price.** The price to be paid by Client for the Production of Product (the “**Production Price**”) shall be set forth in the Project Plan.

**5.2. Regulatory Services Price.** The price to be paid by Client for regulatory services shall be set forth in the Regulatory Plan.

**5.3. Process Services Price.** The price to be paid by Client for Process Services shall be set forth in the Development Plan/Project Plan.

**Article 6, SHIPMENT AND INVOICING**

**6.1. Delivery Terms.** Product shall be delivered to Client or its designee EXW (Incoterms 2010) at Baxter’s facility in Bloomington, Indiana, freight collect, by a common carrier designated by Client; provided, however, Baxter shall be responsible for the loading of the Product on departure and shall bear all costs of such loading. Client shall procure, at its cost, insurance covering damage or loss to the Product during shipping.

**6.2. Storage.**

**6.2.1 Product Storage.** Baxter will store Product free of charge for up to [\* \* \*] after Baxter’s release (the “**Storage Period**”). After the Storage Period, if Baxter agrees to store Product longer, then Baxter may charge the storage fees as set forth in the Project Plan.

**6.2.2 BDS and Material Storage.** Baxter will not be required to store quantities of BDS more than required to Produce one (1) Batch(es) of Product without the prior written consent of Baxter and Client’s agreement. If Baxter agrees to store quantities of BDS in excess of the amount set forth above, the Parties will reach written

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agreement on the terms of such storage which shall be set forth in a Project Plan, including without limitation the cost of storage fees.

**6.2.3 Storage Conditions.** Baxter shall store all Materials and Product in safe and secure storage under its control in the Baxter Bloomington, Indiana facility in accordance with the mutually agreed storage guidelines.

**6.2.4 Third Party Storage.** Baxter shall be permitted to store Product and Client supplied Materials in third party storage facilities with the prior written consent of Client in each case, provided that Baxter shall remain fully responsible for compliance with its obligations under this Agreement.

**6.3. Subsequent Export.** Client agrees and represents that Client is the owner of the goods that are consigned to Baxter for contract manufacturing services and warrants that Client is responsible for any subsequent export or re-export and will comply with all applicable US laws and regulations relating to the export or re-export, including the prohibition against unlawful transshipments. Further, where such goods are destined for export or re-export, Client agrees and accepts that it is the Foreign Principal Party in Interest ( “**FPPI**” ) and warrants that as the FPPI, it will duly authorize and retain a U.S. agent who will act on its behalf, assuming all attendant responsibilities associated with the export or re-export, including obtaining any necessary export licenses, pursuant to 15 C.F. R. §758.3. The Client’s responsibilities as FPPI include, but are not limited to, cooperating with its U.S. agent in providing the U.S. government with a detailed description and accurate valuation and classification of the goods, bills of lading, and all other required documentation. Client further agrees to defend Baxter against any action, civil or criminal, private or public, in connection with the subsequent export or re-export by Client of the goods.

**6.4. Foreign Corrupt Practices Act.** Client acknowledges that it is not the agent of Baxter and represents and warrants that it has not, and covenants that it will not pay anything of value to any government employee in connection with the sale of the Product.

**6.5. Payment Terms.** The following invoicing and payment terms apply:

Status	Invoice Date	Payment Due
[* * *]	[* * *]	Invoice date + 30 days*
[* * *]	[* * *]	Invoice date + 30 days*
[* * *]	Monthly	Invoice date + 30 days*
[* * *]	100% [less deposit, if any] of Production Price at [* * *]	Invoice date + 30 days*
[* * *]	100% [less deposit, if any] at Baxter’s Completion as specified in the Project Plan	Invoice date + 30 days*

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\*All days specified above are calendar days.

Payments shall be made in U.S. dollars by check delivered to Baxter by overnight delivery with a reputable overnight delivery service or by wire transfer as set forth in Baxter's invoice. Each invoice shall be payable by Client in accordance with the terms noted above. Any payment due under this Agreement not received within the times noted above shall incur finance charges at the lesser of (a) the maximum rate permitted by law, or (b) [\* \* \*] percent ([\* \* \*]%) per month on the outstanding balance.

**6.6. Default in Payment Obligations.** In addition to all other remedies available to Baxter in the event of a Client default, if Client does not make payments as required hereunder of amounts that are not subject to a good faith dispute by Client, Baxter may refuse to Produce any Product until Client's account in regard to such undisputed payments is paid in full, suspend deliveries of Product until Client provides assurance of performance reasonably satisfactory to Baxter, and/or take other reasonable means as Baxter may determine. In the event Client disputes, in good faith, an invoice amount, Client agrees to provide Baxter with written notification of such dispute within [\* \* \*] from the date of the invoice and the Parties shall use good faith efforts to resolve the dispute within [\* \* \*] from the date of the invoice. In the event the Parties are unable to resolve the dispute, the dispute shall be promptly elevated to senior management of each Party for resolution.

## Article 7, ACCEPTANCE OF PRODUCT

**7.1. Product Conformity.** Within [\* \* \*] after the manufacturing of any Batch pursuant to the Project Plan, Baxter shall promptly forward to Client, or Client's designee, samples of such Batch. Within [\* \* \*] from the Receipt (as defined below) of such samples of Product or [\* \* \*] from the date of Receipt of the Released Executed Batch Record, whichever is later (the "**Inspection Period**"), Client will determine whether the Batch of Product was Produced according to the Product Requirements and reject such Batch if such Batch was not Produced in accordance with the Product Requirements ("Non-Conforming") or accept such Batch if such Batch was Produced in accordance with the Product Requirements. If Client believes a Batch is Non-Conforming, it shall notify Baxter as set forth in Section 7.1.2. For purposes of this Section 7.1, "Receipt" shall occur on the first business day following the date of confirmed transmission if Baxter sends by facsimile or email, and on the second business day following the date of delivery to the overnight delivery service if Baxter sends by overnight delivery.

**7.1.1** If Client does not notify Baxter in writing within the Inspection Period that the Batch of Product is Non-Conforming, then such Batch will be deemed to have been accepted and Client will have waived its right to revoke acceptance (other than for Latent Defects, in which case, the Inspection Period for such Product shall be [\* \* \*] and the Parties shall then follow the procedures set forth in Section 7.1.2).

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**7.1.2** If Baxter released a Batch of Product and Client believes such Batch is Non-Conforming, it will provide to Baxter a detailed explanation of the non-conformity within the Inspection Period. Such notice of non-conformity shall be confirmed in writing via overnight delivery to Baxter. Upon receipt of such notice, Baxter will investigate such alleged non-conformity and, (a) if Baxter agrees such Batch is Non-Conforming, deliver to Client a corrective action plan within [\* \* \*] after receipt of Client's written notice of non-conformity, or such additional time as is reasonably required and mutually agreed if such investigation or plan requires data from sources other than Client or Baxter (the "Response Period"), or (b) if Baxter disagrees that the Batch of Product is Non-Conforming, Baxter will so notify Client in writing and provide to Client a detailed explanation of the conformity within the Response Period.

**7.1.3** If the Parties dispute whether the Batch of Product is conforming or Non-Conforming, samples of the Batch will be submitted to a mutually acceptable laboratory or consultant for resolution, whose determination of conformity or non-conformity, and the cause thereof if Non-Conforming, shall be binding upon the Parties for purposes of determining financial liability. Notwithstanding the foregoing, Client cannot release a Batch of Product that Baxter has rejected. The costs of such laboratory or consultant are to be borne by the Party whose determination was incorrect.

**7.2. Remedies for Non-Conforming Batch of Product.** In the event Baxter determines or agrees that a Batch of Product is a Non-Conforming Batch as a result of Baxter's [\* \* \*], or such mutually acceptable laboratory or consultant determines that such Batch of Product is a Non-Conforming Batch as a result of Baxter's [\* \* \*], then: (i) within a reasonable time after either such determination, Baxter will [\* \* \*] reimburse Client for the cost of the BDS used in such Non-Conforming Batch, with such reimbursement not to exceed an amount equal to (a) with respect to a Demonstration Batch, [\* \* \*] the Production Price of the Non-Conforming Batch, or (b) with respect to a cGMP Batch, [\* \* \*] the Production Price of the Non-Conforming Batch; and (ii) Baxter will [\* \* \*] at Client's option, (a) if Client has paid for such Non-Conforming Batch, either refund or credit the Production Price of the Non-Conforming Batch or replace the Non-Conforming Batch, at Baxter's expense, within [\* \* \*] from receipt of sufficient BDS to be provided by Client, at Client's expense, and in due time to carry out the Production, or (b) if Client has not paid for the Non-Conforming Batch, Baxter will not invoice for the Non-Conforming Batch and shall replace the Non-Conforming Batch, at Client's expense, within [\* \* \*] from receipt of sufficient BDS to be provided by Client, at Client's expense, and in due time to carry out the Production.

## **Article 8, TERM AND TERMINATION**

**8.1. Term.** This Agreement shall commence on the Effective Date and shall continue for seven (7) years unless earlier terminated in accordance with Sections 8.2, 8.3 or 8.4 of this Agreement (the "**Term**").

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**8.2. Termination for Breach.** Either Party may terminate this Agreement upon the material breach of any provision of this Agreement by the other Party if such breach is not cured by the breaching Party within [\* \* \*] for monetary defaults, and [\* \* \*] for non-monetary defaults (or such additional time as is reasonably necessary to cure such non-monetary default provided that such longer period of time for cure shall in no case exceed [\* \* \*] after receipt by the breaching Party of written notice of such default. At the option of the non-breaching Party, such termination may be with respect to the entire Agreement, or only with respect to the Product which is subject to the breach.

**8.3. Termination for Financial Matters.** Either Party may terminate this Agreement immediately by giving the other Party written notice thereof in the event such other Party shall become judicially adjudged insolvent or unable to pay its debts when due, or in the event that proceedings are commenced against, or voluntarily by, such Party relating to its bankruptcy or insolvency and not dismissed within [\* \* \*].

**8.4. Termination by Client.** Client may terminate this Agreement at any time effective on notice, subject to Section 4.2.1 (Reschedule Fees) and Section 8.6 (Non-cancelable Costs and Expenses).

**8.5. Additional Rights and Remedies.** Subject to Section 13.1, termination under this Article 8 shall be in addition to the other rights and remedies of the terminating Party as specified herein.

**8.6. Non-cancelable Costs and Expenses.** In the event of the termination (but not expiration) of this Agreement, Baxter will immediately cease performance, cancel all commitments, and take all reasonable steps to mitigate further expenses, and except in the event of termination by Client as a result of a breach by Baxter under Section 8.2 or under Section 8.3, Client will (a) reimburse Baxter for all Materials and equipment ordered prior to termination and not cancelable at no cost to Baxter or will pay Baxter the cost of cancellation, and (b) pay Baxter for any work-in-process commenced by Baxter under any outstanding approved Development Plans and/or Project Plans. In addition, in the event of termination or expiration for any reason, subject to Section 7.2, Client will pay the prices described in Article 5 for all finished Product Produced prior to expiration or termination. Within [\* \* \*] after the effective date of termination or expiration, Baxter will ship such Materials, equipment, work-in-process and Product to Client pursuant to Section 6.1 at Client's cost and per Client's instructions. Client will make payments for all expenses described in this Section 8.6 no later than [\* \* \*] from the later to occur of the shipment of such Materials, equipment, work-in-process and Product or the invoice date. Baxter will provide a final accounting and credit any prepayments (if any) on its final invoice, and refund any outstanding balance to Client, no later than [\* \* \*] from the effective date of termination or expiration.

**8.7. Survival.** Termination or expiration of this Agreement through any means or for any reason shall be without prejudice to the rights and remedies of either Party with respect to any antecedent breach of any of the provisions of this Agreement, subject to Article 13. The provisions of Articles/Sections 1, 2.5, 2.6, 8, 9.2, 9.3, 9.8, 10, 12, 13, 14, 15, 16, 17, 18, 20, 21,

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24, 25, 26, 27, 29, 30 and 31 hereof shall survive expiration or termination of this Agreement. Termination of this Agreement for any reason shall not relieve any Party of any obligations or affect any rights accruing prior to such termination.

## Article 9, PRODUCTION OF PRODUCT

**9.1. Reprocessing, Rework or Reproduction.** If reprocessing, rework or reproduction is allowed pursuant to Client's regulatory submissions or approved by Client, it shall be performed in accordance with the Quality Agreement and Client shall be responsible for and promptly reimburse Baxter for all Client approved costs and expenses incurred in connection with such reprocessing, rework or reproduction, unless such reprocessing, rework or reproduction is due to [\* \* \*], in which case Baxter will [\* \* \*] pay for all costs and expenses incurred in connection with such reprocessing, rework or reproduction, which payment will not exceed [\* \* \*].

### 9.2. Audits.

**9.2.1 Quality Audits.** Client shall have the right to audit Baxter's facilities to determine compliance with (i) cGMP, (ii) the Project Plan, (iii) Baxter SOPs, and (iv) applicable laws and regulations. Such audits shall be scheduled at mutually agreeable times upon reasonable advance written notice to Baxter. Audits shall be at Client's expense as detailed in the Project Plan, if it occurs more than one (1) time every calendar year unless required by Baxter's compliance status. If Client requests additional audits which are not due to Baxter's compliance status and Baxter agrees to such audits, Client will incur fees as set forth in the Project Plan. Such fees shall be paid promptly upon completion of such audits. In connection with performing such audits, Client shall comply with all reasonable rules and regulations promulgated by Baxter. All information disclosed or reviewed in such inspections shall be deemed to be the property of Baxter and Baxter Confidential Information.

**9.2.2 Other Audits.** Except as provided in Section 9.2.1, any audit shall be at the expense of Client and the prior written consent of Baxter.

**9.3. Stability Testing.** At Client's expense, Client or a party selected by Client shall perform all stability testing required to be performed on Product. If performed by Baxter, such testing shall be performed in accordance with the procedures set out in the Product-specific Baxter SOPs for the stability protocol and the Project Plan. If Baxter is not performing stability testing, then Baxter requires at a minimum that Baxter perform the sterility testing as part of the stability program. Such stability protocol shall contain a listing of the analytical testing and corresponding Product Specifications, to be performed on the Product in connection with the stability testing program under 21 CFR § 166.

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**9.4. Permits and Licenses.** Client will be responsible, at its expense, for obtaining, maintaining, updating and remaining in compliance with all permits, licenses and other authorizations during the Term of this Agreement, which are necessary or required under federal, state, and local laws, rules and regulations which are applicable to the use and sale of Product Produced by Baxter hereunder, in addition to any permits, licenses and other authorizations that are specific to the Production of Product, if any. Baxter will be responsible, at its expense, for obtaining, maintaining, updating and remaining in compliance with all generally required permits and licenses applicable to production of pharmaceutical products generally which are required for Baxter to carry out its regulatory and Production obligations hereunder. Baxter will have no obligation to obtain permits relating to the sale, marketing, distribution or use of BDS or Product or with respect to the content of any Product labeling.

**9.5. Regulatory Requirements.** Each Party promptly shall notify the other of new regulatory requirements of which it becomes aware which are relevant to the Production of Product under this Agreement and which are required by an applicable Regulatory Authority or other applicable laws or governmental regulations, and shall confer with each other with respect to the best means to comply with such requirements. Baxter shall notify Client of and require prior written approval from Client for material changes to Product-specific Master Batch Records and Product Specifications prior to the Production of subsequent Batches of Product. Baxter shall have no obligation to Produce Product in compliance with the requirements of a Regulatory Authority not explicitly specified in the Quality Agreement. Client shall supply to Baxter a copy of its license submission prior to Baxter's Production of Product. Client will be responsible for the final release of each Batch of Product for use in clinical trials as set forth in the Quality Agreement. Baxter shall be responsible for compliance with all federal, state and local laws and regulations of Regulatory Authorities (the "**Regulations**") as they apply generally to production of pharmaceutical products. Client shall be responsible for compliance with all Regulations as they apply specifically to all other aspects of the Production, use, and sale of Product or BDS, which responsibility shall include, without limitation, all contact with the FDA, and other regulatory authorities, regarding the foregoing.

**9.6. Changes in Manufacturing.**

**9.6.1 Product-Specific Changes.** If facility, equipment, process or system changes are required of Baxter as a result of requirements set forth by a Regulatory Authority, and such regulatory changes apply solely to the Production and supply of one or more Products, then Client and Baxter will review such requirements and agree in writing to such regulatory changes, and Client shall bear [\* \* \*] percent ([\* \* \*]%) of the reasonable costs thereof.

**9.6.2 General Changes.** If such regulatory changes apply generally to one or more Products as well as to one or more other products produced by Baxter for itself or for third parties, then Client shall pay a pro rata amount of the reasonable cost of such regulatory changes based upon the proportion of time that such facility is dedicated to the Production of Products relative to the production of such other products.

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**9.7. Equipment Expenses.** If Baxter is required to obtain specialized equipment in order to Produce Product for Client, the price of such equipment shall be paid by Client. Baxter shall advise Client of the specialized equipment required and the estimated price associated with the purchase and installation of such equipment. Client shall be invoiced for all approved costs as specified in the Project Plan. Baxter shall be responsible for such equipment while at the Baxter facility.

**9.8. Ownership of Equipment.** Upon termination or expiration of this Agreement, Baxter upon the agreement of Client shall either (i) transfer possession of the specialized equipment paid for by Client to Client, or (ii) purchase such equipment by paying Client the then current book value of such equipment. Depreciation of such equipment shall be calculated in accordance with applicable generally accepted accounting principles.

**9.9. Manufacturing Compliance.** Baxter shall advise Client immediately if an authorized agent of any regulatory body visits Baxter's manufacturing facility and makes an inquiry specifically regarding Baxter's Production of Product for Client. Client shall advise Baxter immediately if an authorized agent of any regulatory body plans to visit or accompany Client on a visit to Client's facility or Baxter's manufacturing facility.

**9.10. Lot QC Data Packet.** At Client's cost and expense, Baxter shall test, or cause to be tested by third parties, in accordance with the Specifications, each Batch of Product Produced pursuant to this Agreement before delivery to Client. The Lot QC Data Packet shall contain a certificate of analysis section for each Batch delivered and shall set forth the items tested, Specifications, and test results. Baxter shall also indicate on the final page of the Executed Batch Record that all Batch Production and control records have been reviewed and approved by the appropriate quality unit. Baxter shall send, or cause to be sent, such Lot QC Data Packet to Client prior to the shipment of Product. In the event Baxter is unable to send the Lot QC Data Packet due to technical difficulties, Baxter may send a QCMD in lieu of a Lot QC Data Packet, which QCMD shall contain all of the Lot QC Data Packet information.

## **Article 10, REGULATORY**

**10.1. Regulatory Approvals.** Client will maintain all necessary Regulatory Approvals of marketing licenses for Product Produced by Baxter hereunder. As agreed upon by Client and Baxter in a Regulatory Plan, Baxter will provide documents and assist Client in preparation of submissions to US and foreign Regulatory Authorities designated by Client in support of Client's applications, and Client will advise Baxter of such document requirements in support of filings and similar applications required of US and foreign governments and agencies including amendments, license applications, supplements and maintenance of such. All regulatory submission preparation and maintenance performed by Baxter for Client shall be specified in the Regulatory Plan. Prior to submission to the Regulatory Authority, Client will provide Baxter with a copy of the applicable CMC section for review and comment. A final copy of the

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applicable CMC section will be provided by Client to Baxter upon submission to the Regulatory Authority.

#### **Article 11, TRADEMARKS**

**11.1.** Client grants to Baxter a non-exclusive, royalty-free license to use trademarks of Client for the sole purpose of allowing Baxter to fulfill its responsibilities under any Project Plan and this Agreement. Such license shall not be transferable in whole or in part.

**11.2.** Client shall be solely responsible for selecting, registering and enforcing trademarks of Client used to identify the Product and, except as set forth in Section 11.1, shall have sole and exclusive rights in such trademarks of Client.

#### **Article 12, REPRESENTATIONS AND WARRANTIES**

**12.1. Mutual Representations.** Each Party hereby represents and warrants to the other Party that (a) the person executing this Agreement is authorized to execute this Agreement; (b) this Agreement is legal and valid and the obligations binding upon such Party are enforceable by their terms; (c) the execution, delivery and performance of this Agreement does not conflict with any agreement, instrument or understanding, oral or written, to which such Party may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it; and (d) it is not, and during the Term of this Agreement, shall not be debarred by any applicable governmental authority, including without limitation under subsections 306(a) or (b) of the U.S. Food, Drug and Cosmetic Act, and it will not use in any capacity in the performance of this Agreement the services of any person or entity who is debarred by any applicable governmental authority. Each Party shall promptly notify the other Party in the event that it or any of its personnel becomes debarred or excluded during the Term of this Agreement.

**12.2. Baxter Warranty.** Baxter represents and warrants that Product shall be Produced in accordance with applicable cGMPs and all other Product Requirements, including without limitation, sterility and endotoxin (with no warranty that Product shall meet the Product Specifications). Except as provided in this Agreement, Baxter makes no representation or warranty with respect to the sale, marketing, distribution or use of the BDS, Product or to printed materials specified by Client or its consignee. Baxter further represents and warrants that (a) it has the right to give Client any information and materials provided by Baxter hereunder, and that Client has the right to use such information and materials for the Production of Product, and (b) Baxter has no knowledge of any (i) patents or other intellectual property rights that would be infringed by Baxter's Production of Product under this Agreement, or (ii) proprietary rights of third parties which would be violated by Baxter's performance hereunder, and (c) Baxter will

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Produce the Product and perform the Process Services in accordance with applicable laws, rules and regulations.

**12.3. Disclaimer of Warranties.** Except for those warranties set forth in Sections 12.1 and 12.2 of this Agreement, Baxter makes no warranties, written, oral, express or implied, with respect to Product or the Process Services and Production of Product. Except for those warranties set forth in Sections 12.1 and 12.4 of this Agreement, Client makes no warranties, written, oral, express or implied, with respect to Product, BDS or the sale, marketing, distribution or use of the BDS, Product or to printed materials specified by Client or its consignee. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT HEREBY ARE DISCLAIMED BY BAXTER AND CLIENT. NO WARRANTIES OF BAXTER OR CLIENT MAY BE CHANGED EXCEPT IN WRITING AND SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF BOTH PARTIES.

**12.4. Client Warranties.** Client warrants that (a) it has the right to give Baxter any information and materials provided by Client hereunder, and that Baxter has the right to use such information and materials for the Production of Product, and (b) Client has no knowledge of any (i) patents or other intellectual property rights that would be infringed by Baxter's Production of Product under this Agreement, or (ii) proprietary rights of third parties which would be violated by Baxter's performance hereunder. Client warrants that the BDS provided to Baxter hereunder will (1) conform to the BDS specifications and (2) not be adulterated or misbranded within the meaning of the FD&C Act. Client will use and promote the Product in accordance with its regulatory filings and approvals.

### Article 13, EXCLUSIVE REMEDIES, LIMITATION OF LIABILITY AND RISK OF LOSS

**13.1. Exclusive Remedies.** [\* \* \*] right to recover damages, losses or expenses from [\* \* \*], and [\* \* \*] liability under this Agreement, is limited to the amounts and remedies set forth in the applicable sections of this Agreement and subject to Section 13.2; [\* \* \*]. All claims by a Party under this Agreement (except claims seeking indemnity) shall be brought no later than [\* \* \*] after the occurrence of the event giving rise to such claim; otherwise, such claim shall be deemed waived.

**13.2. Limitation of Liability.**

(a) Except [\* \* \*] to the extent recoverable under Article 14, [\* \* \*] whether a claim is founded in tort or contract and even if [\* \* \*] asserts or establishes a failure of the essential purpose of any limited remedy provided in this Agreement, under no circumstances shall [\* \* \*] be liable for:

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- or
- (i) incidental, special, consequential, punitive, exemplary or other indirect damages, including but not limited to, lost profits,
  - (ii)
    - (1) except as specifically set forth in Section 13.3 of this Agreement, loss, damage or destruction of the Materials, or
    - (2) except as specifically set forth in Section 16.1 of this Agreement, the cost of cover or recall costs.

Any claims recoverable under this Section 13.2(a) are subject to Sections 13(b) and (c).

(b) Except for liability caused by Baxter's gross negligence or willful misconduct, [\* \* \*] and to the extent permitted under applicable laws: under no circumstances shall Baxter's aggregate liability under this Agreement, including but not limited to third party claims (except as provided in Section 14.2), exceed an amount equal to (a) the amounts paid by Baxter to Client pursuant to Section 4.2.2, if any, plus (b) the greater of:

- (i) [\* \* \*]
- (ii) [\* \* \*] the "**Baxter Monetary Cap**").
- (c) [\* \* \*].

**13.3. Risk of Loss.** All Baxter supplied equipment and Baxter supplied Materials used by Baxter in the Production of Product (collectively, the "**Baxter Property**") shall at all times remain the property of Baxter and Baxter assumes risk of loss for the Baxter Property until delivery of Product to a common carrier as specified under Section 6.1. Client assumes all risk of loss for Client supplied Materials, equipment owned by Client, and all Product (collectively, the "**Client Property**"); provided, however, [\* \* \*] loss or damage is due to Baxter's [\* \* \*], Baxter shall, [\* \* \*] reimburse Client for its actual costs for replacement of the loss or damage of Client Property, provided, however, that such costs do not exceed an amount equal to [\* \* \*].

**13.4. Waiver of Claims.** In connection with providing Process Services, each Party represents only that it will use commercially reasonable efforts in providing such information solely as it relates to Process Services studies, formulation, primary packaging and manufacturing process analysis. In connection with Baxter providing Process Services under this Agreement, Baxter represents only that it will use reasonable care in providing such Process Services, and Baxter makes no warranties or guarantees with respect to the results of any Process Services provided under this Agreement.

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#### Article 14, INDEMNIFICATION

**14.1. Client Indemnification.** Client shall indemnify, defend and hold harmless Baxter and its Affiliates and any of their respective directors, officers, governors, members, employees, subcontractors and agents (collectively, the “**Indemnified Parties**” ) from and against any and all Losses to, and Claims in connection with pending or threatened litigation or other proceedings, which arise out of or relate to any one of the following:

- (a) Client’s transport, storage, promotion, labeling, marketing, distribution, use or sale of Product;
- (b) Baxter’s use of the BDS to Produce Product in accordance with the Agreement;
- (c) Client’s negligence or willful misconduct;
- (d) Materials except to the extent Baxter suppliers of Baxter supplied Materials are contractually required to indemnify Baxter for such Materials;
- (e) Client’s breach of any covenant, representation or warranty contained in this Agreement;
- (f) the use of BDS or the sale, marketing or distribution of Product by Client violates the patent, trademark, copyright or other proprietary rights of any third party, except if such violation is caused by Baxter’s proprietary processes, products and equipment; or
- (g) the use of BDS or Production of Product by Baxter in accordance with this Agreement violates the patent, trademark, copyright or other proprietary rights of any third party, except if such violation is caused by Baxter’s proprietary processes, products and equipment,

Except [\* \* \*] foregoing (a), (b), or (d) [\* \* \*] negligence or willful misconduct of Baxter. Client’s indemnity obligations in the case of each of the foregoing (a) through (g) are subject to Section 14.2.

[\* \* \*].

**14.2. Baxter Indemnification.** Baxter shall indemnify, defend and hold harmless Client and its Affiliates and any of their respective directors, officers, governors, members, employees, subcontractors and agents from and against any and all Losses and Claims in connection with pending or threatened litigation or other proceedings, [\* \* \*] Baxter’s negligence or willful misconduct. Baxter’s liability under this Section 14.2 shall be subject to the Baxter Monetary Cap, except to the extent the Loss or Claim results from Baxter’s gross negligence or willful misconduct; in which case, Baxter’s indemnity obligations shall not be subject to the Baxter Monetary Cap.

**14.3. Indemnitor Obligations.** Any Party seeking indemnification hereunder (a) shall give prompt written notice to the other Party (the “**Indemnifying Party**” ) of any Claim for

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which indemnification is sought, (b) shall permit the Indemnifying Party to assume full responsibility to investigate, prepare for and defend against the Claim, (c) shall reasonably assist the Indemnifying Party, at the Indemnifying Party's request and reasonable expense, in the investigation of and preparation for the defense of such Claim, and (d) shall not compromise or settle such Claim without the Indemnifying Party's prior written consent.

**Article 15, INSURANCE**

**15.1. Client Insurance.** Client shall procure and maintain, during the Term of this Agreement and for a period one (1) year beyond the expiration date of Product, Commercial General Liability Insurance, including without limitation, Product Liability and Contractual Liability coverage (the "**Client Insurance**"). Client Insurance for Product Liability shall cover amounts not less than [\* \* \*] per occurrence and aggregate and shall be with an insurance carrier with an A.M. Best rating of A-VII or better. Client Insurance for Product Liability will also include umbrella liability coverage in the amount of [\* \* \*] per occurrence and aggregate. Baxter shall be named as an additional insured on the Client Insurance and Client promptly shall deliver a certificate of Client Insurance and endorsement of additional insured to Baxter evidencing such coverage. If Client fails to furnish such certificates or endorsements, or if at any time during the Term of this Agreement Baxter is notified of the cancellation or lapse of Client Insurance, and Client fails to rectify the same within [\* \* \*] after notice from Baxter, in addition to all other remedies available to Baxter hereunder, Baxter, at its option, may (i) cease all work in process and refuse further Process Services and/or Production until Client re-establishes that Client is in compliance with Client Insurance requirements and/or (ii) terminate this Agreement.

**15.2. Baxter Insurance.** Baxter is, and will during the Term of this Agreement remain, self-insured for the type of liability that could arise under this Agreement in amounts no less than the coverage amounts set forth above for Client Insurance.

**15.3. No Limitation.** Neither Party's liability will be limited to that which is recoverable by insurance.

**Article 16, PRODUCT RECALLS**

**16.1. Recalls.** In the event Client is required to recall any Product or elects to institute a voluntary recall, Client will be responsible for coordinating such recall. Client will promptly notify Baxter of such recall and provide Baxter with a copy of all documents relating to Production by Baxter of Product that is the subject of such recall, unless Client is claiming that such recall was caused by Baxter's negligence, in which case, Client will provide Baxter with a copy of all such documents. Baxter will cooperate with Client in connection with any recall, at Client's request and reasonable expense. Client will be responsible for all of the costs and expenses of such recall (including but not limited to costs associated with receiving and

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administering the recalled Product and notification of the recall to those persons whom Client deems appropriate); provided that Baxter will be responsible for all of the costs and expenses of such recall (including but not limited to costs associated with receiving and administering the recalled Product and notification of the recall to those persons whom Client deems appropriate) [\* \* \*] negligence or willful misconduct of Baxter, with Baxter's payment not to exceed an amount equal to [\* \* \*].

**Article 17, INTELLECTUAL PROPERTY**

**17.1. Existing Intellectual Property.** Except as the Parties may otherwise expressly agree in writing, each Party shall continue to own its existing patents, trademarks, copyrights, trade secrets and other intellectual property, without conferring any interests therein on the other Party. Without limiting the generality of the preceding sentence, Client shall retain all right, title and interest arising under the United States Patent Act, the United States Trademark Act, the United States Copyright Act and all other applicable laws, rules and regulations in and to all Products, BDS, labeling and trademarks associated therewith (collectively, **"Client's Intellectual Property"**). Neither Baxter nor any third party shall acquire any right, title or interest in Client's Intellectual Property, express or implied, by virtue of this Agreement or otherwise, except to the extent expressly provided herein.

**17.2. Inventions.** For purposes of this Agreement, **"Invention"** shall mean information relating to or comprising any invention, innovation, improvement, development, discovery, computer program, device, trade secret, method, know-how, process, technique or the like, whether or not written or otherwise fixed in any form or medium, regardless of the media on which contained and whether or not patentable or copyrightable.

**17.3. Ownership of Inventions.** As between the Parties, ownership of Inventions shall be determined such that: (i) Client shall solely own all right, title and interest in and to any and all Inventions, whether conceived, reduced to practice, or created solely by Baxter Representatives, solely by Client Representatives or jointly by one or more Client Representative(s) together with one or more Baxter Representative(s), that materially incorporates Client BDS, Client's proprietary processes used in the Process Services, Product and/or Client Confidential Information, or uses of the foregoing, and any other Inventions that are conceived or created solely by Client Representatives that are not Baxter Inventions (**"Client Inventions"**), and (ii) Baxter shall solely own all right, title and interest in and to any and all Inventions whether conceived, reduced to practice, or created solely by Baxter Representatives, solely by Client Representatives or jointly by one or more Client Representative(s) together with one or more Baxter Representative(s), that materially incorporates Baxter proprietary processes used in the Process Services, Baxter pre-existing methodology in performing its services and/or Baxter Confidential Information, or uses of the foregoing and any other Inventions that are conceived or created solely by Baxter Representatives that are not Client Inventions (**"Baxter Inventions"**), and (iii) Client and Baxter shall jointly own all right, title and interest in and to any and all Inventions conceived, reduced to practice or created jointly by one or more Client

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Representative(s) together with one or more Baxter Representative(s) that are not Client Inventions or Baxter Inventions ( “**Joint Inventions**” ). Baxter shall promptly disclose in writing all such Inventions and Joint Inventions to Client in reasonable detail to evaluate potential patent claims. “**Representatives**” mean a Party’s employees and/or their respective agents (i.e., employees or agents who would be or are properly named as co-inventors under the laws of the United States on any patent application claiming such inventions). Each Party shall have full rights to exploit its own Inventions and Joint Inventions for its own commercial purposes without any obligation to the other. The Parties shall share equally in the cost of mutually agreed patent filings with respect to all Joint Inventions. The decision to file for patent coverage on Joint Inventions shall be mutually agreed upon, and the Parties shall select a mutually acceptable patent counsel to file and prosecute patent applications based on such Joint Inventions.

**17.4. Disclaimer.** Except as otherwise expressly provided herein, nothing contained in this Agreement shall be construed or interpreted, either expressly or by implication, estoppel or otherwise, as: (i) a grant, transfer or other conveyance by either Party to the other of any right, title, license or other interest of any kind in any of its Inventions or other intellectual property, (ii) creating an obligation on the part of either Party to make any such grant, transfer or other conveyance or (iii) requiring either Party to participate with the other Party in any cooperative development program or project of any kind or to continue with any such program or project.

**17.5. Rights in Intellectual Property.** The Party owning any intellectual property shall have the worldwide right to control the drafting, filing, prosecution and maintenance of patents covering the Inventions relating to such intellectual property, including decisions about the countries in which to file patent applications. Patent costs associated with the patent activities described in this Section shall be borne by the sole owner. Each Party will cooperate with the other Party in the filing and prosecution of patent applications. Such cooperation will include, but not be limited to, furnishing supporting data and affidavits for the prosecution of patent applications and completing and signing forms needed for the prosecution, assignment and maintenance of patent applications and patents.

**17.6. Confidentiality of Intellectual Property.** Intellectual property shall be deemed to be the Confidential Information of the Party owning such intellectual property. The protection of each Party’s Confidential Information is described in Article 18. Any disclosure of information by one Party to the other under the provisions of this Article 17 shall be treated as the disclosing Party’s Confidential Information under this Agreement. It shall be the responsibility of the Party preparing a patent application to obtain the written permission of the other Party to use or disclose the other Party’s Confidential Information in the patent application before the application is filed and for other disclosures made during the prosecution of the patent application.

**17.7. Permitted Use.** As between Baxter and Client, Client shall at all times own Client supplied Materials, Product, Client’s Intellectual Property and Client Inventions. Baxter shall maintain any Client supplied Materials, Product, Client’s Intellectual Property and Client Inventions under its control (except as contemplated in Section 6.2.4) and shall not transfer, nor permit the transfer of, any Client supplied Materials, Product, Client’s Intellectual Property

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and/or Client Inventions to any third party not specifically authorized in advance and in writing by Client. Baxter and its Representatives shall not use the Client supplied Materials, Product, Client's Intellectual Property and/or Client Inventions for any purpose other than as expressly permitted in this Agreement.

**Article 18, CONFIDENTIAL INFORMATION, NONDISCLOSURE AND PUBLICITY**

**18.1. Confidentiality.** It is contemplated that in the course of the performance of this Agreement each Party may, from time to time, disclose Confidential Information to the other. Each Party agrees to take all reasonable steps to prevent disclosure of Confidential Information to third parties. No provision of this Agreement shall be construed so as to preclude disclosure of Confidential Information as may be reasonably necessary to secure from any governmental agency necessary approvals or licenses or, in the case of Client, to obtain patents with respect to the Product.

**18.2. Prior Confidentiality Agreement.**

**18.2.1** This Agreement, by reference, incorporates the Confidential Disclosure Agreement between Client and Baxter effective April 7, 2014 (the "**Confidentiality Agreement**"), and is made a part hereof as though fully set forth herein and all terms and conditions set forth in the Confidentiality Agreement shall continue to govern any disclosure made under the Confidentiality Agreement and shall govern any disclosure made under this Agreement after the Effective Date of this Agreement. In the event of a conflict between this Agreement and the Confidentiality Agreement, this Agreement shall govern. "Confidential Information", as used in this Agreement, shall have the meaning defined in the Confidentiality Agreement, which is hereby amended to apply to information "relating to the Potential Business Arrangement and/or the performance of the Product Development And Clinical Supply Agreement between the Parties dated October 23, 2014." The Master Batch Records, Materials Specifications, Process Services, Products Specifications, Release Executed Batch Records and the data and results contained in the Executed Batch Records, are automatically deemed the Confidential Information of Client.

**18.2.2** All obligations of confidentiality and non-use imposed upon the Parties under this Agreement (including the Confidentiality Agreement), including without limitation the period of confidentiality and non-use as set forth in the Confidentiality Agreement which is hereby amended by this Section 18.2.2, shall expire five (5) years after the expiration or earlier termination of this Agreement; provided that such obligations shall continue indefinitely as to the Executed Batch Records, Master Batch Records, Materials Specifications, Process Services, Products Specifications, and Release Executed Batch Records, until falling within an exception in section 2 of the Confidentiality Agreement.

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**18.2.3** Section 3 of the Confidentiality Agreement is hereby amended by this Section 18.2.3 to include use and disclosure as reasonably required for the performance of this Agreement.

**18.2.4** The Disclosure Term is hereby amended by this Section 18.2.4 (i) to continue for the longer of the Disclosure Term in the Confidentiality Agreement or until the date of the expiration or termination of this Agreement, and (ii) to provide that neither Party may terminate or cancel the Confidentiality Agreement except co-terminus with the expiration or termination of this Agreement.

**18.3. Third Party Disclosure.** Baxter will be permitted to disclose Product information to third party developmental and analytical services providers that are Qualified Subcontractors in connection with performance of its obligations hereunder provided such providers shall be subject to confidentiality agreements.

**18.4. Limitation of Disclosure.** The Parties agree that, except as otherwise may be required by applicable laws, regulations, rules or orders, including without limitation the rules and regulations promulgated by the United States Securities and Exchange Commission (the “SEC”), and except as may be authorized in the Confidentiality Agreement and unless otherwise agreed in this Agreement, no information concerning this Agreement and the transactions contemplated herein shall be made public by either Party without the prior written consent of the other.

**18.5. Publicity and SEC Filings.** The Parties agree that the public announcement of the execution of this Agreement shall only be by one or more press releases mutually agreed to by the Parties. The failure of a Party to return a draft of a press release with its proposed amendments or modifications to such press release to the other Party within five (5) business days of the Party’s receipt of the press release shall be deemed as approval of such press release. Each Party agrees that it shall cooperate fully and in a timely manner with the other with respect to all disclosures to the SEC or any other governmental or regulatory agencies, including providing written notice to the other Party and sufficient time to review and request confidential treatment of Confidential Information of such other Party included in any such disclosure. Each Party may communicate information to its investors to the extent made public by the other Party.

**18.6. Reference List.** Neither Party shall be entitled to put the other Party’s name on a reference list without the other Party’s prior written approval.

**Article 19, FORCE MAJEURE**

**19.1.** Any delay in the performance of any of the duties or obligations of either Party hereto (except the payment of money) caused by an event outside the affected Party’s reasonable control shall not be considered a breach of this Agreement, and unless provided to the contrary herein, the time required for performance shall be extended for a period equal to the period of

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such delay. Such events shall include without limitation, acts of God; acts of public enemies; insurrections; riots; terrorist actions; injunctions; embargoes; labor disputes, including strikes, lockouts, job actions, or boycotts; fires; explosions; floods; shortages of Materials or energy due to a supplier's event of force majeure; delays in the delivery of Materials or energy due to a supplier's event of force majeure; acts or orders of any government or agency thereof or other unforeseeable causes beyond the reasonable control and without the fault or negligence of the Party so affected. The Party so affected shall give prompt notice to the other Party of such cause and a good faith estimate of the continuing effect of the force majeure condition and duration of the affected Party's nonperformance, and shall take whatever reasonable steps are appropriate to relieve the effect of such causes as rapidly as possible. If the period of nonperformance by Baxter because of Baxter force majeure conditions exceeds one hundred twenty (120) calendar days, Client may terminate this Agreement or any Batch by written notice to Baxter without liability or penalty including without limitation without payment of any Reschedule Fees. If the period of nonperformance by Client because of Client force majeure conditions exceeds one hundred twenty (120) calendar days, Baxter may terminate this Agreement by written notice to Client.

**20.1.** All notices hereunder shall be delivered by facsimile (confirmed by overnight delivery), or by overnight delivery with a reputable overnight delivery service, to the following address of the respective Parties:

With a copy to:

Baxter Healthcare Corporation  
One Baxter Parkway  
Deerfield, Illinois 60015-4633  
Attn: General Counsel

Fax No. (224) 948-2450  
Telephone No. (224) 948-3440

If to Client:

Genoceo Biosciences, Inc.  
Cambridge Discovery Park  
100 Acorn Park Drive, 5<sup>th</sup> floor  
Cambridge, MA 02140  
Attn: President

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Fax No. (617) 876-8192  
Telephone No. (617) 876-8191

With a copy to:

B. Jean Weidemier, Esq.  
Cambridge Licensing Law, LLC  
470 Atlantic Avenue, 4<sup>th</sup> Floor  
Boston, MA 02210  
Attn: B. Jean Weidemier, Esq.

Fax No. (617) 395-8815  
Telephone No. (617) 395-1239

Notices shall be effective on the day following the date of transmission if sent by facsimile, and on the second business day following the date of delivery to the overnight delivery service if sent by overnight delivery. A Party may change its address listed above by notice to the other Party given in accordance with this Section.

**Article 21, APPLICABLE LAW**

**21.1.** This Agreement is being delivered and executed in the State of New York. In any action brought regarding the validity, construction and enforcement of this Agreement, it shall be governed in all respects by the laws of the State of New York, without regard to the principles of conflicts of laws. The courts of the State of New York shall have personal jurisdiction over the Parties hereto in all matters arising hereunder, and venue for such suit will be in a state or federal court for the City of New York, New York.

**Article 22, ASSIGNMENT**

**22.1.** Neither Party shall assign this Agreement or any part hereof or any interest herein to any third party (or in the case of Baxter use any subcontractor) without the prior written approval of the other Party. The Parties shall be entitled to assign this Agreement to one of its Affiliates without the other Party's prior approval; provided that such Party shall remain responsible for the performance of its obligations hereunder by such Affiliate. No consent shall be required in the case of a transfer to a wholly-owned subsidiary or transaction involving the merger, consolidation, corporate reorganization or sale of all or substantially all of the assets or portion of the business of the Party seeking such assignment or transfer and such transaction relates to the business covered by this Agreement and the resulting entity assumes all of the obligations under this Agreement. No assignment shall be valid unless the permitted assignee(s) assumes all obligations of its assignor under this Agreement. No assignment shall relieve any

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Party of responsibility for the performance of its obligations hereunder prior to the effective date of assignment.

**Article 23, TAXES**

**23.1.** Client shall pay all national, state, municipal or other sales, use, excise, import, property, value added, or other similar taxes, assessments or tariffs assessed upon or levied against the sale of Product to Client pursuant to this Agreement or the sale or distribution of Product by Client (or at Client's sole expense, defend against the imposition of such taxes and expenses). Baxter shall notify Client of any such taxes that any governmental authority is seeking to collect from Baxter, and Client may assume the defense thereof in Baxter's name, if necessary, and Baxter agrees to fully cooperate in such defense to the extent of the capacity of Baxter, at Client's expense. Baxter shall pay all national, state, municipal or other taxes on the income resulting from the sale by Baxter of the services provided to Client under this Agreement, including but not limited to, gross income, adjusted gross income, supplemental net income, gross receipts, excess profit taxes, or other similar taxes.

**Article 24, SUCCESSORS AND ASSIGNS**

**24.1.** This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their successors and permitted assigns.

**Article 25, ENTIRE AGREEMENT; INTERPRETATION**

**25.1.** This Agreement, including the Project Plan and Quality Agreement and any other agreements specifically incorporated by reference ("Incorporated Agreements"), constitutes the entire agreement between the Parties concerning the subject matter hereof and supersedes all written or oral prior agreements or understandings with respect thereto. The headings used in this Agreement are for convenience only and are not part of this Agreement. The term "includ(ing)(e/es)" and correlatives means "includ(ing)(e/es) without limitation." The terms of this Agreement Articles 1 through 31 shall control in the event of a conflict between this Agreement Articles 1 through 31 and any of its Incorporated Agreements, unless expressly provided otherwise by reference to a specific section of this Agreement Articles 1 through 31.

**Article 26, SEVERABILITY**

**26.1.** If any term or provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not

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affect any other term or provision hereof, and this Agreement shall be interpreted and construed as if such term or provision, to the extent the same shall have been held to be invalid, illegal or unenforceable, had never been contained herein.

**Article 27, WAIVER AND MODIFICATION OF AGREEMENT**

**27.1.** No waiver or modification of any of the terms of this Agreement shall be valid unless in writing and signed by authorized representatives of both Parties hereto. Failure by either Party to enforce any rights under this Agreement shall not be construed as a waiver of such rights nor shall a waiver by either Party in one or more instances be construed as constituting a continuing waiver or as a waiver in other instances.

**Article 28, INDEPENDENT CONTRACTOR**

**28.1.** Both Parties shall act as an independent contractor as to the other Party in Baxter's providing the services required hereunder and shall not be considered an agent of, or joint venturer with, the other Party.

**Article 29, ATTORNEY'S FEES**

**29.1.** The successful Party in any litigation or other dispute resolution proceeding to enforce the terms and conditions of this Agreement shall be entitled to recover from the other Party reasonable attorney's fees and related costs involved in connection with such litigation or dispute resolution proceeding.

**Article 30, COUNTERPARTS**

**30.1.** For convenience, this Agreement may be executed in counterparts with the same force and effect as if each of the signatories had executed the same Agreement.

**Article 31, DISPUTE RESOLUTION**

**31.1.** Prior to initiating litigation, the Parties shall make a good faith attempt to resolve any dispute internally by escalating it to higher levels of management, and if such higher levels of management are not able to resolve the matter within [\* \* \*], either Party may, in its sole discretion initiate a nonbinding mediation process. Each Party hereby commits to attending at

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least one mediation session and participating in good faith in the mediation process for a period of [\* \* \*] as described below. If a Party initiates a mediation process, the Parties shall engage in non-binding mediation for a period of at least [\* \* \*] to attempt to resolve any and all disputes before a sole mediator (the “ **Mediator** ”) selected from Conflict Prevention & Resolution, Inc. or its successor ( “**CPR**” ), or if CPR is no longer able to supply the Mediator, such Mediator shall be selected from the American Arbitration Association, with such mediation to be held in the neutral location determined by the Mediator. A representative of each Party with authority to resolve the dispute shall participate in the mediation. The Parties shall share the costs of the Mediator and mediation equally, except that each Party shall pay its own attorneys’ fees and expenses. If the representatives of the Parties have not been able to resolve the dispute within such [\* \* \*] period, the Parties shall have the right to pursue any other remedies legally available to resolve such dispute.

**31.2.** Notwithstanding anything to the contrary in this Agreement, each Party reserves the right to initiate court proceedings at any time to seek injunctive or other temporary relief.

[SIGNATURES ON THE FOLLOWING PAGE]

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**IN WITNESS WHEREOF** , the Parties have caused this Agreement to be signed by their duly authorized representatives as of the Effective Date.

**BAXTER PHARMACEUTICAL SOLUTIONS LLC**

**GENOCEA BIOSCIENCES, INC.**

By: /s/ Marsha Prokop  
Name: Marsha Prokop  
Title: Director, Contract Management

By: /s/ William D. Clark  
Name: William D. Clark  
Title: CEO

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-194021) pertaining to the Amended and Restated 2007 Equity Incentive Plan of Genocera Biosciences, Inc., and

(2) Registration Statement (Form S-8 No. 333-197127) pertaining to the 2014 Employee Stock Purchase Plan of Genocera Biosciences, Inc.;

of our report dated February 27, 2015, with respect to the financial statements of Genocera Biosciences, Inc. included in this Annual Report (Form 10-K) of Genocera Biosciences, Inc. for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 27, 2015

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**CERTIFICATION PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William D. Clark, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Genoea Biosciences, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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.

/s/ WILLIAM D. CLARK

William D. Clark

*President & Chief Executive Officer*

Date: February 27, 2015

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**CERTIFICATION PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan Poole, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Genoea Biosciences, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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.

/s/ JONATHAN POOLE

Jonathan Poole

*Chief Financial Officer*

Date: February 27, 2015

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Genocoea Biosciences, Inc. (the "Company") for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, William D. Clark, as the President & Chief Executive Officer of the Company, does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM D. CLARK

William D. Clark\*

*President & Chief Executive Officer*

Date: February 27, 2015

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\* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Genoea Biosciences, Inc. (the "Company") for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, Jonathan Poole, as the Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JONATHAN POOLE

Jonathan Poole\*

*Chief Financial Officer*

Date: February 27, 2015

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\*A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

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