

As confidentially submitted to the Securities and Exchange Commission on June 20, 2019, as Amendment No. 1 to the Confidential Submission dated May 10, 2019. This draft registration statement has not been filed publicly with the Securities and Exchange Commission and all information contained herein remains confidential.

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM S-1
REGISTRATION STATEMENT**

UNDER
THE SECURITIES ACT OF 1933

PLIANT THERAPEUTICS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)

47-4272481
(I.R.S. Employer
Identification No.)

260 Littlefield Avenue
South San Francisco, CA 94080
(650) 481-6770

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

Bernard Coulie, M.D., Ph.D.
President and Chief Executive Officer
Pliant Therapeutics, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
(650) 481-6770

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Keith Cummings
Chief Financial Officer
Pliant Therapeutics, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
(650) 481-6770

Kristin VanderPas
Sean Clayton
David Peinsipp
Charles S. Kim
Cooley LLP
101 California Street 5th Floor
San Francisco, CA 94111
(415) 693-2000

Sam Zucker
Deepa M. Rich
James Xu
Goodwin Procter LLP
601 Marshall Street
Redwood City, CA 94063
(650) 752-3100

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value \$0.0001 per share	\$	\$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act. Includes the offering price of any additional shares that the underwriters have the option to purchase.

(2) Calculated pursuant to Rule 457(o) under the Securities Act based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED _____, 2019

PRELIMINARY PROSPECTUS



Shares

Pliant Therapeutics, Inc.

Common Stock

\$ _____ per share

This is the initial public offering of our common stock. We are selling _____ shares of common stock. Prior to this offering there has been no public market for our shares. We currently expect the initial public offering price to be between \$ _____ and \$ _____ per share of common stock.

We have granted the underwriters an option to purchase up to _____ additional shares of common stock. The underwriters can exercise this option at any time within 30 days after the date of this prospectus.

We intend to apply to list our common stock on The Nasdaq Global Market under the symbol "PLRX."

Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 11.

We are an "emerging growth company" as defined in the Jumpstart Our Business Act of 2012 and, as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$ _____	\$ _____
Underwriting Discounts and Commissions ⁽¹⁾	\$ _____	\$ _____
Proceeds to Pliant Therapeutics, Inc. (before expenses)	\$ _____	\$ _____

(1) See "Underwriting" for additional information regarding total underwriter compensation.

The underwriters expect to deliver the shares of common stock to purchasers on or about _____, 2019 through book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Citigroup

Cowen

Piper Jaffray

Lead Manager

Needham & Company

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Summary	1
The Offering	7
Risk Factors	11
Cautionary Note Regarding Forward-looking Statements	65
Market and Industry Data and Forecasts	67
Use of Proceeds	68
Dividend Policy	70
Capitalization	71
Dilution	73
Selected Financial Data	75
Management's Discussion and Analysis of Financial Condition and Results of Operations	77
Business	90
Management	143
Executive Compensation	152
Director Compensation	161
Certain Relationships and Related Party Transactions	163
Principal Stockholders	167
Description of Capital Stock	170
Shares Eligible for Future Sale	176
Material U.S. Federal Income Tax Considerations to Non-U.S. holders	178
Underwriting	182
Legal Matters	189
Experts	189
Where You Can Find More Information	189
Index to Financial Statements	F-1

We and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside of the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our financial statements and the related notes included elsewhere in this prospectus. You should also consider, among other things, the matters described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Unless otherwise stated, all references to “us,” “our,” “Pliant,” “we,” the “Company” and similar designations refer to Pliant Therapeutics, Inc.

Overview

We are a clinical stage biopharmaceutical company focused on discovering and developing novel therapies for the treatment of fibrosis. Our initial focus is on treating fibrosis by inhibiting integrin-mediated activation of TGF- β . Our lead product candidate, PLN-74809, is an oral small-molecule dual selective inhibitor of $\alpha v\beta 6$ and $\alpha v\beta 1$ integrins that we are developing for the treatment of idiopathic pulmonary fibrosis, or IPF, and primary sclerosing cholangitis, or PSC. We have completed a Phase 1a SAD/MAD trial and are currently conducting a Phase 1b proof-of-mechanism trial of PLN-74809 in IPF and expect to receive data in mid-2019. In the second half of 2019, we plan to initiate two Phase 2a trials in IPF. We also plan to submit an IND for PLN-74809 for the treatment of PSC in the second half of 2019, and plan to initiate a Phase 2a trial as soon as possible thereafter. Our second product candidate, PLN-1474, is an oral small-molecule selective inhibitor of $\alpha v\beta 1$ for the treatment of stage F3/F4 liver fibrosis associated with NASH. We are currently conducting IND-enabling studies and plan to submit an IND for PLN-1474 by the end of 2019. We have applied our deep understanding of fibrosis biology, along with our medicinal chemistry and translational medicine expertise to develop a set of proprietary tools designed to discover and de-risk product candidates quickly and efficiently. Our goal is to become a world-leading fibrosis company, developing and commercializing disease-modifying therapies across a spectrum of fibrotic diseases.

Fibrosis Background

Fibrosis refers to excessive scarring, often resulting from aberrant tissue repair processes. Fibrosis occurs when normal tissue repair pathways become dysregulated, causing excessive collagen deposition in the affected organs and ultimately impairing their physiological function. Fibrosis occurs in many organ systems throughout the body including the lungs, liver, kidneys, gastrointestinal tract, skin and muscles. While the exact pathologies for diseases in these organs vary, the development of fibrosis involves many common cell types and biochemical pathways including the transforming growth factor beta, or TGF- β , signaling pathway.

TGF- β and Integrins in Fibrosis

TGF- β signaling is the central pathway by which fibrosis occurs. TGF- β is a signaling molecule that is secreted by cells as an inactive complex and stored in the extra-cellular matrix. In healthy tissue, TGF- β is transiently activated in response to tissue injury, resulting in collagen production and, ultimately, healing of the tissue. In fibrosis, however, TGF- β becomes continuously activated, leading to excess collagen production in the absence of the initial tissue injury which leads to thickening and stiffening of tissues.

There have been a number of prior approaches to treating fibrosis through TGF- β inhibition, including through antibodies to TGF- β and its receptor. However, systemic blockade of TGF- β signaling has shown significant toxicity due to effects on TGF- β 's normal physiologic functions.

TGF- β can be activated by a class of cell surface proteins known as integrins. In certain fibrotic diseases such as IPF and PSC, the integrins $\alpha v\beta 6$ and $\alpha v\beta 1$, which are normally expressed at very low levels, have been

shown to be upregulated and to cause the continuous activation of TGF- β . We believe that, by inhibiting fibrosis-specific TGF- β activators such as $\alpha_v\beta_6$ and $\alpha_v\beta_1$, it may be possible to block abnormal TGF- β activation in fibrotic tissues without affecting TGF- β signaling in healthy tissues. Historically, integrin drug development has been hampered by the difficulty of developing integrin inhibitors that are both selective for specific integrins and orally bioavailable. We believe our pipeline of orally bioavailable, highly selective integrin inhibitors has the potential to address these challenges.

Our Pipeline

Program	Indication	Preclinical		Clinical			Expected Catalysts	Global Rights
		Lead Op	IND Enabling	Phase I	Phase II	Phase III		
PLN-74809 Dual selective inhibitor of $\alpha_v\beta_6/\alpha_v\beta_1$	Idiopathic Pulmonary Fibrosis	[Progress bar: Lead Op, IND Enabling, Phase I]					Phase 2a initiation – 2H19	
	Primary Sclerosing Cholangitis ⁽¹⁾	[Progress bar: Lead Op, IND Enabling, Phase I]			[Progress bar: Phase II]		IND Filing – 2H19	
PLN-1474 Selective inhibitor of $\alpha_v\beta_1$	F3/F4 NASH-Associated Liver Fibrosis	[Progress bar: Lead Op, IND Enabling, Phase I]					IND Filing – EOY19	

(1) We plan to submit an IND for PLN-74809 for the treatment of PSC in the second half of 2019 incorporating the data from the completed Phase 1a healthy volunteer trial and plan to initiate a Phase 2a clinical trial for PSC thereafter.

PLN-74809 in IPF and PSC

Our lead wholly owned product candidate, PLN-74809, is a small-molecule, dual-selective inhibitor of $\alpha_v\beta_6$ and $\alpha_v\beta_1$ that we are advancing in IPF and PSC. IPF is the most common and severe form of progressive pulmonary fibrosis, affecting approximately 140,000 patients in the United States. The average life expectancy for patients with confirmed IPF is between three and five years. There are currently two U.S. Food and Drug Administration, or FDA, approved therapies for IPF. Both have shown modest slowing of disease progression. However, both therapies have raised significant safety and tolerability concerns. PSC is a progressive liver disorder affecting approximately 30,000 to 45,000 patients in the United States. Patients have a median survival of 10 to 12 years without intervention and carry high lifetime risk of developing gastrointestinal malignancies. There are currently no FDA-approved therapies for PSC.

While expressed at very low levels in normal tissues, $\alpha_v\beta_6$ and $\alpha_v\beta_1$ are upregulated in the pulmonary tissues of IPF patients, and in the liver tissues of PSC patients. They both serve as activators of TGF- β , leading to increased collagen production and fibrosis in these tissues. By blocking TGF- β activation by both $\alpha_v\beta_6$ and $\alpha_v\beta_1$, we believe PLN-74809 may slow and potentially halt the progression of fibrosis in these patient populations. PLN-74809 has been granted orphan drug designation by the FDA for both IPF and PSC.

We have completed a Phase 1a single ascending dose, or SAD, multiple ascending dose, or MAD, and food effect clinical trial involving 85 healthy volunteers in which PLN-74809 was shown to be orally bioavailable and generally well tolerated with a half-life that may support once-daily dosing.

We are currently conducting a Phase 1b proof-of-mechanism trial in 16 healthy volunteers measuring pSMAD, a key biomarker for TGF- β activation. This trial will evaluate safety, pharmacokinetics and

pharmacodynamics, or PK/PD, and inform dose selection for our Phase 2 program. We expect to receive data from our Phase 1b in mid-2019. In the second half of 2019, we plan to initiate two Phase 2a trials in IPF. We also plan to submit an investigational new drug, or IND, for PLN-74809 for the treatment of PSC in the second half of 2019, and plan to initiate a Phase 2a trial as soon as possible thereafter.

PLN-1474 in F3/F4 Liver Fibrosis Associated with NASH

Our second wholly owned product candidate, PLN-1474, is an oral, small-molecule, selective inhibitor of $\alpha\text{v}\beta 1$ in development for treatment of stage F3/F4 liver fibrosis associated with nonalcoholic steatohepatitis, or NASH. NASH is a more severe form of non-alcoholic fatty liver disease, or NAFLD. NASH is highly prevalent, affecting approximately 16.5 million adults in the United States, including approximately 3.3 million with stage F3/F4 fibrosis. The stage of fibrosis is the strongest predictor of liver-related morbidity and all-cause mortality in NASH. Patients with F3 and F4 fibrosis carry liver-related mortality risk that is 17 times and 42 times greater, respectively, than NASH patients without fibrosis. Therefore, we believe that treating F3/F4 liver fibrosis will have an impact on liver-related morbidity and all-cause mortality in NASH. There are currently no approved therapies for NASH and the candidates in development to date have shown only modest antifibrotic effects in published clinical trials.

$\alpha\text{v}\beta 1$ serves as an activator of TGF- β and its expression has been shown to be upregulated in activated hepatic stellate cells and correlated with severity of liver fibrosis. By inhibiting $\alpha\text{v}\beta 1$, we believe PLN-1474 could have a potent direct antifibrotic effect in advanced liver fibrosis. We are currently completing IND-enabling studies of PLN-1474 and plan to submit an IND application by the end of 2019.

Our Approach and Capabilities

Our approach to drug development in fibrosis combines our deep knowledge of the biology of fibrosis with various cellular, tissue, and *in vivo* assays developed in house to uncover pathways and potential targets. We have developed and utilized a quantitative fibrosis target expression atlas to identify and validate novel fibrosis targets. We have built a library of over 4,500 integrin inhibitors that we test against these identified targets to select potential candidates. In addition to our integrin library, we have a non-integrin based library of over 70,000 compounds that we also screen against non-integrin targets. We evaluate potential candidates in a series of integrin selectivity assays, cell-based assays, precision cut tissue slices and animal models prior to advancing our product candidates into development.

A key component of our de-risking strategy is our live fibrotic human tissue program. We obtain live fibrotic human tissue post-transplant through our partners at the University of California, San Francisco and Stanford University and utilize proprietary protocols to maintain viability of these tissues for multiple days. We test our product candidates in this live tissue and measure multiple markers of antifibrotic activity, effectively bridging the gap between animal models and clinical proof-of-concept. We believe data from these live fibrotic human tissue experiments will increase our confidence that the tested product candidates will show anti-fibrotic effects in patients.

Once in the clinic, we continue to de-risk our programs by designing clinical trials that allow us to show proof-of-mechanism in advance of clinical efficacy data. We utilize pharmacodynamic biomarkers and advanced imaging techniques, including positron emission tomography, or PET, to evaluate target engagement of our product candidates over relatively short time periods and observe whether the product candidate is having its anticipated effect. We believe these collective capabilities uniquely allow us to (i) efficiently identify targets, (ii) optimize the potency and selectivity of candidates and (iii) de-risk product candidates in advance of clinical proof-of-concept.

Pliant was founded in 2015 by world-renowned researchers Dean Sheppard, Rik Derynck, Bill DeGrado and Hal Chapman from the University of California, San Francisco who bring broad experience in fibrosis biology and small-molecule chemistry among other related disciplines. In addition, we have built an executive team with highly relevant experience in drug discovery and clinical development. To date, Pliant has raised over \$120 million from investors including Third Rock Ventures, Cowen Healthcare Investments, Eventide Asset Management, Schroder Adveq Management, Menlo Ventures, S-Cubed Capital and Agent Capital.

Our Strategy

Our goal is to become a world-leading fibrosis company, developing and commercializing disease-modifying therapies across a spectrum of fibrotic diseases. To achieve this, we are focused on the following key strategies:

- Rapidly advance PLN-74809 in IPF and PSC through clinical development and commercialization.
- Rapidly advance our second compound, PLN-1474, in NASH.
- Selectively evaluate partnerships in indications and geographies where we believe partners can add commercial and/or development capabilities.
- Explore opportunities for our pipeline assets in additional fibrotic indications.
- Leverage our industry leading tools and capabilities to advance our mission of becoming a leading fibrosis company.

Risks Associated with Our Business

Our business is subject to numerous risks that you should be aware of before making an investment decision. These risks are described more fully in the section entitled "Risk Factors." These risks include, among others:

- We have a limited operating history, which may make it difficult to evaluate our prospects and likelihood of success.
- Our financial condition raises substantial doubt as to our ability to continue as a going concern.
- Our business is highly dependent on the success of our lead product candidate, PLN-74809, as well as any other product candidates that we advance into the clinic. All of our product candidates will require significant additional preclinical and clinical development before we may be able to seek regulatory approval for and launch a product commercially.
- Clinical development involves a lengthy, complex and expensive process, with an uncertain outcome.
- We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of PLN-74809 or any other product candidates.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than us.
- If we lose key management personnel, or if we fail to recruit additional highly skilled personnel, our ability to develop current product candidates or identify and develop new product candidates will be impaired, could result in loss of markets or market share and could make us less competitive.

- Our success depends in part on our ability to protect our intellectual property. It is difficult and costly to protect our proprietary rights and technology, and we may not be able to ensure their protection.

Corporate History and Information

We were incorporated under the laws of the State of Delaware in June 2015. Our principal executive office is located at 260 Littlefield Avenue, South San Francisco, California 94080, and our telephone number is (650) 481-6770. Our website address is <https://pliantrx.com>. We do not incorporate the information on or accessible through our website into this prospectus, and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

We use various trademarks and trade names in our business, including without limitation our corporate name and logo. All other trademarks or trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Implications of Being an Emerging Growth Company

We qualify as an “emerging growth company,” or EGC, as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. As an EGC, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements in this prospectus and only two years of related “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our periodic reports and registration statements, including this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements, and registration statements, including in this prospectus; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these exemptions for up to five years from the date of effectiveness of this registration statement or such earlier time that we are no longer an EGC. We will cease to be an EGC on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the last day of the fiscal year in which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or SEC, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th. We may choose to take advantage of some but not all of these exemptions. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an EGC to delay the adoption of some accounting standards until

those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an EGC or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

THE OFFERING

Common stock offered by us	shares.
Option to purchase additional shares	We have granted the underwriters an option to purchase up to additional shares of common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Common stock to be outstanding immediately after this offering	shares (or shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We estimate that we will receive net proceeds from the sale of our common stock in this offering of approximately \$ million, or \$ million if the underwriters exercise in full their option to purchase additional shares, assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to fund the clinical development of our lead product candidate, PLN-74809, the preclinical and clinical development of our second product candidate, PLN-1474, and for business development activities, working capital and other general corporate purposes. See the section entitled "Use of Proceeds" for additional information.
Risk factors	You should read carefully the section entitled "Risk Factors" and other information included in this prospectus for a discussion of factors that you should consider before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	"PLRX"

The number of shares of our common stock to be outstanding after this offering is based on 120,608,203 shares of common stock (including our redeemable convertible preferred stock on an as-converted basis) outstanding as of March 31, 2019, and excludes:

- 7,560,547 shares of our common stock issuable upon the exercise of options outstanding as of March 31, 2019, under the 2015 Equity Incentive Plan, or the 2015 Plan, at a weighted-average exercise price of \$0.29 per share, or pursuant to rights to purchase restricted stock at a weighted-average purchase price of \$0.01 per share;
- 1,621,000 shares of common stock issuable upon the exercise of options granted since March 31, 2019 under the 2015 Plan, at a weighted-average exercise price of \$0.87 per share;
- 3,310,971 shares of our common stock reserved for future issuance under the 2015 Plan as of March 31, 2019 (which number of shares includes the 1,621,000 options previously granted since March 31, 2019);
- shares of our common stock reserved for future issuance under our 2019 Stock Option and Incentive Plan, or the 2019 Plan, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part; and

[Table of Contents](#)

- _____ shares of our common stock reserved for future issuance under our 2019 Employee Stock Purchase Plan, or the 2019 ESPP, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- a 1-for-_____ reverse stock split of our common stock to be effected on _____, 2019;
- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2019 into an aggregate of 105,501,221 shares of our common stock immediately prior to the completion of this offering;
- no exercise of the outstanding options or purchase rights described above;
- no exercise by the underwriters of their option to purchase up to _____ additional shares of our common stock in this offering; and
- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, which will occur immediately prior the completion of this offering.

Unless otherwise indicated, the number of shares of common stock outstanding includes 4,460,226 unvested restricted shares of common stock subject to repurchase as of March 31, 2019.

Summary Financial Data

The following tables present summary financial data for our business. We have derived the summary statements of operations data for the years ended December 31, 2017 and 2018 from our audited financial statements included elsewhere in this prospectus. We have derived the summary statements of operations data for the three months ended March 31, 2018 and 2019, and the summary balance sheets data as of March 31, 2019, from our unaudited condensed financial statements included elsewhere in this prospectus. We have prepared the unaudited condensed financial statements on the same basis as the audited financial statements. We have included all adjustments consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those unaudited condensed financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future and our operating results for the three months ended March 31, 2019 are not necessarily indicative of the actual or expected results for the full year ending December 31, 2019 or any other interim periods or any future period. You should read this data together with our financial statements and related notes appearing elsewhere in this prospectus and the information in the sections entitled “Selected Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(In thousands, except share and per share amounts)	Years Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
Statements of Operations Data:				
Operating expenses:				
Research and development	\$ 14,526	\$ 24,415	\$ 5,018	\$ 11,749
General and administrative	3,823	6,500	1,210	2,601
Total operating expenses	18,349	30,915	6,228	14,350
Loss from operations	(18,349)	(30,915)	(6,228)	(14,350)
Interest income	16	688	16	313
Other income (expense), net	—	(49)	(10)	14
Net loss	\$ (18,333)	\$ (30,276)	\$ (6,222)	\$ (14,023)
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	(2,289)	(4,876)	(882)	(1,344)
Net loss attributable to common stockholders	\$ (20,622)	\$ (35,152)	\$ (7,104)	\$ (15,367)
Net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	\$ (3.59)	\$ (4.22)	\$ (0.96)	\$ (1.52)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	5,745,000	8,333,000	7,387,889	10,079,336
Pro forma net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾		\$		\$
Weighted-average shares outstanding used in computing pro forma net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾				

(1) See Notes 3 and 16 to our financial statements included elsewhere in the prospectus for an explanation of the calculations of our basic and diluted net loss per share, pro forma net loss per share and the weighted-average number of shares used in the computation of the per share amounts.

[Table of Contents](#)

(In thousands)	As of March 31, 2019		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)(4)
Balance Sheets Data:			
Cash, cash equivalents and short-term investments	\$ 49,720		\$
Working capital(3)	42,604		
Total assets	55,978		
Redeemable convertible preferred stock	133,447		
Accumulated deficit	(86,517)		
Total stockholders' (deficit) equity	(86,513)		

(1) The pro forma column in the balance sheet data table above gives effect to (i) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2019 into an aggregate of 105,501,221 shares of our common stock immediately prior to the completion of this offering as if such conversion had occurred on March 31, 2019; and (ii) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the completion of this offering.

(2) The pro forma as adjusted column in the balance sheet data table above gives effect to (i) the pro forma adjustments set forth in footnote (1) above; and (ii) the issuance and sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) We define working capital as current assets less current liabilities. See our financial statements and related notes appearing elsewhere in this prospectus for details regarding our current assets and current liabilities.

(4) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the amount of each of cash and cash equivalents, working capital, total assets and total stockholders' (deficit) equity by approximately \$ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million shares in the number of shares we are offering would increase or decrease, as applicable, the amount of each of cash and cash equivalents, working capital, total assets and total stockholders' (deficit) equity by approximately \$ million, based on the assumed initial public offering price per share, the midpoint of the price range as set forth on the cover page of this prospectus, remains the same. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our financial statements and related notes appearing elsewhere in this prospectus and in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant net losses since inception and we expect to continue to incur significant net losses for the foreseeable future.

We have incurred significant net losses in each reporting period since our inception, have not generated any revenue to date and have financed our operations principally through equity financing. If our product candidates are not successfully developed and approved, we may never generate any revenue. We continue to incur significant research and development and other expenses related to our ongoing operations. For the years ended December 31, 2017 and 2018, we reported a net loss of \$18.3 million and \$30.3 million, respectively, and for the three months ended March 31, 2018 and 2019, we reported a net loss of \$6.2 million and \$14.0 million, respectively. As of December 31, 2018 and March 31, 2019, we had an accumulated deficit of \$71.5 million and \$86.5 million, respectively. We have devoted substantially all of our resources and efforts to research and development and we expect that it will be several years, if ever, before we generate revenue from product sales. Even if we receive marketing approval for and commercialize one or more of our product candidates, we expect that we will continue to incur substantial research and development and other expenses in order to develop and market additional potential product candidates.

We expect to continue to incur significant losses for the foreseeable future, and we anticipate that our expenses will increase substantially if, and as, we:

- advance the development of our lead product candidate, PLN-74809, and our other product candidates through clinical development, and, if successful, later-stage clinical trials;
- discover and develop new product candidates;
- advance our preclinical development programs, including PLN-1474, into clinical development;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- commercialize PLN-74809, our other product candidates and any future product candidates, if approved;
- increase the amount of research and development activities to identify and develop product candidates;
- hire additional clinical development, quality control, scientific and management personnel;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development and manufacturing efforts and our operations as a public company;
- establish a sales, marketing, medical affairs and distribution infrastructure to commercialize any products for which we may obtain marketing approval and intend to commercialize on our own or jointly with third parties;
- maintain, expand and protect our intellectual property portfolio; and
- invest in or in-license other technologies or product candidates.

To become and remain profitable, we must develop and eventually commercialize products with significant market potential. This will require us to be successful in a range of challenging activities, including completing

[Table of Contents](#)

preclinical studies and clinical trials, obtaining marketing approval for product candidates, manufacturing, marketing and selling products for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in any or all of these activities and, even if we do, we may never generate revenue that is significant enough to achieve profitability. 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 decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

Even if this offering is successful, we will require substantial additional capital to finance our operations. If we are unable to raise such capital when needed, or on acceptable terms, we may be forced to delay, reduce and/or eliminate one or more of our research and drug development programs, future commercialization efforts or other operations.

Developing biopharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. Our operations have consumed substantial amounts of cash since inception. We expect our expenses to increase in connection with our ongoing activities, particularly as we conduct our planned clinical trials of PLN-74809, continue research and development to initiate clinical trials of PLN-1474 and any future product candidates that we may develop, seek regulatory approvals for our product candidates and to launch and commercialize any products for which we receive regulatory approval. Following this offering, we also expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in order to maintain our continuing operations. If we are unable to raise capital when needed or on acceptable terms, we may be forced to delay, reduce or eliminate one or more of our research and drug development programs or future commercialization efforts.

As of March 31, 2019, we had approximately \$49.7 million in cash, cash equivalents and short-term investments. Based on our current operating plan, we believe that the net proceeds from this offering, together with existing cash and cash equivalents, will be sufficient to fund our operating expenses and capital expenditure requirements through . However, our future capital requirements and the period for which our existing resources will support our operations may vary significantly from what we expect, and we will in any event require additional capital in order to complete clinical development of any of our current programs. Our monthly spending levels will vary based on new and ongoing development and corporate activities. Because the length of time and activities associated with development of our product candidates is highly uncertain, we are unable to estimate the actual funds we will require for development, marketing and commercialization activities. Our future funding requirements, both near and long-term, will depend on many factors, including, but not limited to:

- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our product candidates;
- the clinical development plans we establish for these product candidates;
- the number and characteristics of product candidates that we develop;
- the outcome, timing and cost of meeting regulatory requirements established by the U.S. Food and Drug Administration, or FDA, and other comparable foreign regulatory authorities;
- whether we are able to enter into collaboration agreements and the terms of any such agreements;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the cost of defending intellectual property disputes, including patent infringement actions brought by third parties against us or our product candidates;
- the effect of competing technological and market developments;
- the cost and timing of completion of commercial-scale outsourced manufacturing activities; and

[Table of Contents](#)

- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we choose to commercialize our products on our own.

We do not have any committed external source of funds or other support for our development efforts and we cannot be certain that additional funding will be available on acceptable terms, or at all. Until we can generate sufficient revenue to finance our cash requirements, which we may never do, we expect to finance our future cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing or distribution arrangements. If we raise additional funds through public or private equity offerings, the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Further, to the extent that we raise additional capital through the sale of common stock or securities convertible or exchangeable into common stock, your ownership interest will be diluted. In addition, any debt financing may subject us to fixed payment obligations and covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable intellectual property or other rights to our product candidates, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable to us. We also may be required to seek collaborators for any of our product candidates at an earlier stage than otherwise would be desirable or relinquish our rights to product candidates or technologies that we otherwise would seek to develop or commercialize ourselves. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates or one or more of our other research and development initiatives. Any of the above events could significantly harm our business, prospects, financial condition and results of operations and cause the price of our common stock to decline.

The amount of our future losses is uncertain and our quarterly operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.

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

- the timing and success or failure of clinical trials for our product candidates or competing product candidates, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- our ability to successfully recruit and retain subjects for clinical trials, and any delays caused by difficulties in such efforts;
- our ability to obtain marketing approval for our product candidates, and the timing and scope of any such approvals we may receive;
- the timing and cost of, and level of investment in, research and development activities relating to our product candidates, which may change from time to time;
- the cost of manufacturing our product candidates, which may vary depending on the quantity of production and the terms of our agreements with manufacturers;
- our ability to attract, hire and retain qualified personnel;
- expenditures that we will or may incur to develop additional product candidates;
- the level of demand for our product candidates should they receive approval, which may vary significantly;

[Table of Contents](#)

- the risk/benefit profile, cost and reimbursement policies with respect to our product candidates, if approved, and existing and potential future therapeutics that compete with our product candidates;
- the changing and volatile U.S. and global economic environments; and
- future accounting pronouncements or changes in our accounting policies.

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

Our financial condition raises substantial doubt as to our ability to continue as a going concern.

Our financial statements have been prepared assuming that we will continue to operate as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, based on our current forecast, we do not have sufficient resources for at least the next year following the date that the financial statements appearing elsewhere in this prospectus were issued. These conditions raise substantial doubt about our ability to continue as a going concern. Additionally, our independent registered public accounting firm has included in its audit opinion for the year ended December 31, 2018 an explanatory paragraph that there is substantial doubt as to our ability to continue as a going concern. Our ability to continue as a going concern will require us to obtain additional financing or enter into strategic transactions. The reaction of investors to the inclusion of a going concern statement by our auditors and our potential inability to continue as a going concern may materially adversely affect our share price and our ability to raise new capital or enter into strategic alliances. If we become unable to continue as a going concern, we may have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements.

Risks Related to Research and Development and the Biopharmaceutical Industry

We have a limited operating history, which may make it difficult to evaluate our prospects and likelihood of success.

We are a clinical-stage biopharmaceutical company with a limited operating history. We were incorporated in 2015, have no products approved for commercial sale and have not generated any revenue. Our operations to date have been limited to organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio and performing research and development of our product candidates and our technology related to transforming growth factor beta, or TGF- β , signaling and integrin biology, medicinal chemistry, translational screening technologies, and clinical insights to discover and develop novel therapies for the treatment of fibrosis. Our approach to the discovery and development of product candidates is unproven, and we do not know whether we will be able to develop any products of commercial value. In addition, our lead product candidate, PLN-74809, is in early clinical development for the treatment of IPF and preclinical development for the treatment of PSC, while our second product candidate, PLN-1474, is in the preclinical stage. Both programs will require substantial additional development and clinical research time and resources before we would be able to apply for or receive regulatory approvals and begin generating revenue from product sales. We have not yet demonstrated the ability to progress any product candidate through clinical trials. We are still in preclinical and early clinical development and may be unable to obtain regulatory approval, manufacture a commercial scale product, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Investment in biopharmaceutical product

[Table of Contents](#)

development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate efficacy or an acceptable safety profile, gain regulatory approval and become commercially viable. In addition, as a business with a limited operating history, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors and risks frequently experienced by early-stage biopharmaceutical companies in rapidly evolving fields. Consequently, we have no meaningful history of operations upon which to evaluate our business, and predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing drug products.

Our business is highly dependent on the success of our lead product candidate, PLN-74809, as well as any other product candidates that we advance into the clinic. All of our product candidates will require significant additional preclinical and clinical development before we may be able to seek regulatory approval for and launch a product commercially.

We currently have no products that are approved for commercial sale and may never be able to develop marketable products. We are very early in our development efforts and have only one product candidate, PLN-74809, in early clinical development. Because PLN-74809 is our lead product candidate, if PLN-74809 encounters safety or efficacy problems, development delays, regulatory issues or other problems, our development plans and business would be significantly harmed. We have completed a Phase 1a SAD/MAD trial and are currently conducting a Phase 1b proof-of-mechanism trial of PLN-74809 in IPF and expect to receive data in the second quarter of 2019. In the second half of 2019, we plan to initiate two Phase 2a trials in idiopathic pulmonary fibrosis, or IPF. We also plan to submit an IND for PLN-74809 for the treatment of primary sclerosing cholangitis, or PSC, in the second half of 2019, and plan to initiate a Phase 2a trial thereafter. We are also developing PLN-1474 for liver fibrosis associated with nonalcoholic steatohepatitis, or NASH, but have not yet advanced this candidate into the clinic. We are currently conducting investigational new drug, or IND-enabling activities for PLN-1474 and plan to submit an IND application by the end of 2019.

Before we can generate any revenue from sales of our lead product candidate, PLN-74809, or any of our other product candidates, we must undergo additional preclinical and clinical development, regulatory review and approval in one or more jurisdictions. In addition, if one or more of our product candidates are approved, we must ensure access to sufficient commercial manufacturing capacity and conduct significant marketing efforts in connection with any commercial launch. These efforts will require substantial investment, and we may not have the financial resources to continue development of our product candidates.

We may experience setbacks that could delay or prevent regulatory approval of, or our ability to commercialize, our product candidates, including:

- negative or inconclusive results from our preclinical studies or clinical trials or the clinical trials of others for product candidates similar to ours, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program;
- product-related side effects experienced by subjects in our clinical trials or by individuals using drugs or therapeutics similar to our product candidates;
- delays in submitting INDs or comparable foreign applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced;
- conditions imposed by the FDA or comparable foreign authorities regarding the scope or design of our clinical trials;
- delays in enrolling subjects in clinical trials;
- high drop-out rates of subjects from clinical trials; inadequate supply or quality of product candidates or other materials necessary for the conduct of our clinical trials;

[Table of Contents](#)

- greater than anticipated clinical trial costs;
- inability to compete with other therapies;
- poor efficacy of our product candidates during clinical trials;
- unfavorable FDA or other regulatory agency inspection and review of a clinical trial site;
- failure of our third-party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all;
- delays and changes in regulatory requirements, policy and guidelines, including the imposition of additional regulatory oversight around clinical testing generally or with respect to our technology in particular; or
- varying interpretations of data by the FDA and similar foreign regulatory agencies.

We do not have complete control over many of these factors, including certain aspects of clinical development and the regulatory submission process, potential threats to our intellectual property rights and our manufacturing, marketing, distribution and sales efforts or that of any future collaborator.

Our approach to drug discovery and development in the area of fibrotic diseases, with an initial focus on tissue-specific integrin modulation and TGF- β signaling inhibition, is unproven and may not result in marketable products.

Our approach is designed to discover and develop targeted treatments for fibrosis with an initial focus on the antagonism of tissue-specific TGF- β signaling through the inhibition of integrins known to mediate the release of activated TGF- β in fibrotic tissue. However, although multiple studies are currently underway, to date, this mechanism has not been definitively proven to successfully treat fibrosis. Targeting integrins to treat fibrosis is a novel approach in a rapidly developing field, and there can be no assurance that we will not experience currently unknown problems or delays in developing our product candidates, that such problems or delays will not result in unanticipated costs, or that any such development problems can be solved. We have only tested our lead product candidate, PLN-74809, in healthy volunteers. Therefore, we may ultimately discover that our approach and any product candidates resulting therefrom do not possess properties required for therapeutic effectiveness. As a result, we may never succeed in developing a marketable product.

In addition, while we have developed an extensive panel of cell assays and precision cut tissue assays and have utilized animal models to uncover biological pathways, understood gene expression changes and optimized the potency and selectivity of our potential product candidates, there can be no assurance that our technology will yield their intended benefits. While we believe our assays represent a differentiator in our approach to drug development, our approach has not yet been clinically proven to yield results. Our practice of evaluating our product candidates in live human fibrotic tissue samples before advancing them into the clinic is intended to serve as a bridge between animal models and clinical proof-of-concept. However, there can be no assurance that positive results observed from preclinical animal testing and human fibrotic tissue models will be replicated when a program is advanced into clinical development. In addition, our practice of utilizing live human fibrotic tissue as part of our development efforts may become more widespread in the future, and this approach may be adopted and replicated by others, including our competitors.

Studies involving human tissue samples may also be subject to institutional and government human subject privacy policies that may vary by territory. We or our partners who provide us with human tissue samples, or conduct tissue and/or animal studies on our behalf, may be found to be in violation of one or more of these regulations or policies and may be subject to closure, censure or other penalties. In some cases, these penalties could materially impact the performance, availability, or validity of studies conducted by us on our behalf. Even in the absence of violations resulting in penalties, regulatory and other authorities may refuse to authorize the conduct or to accept the results of studies for regulatory or ethical reasons.

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

To obtain the requisite regulatory approvals to commercialize any product candidates, we must demonstrate through extensive preclinical studies and clinical trials that our product candidates are safe and effective in humans. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. In particular, the general approach for FDA approval of a new drug is dispositive data from two well-controlled, Phase 3 clinical trials of the relevant drug in the relevant patient population. Phase 3 clinical trials typically involve hundreds of patients, have significant costs and take years to complete. A product candidate can fail at any stage of testing, even after observing promising signals of activity in earlier preclinical studies or clinical trials. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. In addition, initial success in clinical trials may not be indicative of results obtained when such trials are completed. There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety issues, notwithstanding promising results in earlier trials. Most product candidates that commence clinical trials are never approved as products and there can be no assurance that any of our future clinical trials will ultimately be successful or support further clinical development of PLN-74809 or any of our other product candidates. Product candidates that appear promising in the early phases of development may fail to reach the market for several reasons, including:

- preclinical studies or clinical trials may show the product candidates to be less effective than expected (e.g., a clinical trial could fail to meet its primary endpoint(s)) or to have unacceptable side effects or toxicities;
- failure to establish clinical endpoints that applicable regulatory authorities would consider clinically meaningful;
- failure to receive the necessary regulatory approvals;
- manufacturing costs, formulation issues, pricing or reimbursement issues, or other factors that make a product candidate uneconomical; and
- the proprietary rights of others and their competing products and technologies that may prevent one of our product candidates from being commercialized.

In addition, differences in trial design between early-stage clinical trials and later-stage clinical trials make it difficult to extrapolate the results of earlier clinical trials to later clinical trials. Moreover, clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in clinical trials have nonetheless failed to obtain marketing approval of their products. Additionally, some of our trials may be open-label studies, where both the patient and investigator know whether the patient is receiving the investigational product candidate or either an existing approved drug or placebo. Most typically, open-label clinical trials test only the investigational product candidate and sometimes do so at different dose levels. Open-label clinical trials are subject to various limitations that may exaggerate any therapeutic effect as patients in open-label clinical trials are aware when they are receiving treatment. In addition, open-label clinical trials may be subject to an “investigator bias” where those assessing and reviewing the physiological outcomes of the clinical trials are aware of which patients have received treatment and may interpret the information of the treated group more favorably given this knowledge. Therefore, it is possible that positive results observed in open-label trials will not be replicated in later placebo-controlled trials.

In addition, the standards that the FDA and comparable foreign regulatory authorities use when regulating us require judgment and can change, which makes it difficult to predict with certainty how they will be applied. Any analysis we perform of data from preclinical and clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. We may also

[Table of Contents](#)

encounter unexpected delays or increased costs due to new government regulations. Examples of such regulations include future legislation or administrative action, or changes in FDA policy during the period of product development and FDA regulatory review. It is impossible to predict whether legislative changes will be enacted, or whether FDA or foreign regulations, guidance or interpretations will be changed, or what the impact of such changes, if any, may be. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support approval. The opinion of the Advisory Committee, although not binding, may have a significant impact on our ability to obtain approval of any product candidates that we develop.

If we seek to conduct clinical trials in foreign countries or pursue marketing approvals in foreign jurisdictions, we must comply with numerous foreign regulatory requirements governing, among other things, the conduct of clinical trials, manufacturing and marketing authorization, pricing and third-party reimbursement. The foreign regulatory approval process varies among countries and may include all of the risks associated with FDA approval described above as well as risks attributable to the satisfaction of local regulations in foreign jurisdictions. Moreover, the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities outside the United States and vice versa.

Successful completion of clinical trials is a prerequisite to submitting a marketing application to the FDA and similar marketing applications to comparable foreign regulatory authorities, for each product candidate and, consequently, the ultimate approval and commercial marketing of any product candidates. We may experience negative or inconclusive results, which may result in our deciding, or our being required by regulators, to conduct additional clinical studies or trials or abandon some or all of our product development programs, which could have a material adverse effect on our business.

We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of PLN-74809 or any other product candidates.

We may experience delays in initiating or completing clinical trials. We also may experience numerous unforeseen events during, or as a result of, any future clinical trials that could delay or prevent our ability to receive marketing approval or commercialize PLN-74809 or any other product candidates, including:

- regulators or institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- the FDA or other comparable regulatory authorities may disagree with our clinical trial design, including with respect to dosing levels administered in our planned clinical trials, which may delay or prevent us from initiating our clinical trials with our originally intended trial design;
- we may experience delays in reaching, or fail to reach, agreement on acceptable terms with prospective trial sites and prospective contract research organizations, or CROs, which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- the number of subjects required for clinical trials of any product candidates may be larger than we anticipate or subjects may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;
- we may elect to, or regulators, IRBs, Data Safety Monitoring Boards, or DSMBs, or ethics committees may require that we or our investigators, suspend or terminate clinical research or trials for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;

[Table of Contents](#)

- we may not have the financial resources available to begin and complete the planned trials, or the cost of clinical trials of any product candidates may be greater than we anticipate;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate to initiate or complete a given clinical trial; and
- the FDA or other comparable foreign regulatory authorities may require us to submit additional data such as long-term toxicology studies, or impose other requirements before permitting us to initiate a clinical trial.

Our product development costs will increase if we experience delays in clinical testing or in obtaining marketing approvals. We do not know whether any of our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. If we do not achieve our product development goals in the time frames we announce and expect, the approval and commercialization of our product candidates may be delayed or prevented entirely. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates and may allow our competitors to bring products to market before we do, potentially impairing our ability to successfully commercialize our product candidates and harming our business and results of operations. Any delays in our clinical development programs may harm our business, financial condition and results of operations significantly.

Our ongoing and future clinical trials may reveal significant adverse events or unexpected drug-drug interactions not seen in our preclinical studies and may result in a safety profile that could delay or prevent regulatory approval or market acceptance of any of our product candidates.

We completed our Phase 1a clinical trial of our lead product candidate PLN-74809 in healthy volunteers, and, with the exception of a number of reported minor adverse events, the product candidate was observed to be well-tolerated across all doses in 71 trial participants. However, if significant adverse events or other side effects are observed in any of our ongoing or future clinical trials, we may have difficulty recruiting patients to our clinical trials, patients may drop out of our trials, or we may be required to abandon the trials or our development efforts altogether. In addition, in our planned Phase 2a clinical trials, we expect to evaluate PLN-74809 administered with approved IPF agents. As a result, we may encounter unexpected drug-drug interactions in our planned trials, and may be required to further test these candidates, including in drug-drug interaction studies, which may be expensive, time-consuming and result in delays to our programs. Some potential therapeutics developed in the biopharmaceutical industry that initially showed therapeutic promise in early-stage trials have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the product candidate from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance of the approved product due to its tolerability versus other therapies.

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

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

- the patient eligibility and exclusion criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints and the process for identifying patients;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;

[Table of Contents](#)

- clinicians' and patients' perceptions as to the potential advantages and risks of the product candidate being studied in relation to other available therapies, including any new products that may be approved for the indications we are investigating;
- the availability of competing commercially available therapies and other competing drug candidates' clinical trials;
- our ability to obtain and maintain patient informed consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion.

For example, we are initially developing PLN-74809 for the treatment of IPF and PSC, each of which is an orphan indication. In the United States, IPF is estimated to affect approximately 140,000 patients, while PSC is estimated to affect approximately 30,000 to 45,000 patients. As a result, we may encounter difficulties enrolling subjects in our clinical trials of PLN-74809 due, in part, to the small size of these patient populations. In addition, our clinical trials will compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials in such clinical trial site. Certain of our planned clinical trials may also involve invasive procedures such as bronchoscopy and broncho-alveolar lavage, or BAL, procedure, which may lead some patients to drop out of trials to avoid these follow-up procedures.

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

The design or execution of a clinical trial can determine whether its results will support marketing approval, and flaws in the design or execution of a clinical trial may not become apparent until the clinical trial is well advanced. For example, we plan to initiate our second Phase 2a randomized, double-blind, placebo-controlled IPF trial in the second half of 2019 evaluating up to three doses of our lead product candidate, PLN-74809, enrolling approximately 40 IPF patients. This trial is planned to be initiated as a 4-week trial in a limited number of patients and will then be amended into a 12-week trial once non-clinical data support longer term dosing. However, it is possible that the non-clinical data fail to support such longer dosing, which may prevent our ability to transition into such 12-week trial. Further, it is possible that amending our clinical trial, which would require us to resubmit our clinical trial protocols to IRBs for reexamination, may impact the costs, timing or successful completion of such clinical trial. In addition, we may desire to test PLN-74809 at doses exceeding those evaluated in the Phase 1a trial, and may not be able to do so.

Additionally, in some instances, there can be significant variability in safety or efficacy results between different trials with the same product candidate due to numerous factors, including differences in trial protocols, size and type of the patient populations, variable adherence to the dosing regimen or other protocol requirements and the rate of dropout among clinical trial participants. We do not know whether any clinical trials we conduct will demonstrate consistent or adequate efficacy and safety to obtain marketing approval to market our product candidates.

Further, the FDA and comparable foreign regulatory authorities have substantial discretion in the approval process and in determining when or whether marketing approval will be obtained for any of our product candidates. Our product candidates may not be approved even if they achieve their primary endpoints in future Phase 3 clinical trials or registrational trials. The FDA or comparable foreign regulatory authorities may disagree with our trial designs and our interpretation of data from preclinical studies or clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal Phase 3 or registrational clinical trial. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited

[Table of Contents](#)

indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA or comparable foreign regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates, if approved.

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

Although we have received US orphan drug designation for PLN-74809 for IPF and PSC indications, we may be unable to obtain and maintain orphan drug designation for our other product candidates and, even if we obtain such designation, we may not be able to realize the benefits of such designation, including potential marketing exclusivity of our product candidates, if approved.

Regulatory authorities in some jurisdictions, including the United States and other major markets, may designate drugs intended to treat conditions or diseases affecting relatively small patient populations as orphan drugs. Under the Orphan Drug Act of 1983, the FDA may designate a product candidate as an orphan drug if it is intended to treat a rare disease or condition, which is generally defined as having a patient population of fewer than 200,000 individuals in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States.

Although we have received U.S. orphan drug designation for PLN-74809 for IPF and PSC indications, the designation of any of our product candidates as an orphan drug does not mean that any regulatory agency will accelerate regulatory review of, or ultimately approve, that product candidate, nor does it limit the ability of any regulatory agency to grant orphan drug designation to product candidates of other companies that treat the same indications as our product candidates.

Generally, if a product candidate with an orphan drug designation receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the FDA or foreign regulatory authorities from approving another marketing application for a product that constitutes the same drug treating the same indication for that marketing exclusivity period, except in limited circumstances. The applicable period is seven years in the United States. Orphan drug exclusivity may be revoked if any regulatory agency determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the product to meet the needs of patients with the rare disease or condition.

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

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

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

[Table of Contents](#)

could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our product candidates and jeopardize our ability to commercialize our product candidates and generate revenue.

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

We may not be successful in our efforts to identify or discover additional product candidates in the future.

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

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

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

Due to our limited resources and access to capital, we must make decisions on the allocation of resources to certain programs and product candidates; these decisions may prove to be wrong and may adversely affect our business.

We have limited financial and human resources and intend to initially focus on research programs and product candidates for a limited set of indications. As a result, we may forgo or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential or a greater likelihood of success. In addition, we seek to accelerate our development timelines, including by initiating certain clinical trials of our product candidates before earlier-stage studies have been completed. This approach may cause us to commit significant resources to prepare for and conduct later-stage trials for one or more product candidates that subsequently fail earlier-stage clinical testing. Therefore, our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities, or expend resources on product candidates that are not viable.

There can be no assurance that we will ever be able to identify additional therapeutic opportunities for our product candidates or to develop suitable potential product candidates through internal research programs, which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential product candidates or other potential programs that ultimately prove to be unsuccessful.

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

We face an inherent risk of product liability as a result of testing PLN-74809 and any of our other product candidates in clinical trials, and will face an even greater risk if we commercialize any products. For example, we may be sued if our product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical trials, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

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

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. We need to obtain additional insurance for clinical trials as our lead product candidate, PLN-74809, continues its clinical development and as additional product candidates enter the clinic. However, we may be unable to obtain, or may obtain on unfavorable terms, clinical trial insurance in amounts adequate to cover any liabilities from any of our clinical trials. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

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

The development and commercialization of new drug products is highly competitive. We may face competition with respect to any product candidates that we seek to develop or commercialize in the future from

[Table of Contents](#)

major biopharmaceutical companies, specialty biopharmaceutical companies, and biotechnology companies worldwide. Potential competitors also include academic institutions, government agencies, and other public and private research organizations that conduct research, seek patent protection, and establish collaborative arrangements for research, development, manufacturing, and commercialization.

There are a number of large biopharmaceutical and biotechnology companies that are currently pursuing the development of products for the treatment of fibrosis. Companies that we are aware of that are targeting the treatment of various fibrosis indications through inhibiting various parts of the TGF- β pathway include large companies with significant financial resources such as Biogen, Inc., AbbVie Inc., Gilead Sciences, Inc., Indalo Therapeutics, Inc., FibroGen, Inc., Galapagos NV, Bristol Myers Squibb Co., and Novartis AG. However, we know of no other companies currently in clinical development with an orally bioavailable small-molecule, selective integrin inhibitor. For additional information regarding our competition, see “Business—Competition.”

Many of our current or potential competitors, either alone or with their strategic partners, have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals, and marketing approved products than we do.

Mergers and acquisitions in the biopharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, more convenient, or less expensive than any products that we may develop. Furthermore, products currently approved for other indications could be discovered to be effective treatments of fibrosis as well, which could give such products significant regulatory and market timing advantages over PLN-74809 or other product candidates that we may identify. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours and may do, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, products or technologies developed by our competitors may render our potential product candidates uneconomical or obsolete and we may not be successful in marketing any product candidates we may develop against competitors. The availability of competitive products could limit the demand, and the price we are able to charge, for any products that we may develop and commercialize.

Risks Related to Marketing, Reimbursement, Healthcare Regulations and Ongoing Regulatory Compliance

Even if a product candidate we develop receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

Even if PLN-74809 or any other product candidate we develop receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors, such as Medicare and Medicaid programs and managed care organizations, and others in the medical community. In addition, the availability of coverage by third-party payors may be affected by existing and future health care reform measures designed to reduce the cost of health care. If the product candidates we develop do not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable.

The degree of market acceptance of any product candidate, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments;

[Table of Contents](#)

- the ability to offer our products, if approved, for sale at competitive prices;
- convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the recommendations with respect to our product candidates in guidelines published by various scientific organizations applicable to us and our product candidates;
- the strength of marketing and distribution support;
- the ability to obtain sufficient third-party coverage and adequate reimbursement; and
- the prevalence and severity of any side effects.

If government and other third-party payors do not provide coverage and adequate reimbursement levels for any products we commercialize, market acceptance and commercial success would be reduced.

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

The success of our product candidates, if approved, depends on the availability of coverage and adequate reimbursement from third-party payors. We cannot be sure that coverage and reimbursement will be available for, or accurately estimate the potential revenue from, our product candidates or assure that coverage and reimbursement will be available for any product that we may develop.

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

Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs and treatments they will cover and the amount of reimbursement. Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

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

In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors. As a result, obtaining coverage and reimbursement approval of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to each payor supporting scientific, clinical and cost-effectiveness data for the use of our products on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. Even if we obtain coverage for a given product, the resulting reimbursement payment rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Additionally, third-party payors may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of product candidates, once approved. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products. There is significant

[Table of Contents](#)

uncertainty related to insurance coverage and reimbursement of newly approved products. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our product candidates, if approved.

For example, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, also called the Medicare Modernization Act, or the MMA, established the Medicare Part D program to provide a voluntary prescription drug and biologic benefit to Medicare beneficiaries. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities that provide coverage of outpatient prescription drugs and biologics. Unlike Medicare Parts A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs and biologics, and each drug plan can develop its own formulary that identifies which drugs and biologics it will cover, and at what tier or level. However, Part D prescription drug formularies must include products within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs and biologics in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Government payment for some of the costs of prescription drugs and biologics may increase demand for products for which we obtain marketing approval. Any negotiated prices for any of our products covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

For a drug or biologic product to receive federal reimbursement under the Medicaid or Medicare Part B programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the average manufacturer price, or AMP, and Medicaid rebate amounts reported by the manufacturer. As of 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, expanded the types of entities eligible to receive discounted 340B pricing, although under the current state of the law these newly eligible entities (with the exception of children's hospitals) will not be eligible to receive discounted 340B pricing on orphan drugs. As 340B drug pricing is determined based on AMP and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase. Further, on December 27, 2018, the District Court for the District of Columbia invalidated a recent reimbursement formula change instituted by the Centers for Medicare and Medicaid Services, or CMS, under the 340B program. It is unclear how this decision could affect covered hospitals who might purchase our products in the future, and affect the rates we may charge such facilities for our approved products.

Changes to these current laws and state and federal healthcare reform measures that may be adopted in the future may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Moreover, increasing efforts by governmental and third-party payors in the United States and abroad to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our product candidates. There has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, cost containment initiatives and additional legislative changes.

[Table of Contents](#)

At the federal level, the Trump administration's budget for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 legislative session or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs.

At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control biopharmaceutical and biologic product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

On May 10, 2019, the Centers for Medicare and Medicaid Services announced a new pricing transparency rule, which goes into effect on July 9, 2019. This final rule requires direct-to-consumer television advertisements for prescription drugs and biological products for which reimbursement is available, directly or indirectly, through or under Medicare or Medicaid to include the list price of that product, except for a prescription drug or biological product that has a list price of less than \$35 per month for a 30-day supply or typical course of treatment. The pricing transparency rule could have a negative effect on our business.

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

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

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

We have no internal sales, marketing or distribution capabilities, nor have we commercialized a product. If any of our product candidates ultimately receives regulatory approval, we expect to establish a marketing and sales organization with technical expertise and supporting distribution capabilities to commercialize each such product in major markets, which will be expensive and time consuming. We have no prior experience as a company in the marketing, sale and distribution of pharmaceutical products and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel and effectively manage a geographically dispersed sales and marketing team. Any failure or delay in the

development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of these products. We may also choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. We may not be able to enter into collaborations or hire consultants or external service providers to assist us in sales, marketing and distribution functions on acceptable financial terms, or at all. In addition, our product revenues and our profitability, if any, may be lower if we rely on third parties for these functions than if we were to market, sell and distribute any products that we develop ourselves. 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 are not successful in commercializing our products, either on our own or through arrangements with one or more third parties, we may not be able to generate any future product revenue and we would incur significant additional losses.

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

Healthcare providers, physicians and third-party payors in the United States and elsewhere play a primary role in the recommendation and prescription of biopharmaceutical products. Arrangements with third-party payors and customers can expose biopharmaceutical manufacturers to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act, which may constrain the business or financial arrangements and relationships through which such companies sell, market and distribute biopharmaceutical products. In particular, the research of our product candidates, as well as the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, structuring and commission(s), certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials. The applicable federal, state and foreign healthcare laws and regulations 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 healthcare program, such as the Medicare and Medicaid programs. A person or entity can be found guilty of violating the statute without actual knowledge of the statute or specific intent to violate it. In addition, a claim submitted for payment to any federal health care program that includes items or services that were made as a result of a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act, or FCA. The Anti-Kickback Statute has been interpreted to apply to arrangements between biopharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers, among others, on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution;
- the federal civil and criminal false claims laws and civil monetary penalty laws, including the FCA, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, false or fraudulent claims for payment to, or approval by Medicare, Medicaid, or other federal healthcare programs, knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim or an obligation to pay or transmit money to the federal government, or knowingly concealing or knowingly and improperly avoiding or decreasing or concealing an obligation to pay money to the federal government. Manufacturers can be held liable under the FCA

even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims. The FCA also permits a private individual acting as a “whistleblower” to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity can be found guilty of violating HIPAA without actual knowledge of the statute or specific intent to violate it;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose, among other things, requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses, known as covered entities, as well as their respective business associates, independent contractors that perform services for covered entities that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions;
- the federal Physician Payments Sunshine Act, created under the ACA, and its implementing regulations, which require some manufacturers of drugs, devices, biologics 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 CMS 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;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers, and may be broader in scope than their federal equivalents; state and foreign laws that require biopharmaceutical companies to comply with the biopharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers, marketing expenditures or drug pricing; state and local laws that require the registration of biopharmaceutical sales representatives; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

The distribution of biopharmaceutical products is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of biopharmaceutical products.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. For

[Table of Contents](#)

example, on January 31, 2019, the Department of Health and Human Services, or HHS, and HHS Office of Inspector General, or OIG, proposed an amendment to one of the existing federal Anti-Kickback Statute safe harbors (42 C.F.R. 1001.952(h)) which would prohibit certain biopharmaceutical manufacturers from offering rebates to pharmacy benefit managers, or PBMs, in the Medicare Part D and Medicaid managed care programs. The proposed amendment would remove protection for “discounts” from federal Anti-Kickback Statute enforcement action, and would include criminal and civil penalties for knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or reward the referral of business reimbursable under federal health care programs. At the same time, HHS also proposed to create a new safe harbor to protect point-of-sale discounts that drug manufacturers provide directly to patients, and adds another safe harbor to protect certain administrative fees paid by manufacturers to PBMs. If this proposal is adopted, in whole or in part, it could affect the pricing and reimbursement for any products for which we receive approval in the future. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Ensuring business arrangements comply with applicable healthcare laws, as well as responding to possible investigations by government authorities, can be time- and resource-consuming and can divert a company’s attention from the business.

It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, possible exclusion from participation in federal and state funded healthcare programs, contractual damages and the curtailment or restricting of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs. Any action for violation of these laws, even if successfully defended, could cause a biopharmaceutical manufacturer to incur significant legal expenses and divert management’s attention from the operation of the business. Prohibitions or restrictions on sales or withdrawal of future marketed products could materially affect business in an adverse way.

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

If any of our product candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies and submission of safety, efficacy and other post-market information, including both federal and state requirements in the United States and requirements of comparable foreign regulatory authorities. In addition, we will be subject to continued compliance with cGMP and GCP requirements for any clinical trials that we conduct post-approval.

Manufacturers and their facilities are required to comply with extensive FDA and comparable foreign regulatory authority requirements, including ensuring that quality control and manufacturing procedures conform to cGMP regulations. As such, we and our contract manufacturers will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any marketing application, and previous responses to inspection observations. Accordingly, we and others with whom we work must continue to expend time, money, and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

[Table of Contents](#)

Any regulatory approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the 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 product candidate. The FDA may also require a risk evaluation and mitigation strategies, or REMS, program as a condition of approval of our product candidates, which could entail requirements for long-term patient follow-up, a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves our product candidates, we will have to comply with requirements including submissions of safety and other post-marketing information and reports and registration.

The FDA may impose consent decrees or withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

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

The FDA strictly regulates marketing, labeling, advertising, and promotion of products that are placed on the market. Products may be promoted only for the approved indications and in accordance with the provisions of the approved label. However companies may share truthful and not misleading information that is not inconsistent with the labeling. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the FDA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

Ongoing healthcare legislative and regulatory reform measures may have a material adverse effect on our business and results of operations.

Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements; (ii) additions or modifications to product labeling; (iii) the recall or discontinuation of our products; or (iv) additional record-keeping requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the ACA was passed, which substantially changed the way health

care is financed by both governmental and private insurers, and significantly impacted the U.S. biopharmaceutical industry. The ACA, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs, and created a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 70% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

Some of the provisions of the ACA have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges, as well as efforts by the Trump administration to repeal or replace certain aspects of the ACA. For example, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed repeal legislation, the Tax Reform Act includes a provision that repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." As a result of the individual mandate repeal, subsequent litigation challenged the validity of the ACA. On December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseparable feature of the ACA, and therefore because the mandate was repealed as part of the Tax Cuts and Jobs Act, the remaining provisions of the ACA are invalid as well. The Trump administration and CMS have both stated that the ruling will have no immediate effect, and on December 30, 2018 the same judge issued an order staying the judgment pending appeal. It is unclear how this decision and any subsequent appeals and other efforts to repeal and replace the ACA will impact the ACA and our business.

Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Further, the Trump administration has concluded that cost-sharing reduction, or CSR, payments to insurance companies required under the ACA have not received necessary appropriations from Congress and announced that it will discontinue these payments immediately until those appropriations are made. The loss of the CSR payments is expected to increase premiums on certain policies issued by qualified health plans under the ACA. Bipartisan bills to appropriate funds for CSR payments were proposed in 2017 and 2018, but the proposals have not been enacted into law. Multiple state Attorneys General filed suit to stop the administration from terminating the subsidies, but their case was dismissed by a federal judge in California on July 18, 2018. Furthermore, on June 14, 2018, the U.S. Court of Appeals for the Federal Circuit ruled that the federal government was not required to pay more than \$12 billion in ACA risk corridor payments to third-party payors who argued were owed to them. The effects of this gap in reimbursement on third-party payors, the viability of the ACA marketplace, providers, and the potential effect on our business, are not yet known.

Additionally, CMS has recently proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces. The Bipartisan Budget Act of 2018, or BBA, also amended the ACA, effective January 1, 2019, by increasing the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and closing the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". Moreover, in July 2018, CMS published a final rule permitting further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On November 30, 2018, CMS announced a proposed rule that would amend the Medicare Advantage and Medicare Part D prescription drug benefit regulations to reduce out of pocket costs for plan enrollees and allow Medicare plans to negotiate lower rates for certain drugs. Among other things, the proposed rule changes would allow Medicare

Advantage plans to use pre authorization (PA) and step therapy (ST) for six protected classes of drugs, with certain exceptions, permit plans to implement PA and ST in Medicare Part B drugs; and change the definition of “negotiated prices” while a definition of “price concession” in the regulations. Litigation and legislative efforts to change or repeal the ACA are likely to continue, with unpredictable and uncertain results.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. The Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation’s automatic reduction to several government programs, including aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2027, unless additional congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers.

These laws, and future state and federal healthcare reform measures may be adopted in the future, any of which may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

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

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

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

EU drug marketing and reimbursement regulations may materially affect our ability to market and receive coverage for our products in the European member states.

We intend to seek approval to market our product candidates in both the United States and in selected foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in the EU, the pricing of drugs is subject to governmental control and other market regulations which could put pressure on the pricing and usage of our product candidates. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. In addition, market acceptance and sales of our product candidates will depend significantly on the availability of

adequate coverage and reimbursement from third-party payors for our product candidates and may be affected by existing and future health care reform measures.

Much like the federal Anti-Kickback Statute prohibition in the United States, the provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the EU. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of EU Member States, such as the UK Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain EU Member States must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician's employer, his or her competent professional organization and/or the regulatory authorities of the individual EU Member States. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the EU Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

In addition, in most foreign countries, including the European Economic Area, or EEA, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing and reimbursement vary widely from country to country. For example, the EU provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. Reference pricing used by various EU member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. In some countries, we may be required to conduct a clinical study or other studies that compare the cost-effectiveness of any of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. There can be no assurance that any country that has price controls or reimbursement limitations for biopharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products. Historically, products launched in the EU do not follow price structures of the United States and generally prices tend to be significantly lower. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If pricing is set at unsatisfactory levels or if reimbursement of our products is unavailable or limited in scope or amount, our revenues from sales and the potential profitability of any of our product candidates in those countries would be negatively affected.

We may incur substantial costs in our efforts to comply with evolving global data protection laws and regulations, and any failure or perceived failure by us to comply with such laws and regulations may harm our business and operations.

The global data protection landscape is rapidly evolving, and we may be or become subject to or affected by numerous federal, state and foreign laws and regulations, as well as regulatory guidance, governing the collection, use, disclosure, transfer, security and processing of personal data, such as information that we collect about participants and healthcare providers in connection with clinical trials. Implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, which may create uncertainty in our business, affect our or our service providers' ability to operate in certain jurisdictions or to collect, store, transfer use and share personal data, result in liability or impose additional compliance or other costs on us. Any failure or perceived failure by us to comply with federal, state, or foreign laws or self-regulatory standards could result in negative publicity, diversion of management time and effort and proceedings against us by governmental entities or others. Recently, California passed the California Data Privacy Protection Act, which goes into effect in January 2020 and provides broad rights to California consumers with respect to the collection and use of their information by businesses. The new California law further expands the privacy and process enhancements and commitment of resources in support of compliance with California's regulatory requirements and may lead to similar laws in other U.S. states or at a national level.

In addition to our operations in the United States, which may be subject to healthcare and other laws relating to the privacy and security of health information and other personal information, may seek to conduct clinical trials in EEA and may become subject to additional European data privacy laws, regulations and guidelines. The General Data Protection Regulation, (EU) 2016/679, or GDPR, became effective on May 25, 2018, and deals with the processing of personal data and on the free movement of such data. The GDPR imposes a broad range of strict requirements on companies subject to the GDPR, including requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside the EEA, including to the United States, providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments, and record-keeping. The GDPR increases substantially the penalties to which we could be subject in the event of any non-compliance, including fines of up to 10,000,000 Euros or up to 2% of our total worldwide annual turnover for certain comparatively minor offenses, or up to 20,000,000 Euros or up to 4% of our total worldwide annual turnover for more serious offenses. Given the limited enforcement of the GDPR to date, we face uncertainty as to the exact interpretation of the new requirements on our trials and we may be unsuccessful in implementing all measures required by data protection authorities or courts in interpretation of the new law.

In particular, national laws of member states of the EU are in the process of being adapted to the requirements under the GDPR, thereby implementing national laws which may partially deviate from the GDPR and impose different obligations from country to country, so that we do not expect to operate in a uniform legal landscape in the EEA. Also, as it relates to processing and transfer of genetic data, the GDPR specifically allows national laws to impose additional and more specific requirements or restrictions, and European laws have historically differed quite substantially in this field, leading to additional uncertainty. Further, the impact of the impending "Brexit", (whereby the United Kingdom is planning to leave the EEA in October of 2019), either with or without a "deal" is uncertain and cannot be predicted at this time.

In the event we commence clinical trials in the EEA, we must also ensure that we maintain adequate safeguards to enable the transfer of personal data outside of the EEA, in particular to the United States, in compliance with European data protection laws. We expect that we will continue to face uncertainty as to whether our efforts to comply with any obligations under European privacy laws will be sufficient. If we are investigated by a European data protection authority, we may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new clients or biopharmaceutical partners. We may also experience hesitancy, reluctance, or refusal by European or multi-national clients or biopharmaceutical partners to continue to use our products and solutions due to the potential risk exposure as a result of the current (and, in particular, future) data protection obligations imposed on them by certain data protection authorities in interpretation of current law, including the GDPR. Such clients or biopharmaceutical partners may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain, or otherwise objectionable and therefore decide not to do business with us. Any of the forgoing could materially harm our business, prospects, financial condition and results of operations.

Additional laws and regulations governing international operations could negatively impact or restrict our operations.

If we expand our operations outside of the United States, we must dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate. The FCPA prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The

[Table of Contents](#)

U.S. Foreign Corrupt Practices Act, or the FCPA, also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the biopharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial civil and criminal penalties and suspension or debarment from government contracting. The Securities and Exchange Commission, or SEC, also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

We are subject to certain U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations. We can face serious consequences for violations.

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

Risks Related to Our Intellectual Property

Our success depends in part on our ability to protect our intellectual property. It is difficult and costly to protect our proprietary rights and technology, and we may not be able to ensure their protection.

Our business will depend in large part on obtaining and maintaining patent, trademark and trade secret protection of our proprietary technologies and our product candidates, their respective components, synthetic intermediates, formulations, combination therapies, methods used to manufacture them and methods of treatment, as well as successfully defending these patents against third-party challenges. Our ability to stop unauthorized third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents that cover these activities and whether a court would issue an injunctive remedy. If we are unable to secure and maintain patent protection

[Table of Contents](#)

for any product or technology we develop, or if the scope of the patent protection secured is not sufficiently broad, our competitors could develop and commercialize products and technology similar or identical to ours, and our ability to commercialize any product candidates we may develop may be adversely affected.

The patenting process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. In addition, we may not pursue, obtain, or maintain patent protection in all relevant markets. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from or license to third parties and are reliant on our licensors or licensees.

The strength of patents in the biotechnology and biopharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates or uses thereof in the United States or in other foreign countries. Even if the patents do successfully issue, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our technology, including our product candidates, or prevent others from designing around our claims. If the breadth or strength of protection provided by the patent applications we hold with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, our product candidates. Further, if we encounter delays in our clinical trials, the period of time during which we could market our product candidates under patent protection would be reduced.

We cannot be certain that we were the first to file any patent application related to our technology, including our product candidates, and, if we were not, may be precluded from obtaining patent protection for our technology, including our product candidates.

We cannot be certain that we are the first to invent the inventions covered by pending patent applications and, if we are not, we may be subject to priority disputes. Furthermore, for United States applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the United States patent office, or USPTO, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. Similarly, for United States applications in which at least one claim is not entitled to a priority date before March 16, 2013, derivation proceedings can be instituted to determine whether the subject matter of a patent claim was derived from a prior inventor's disclosure.

We may be required to disclaim part or all of the term of certain patents or all of the term of certain patent applications. There may be prior art of which we are not aware that may affect the validity or enforceability of a patent or patent application claim. There also may be prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim, which may, nonetheless, ultimately be found to affect the validity or enforceability of a claim. No assurance can be given that if challenged, our patents would be declared by a court to be valid or enforceable or that even if found valid and enforceable, would adequately protect our product candidates, or would be found by a court to be infringed by a competitor's technology or product. We may analyze patents or patent applications of our competitors that we believe are relevant to our activities, and consider that we are free to operate in relation to our product candidates, but our competitors may achieve issued claims, including in patents we consider to be unrelated, which block our efforts or may potentially result in our product candidates or our activities infringing such claims. The possibility exists that others will develop products which have the same effect as our products on an independent basis which do not infringe our patents or other intellectual property rights, or will design around the claims of patents that we have had issued that cover our products.

[Table of Contents](#)

Recent or future patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. Under the enacted Leahy-Smith America Invents Act, or America Invents Act, enacted in 2013, the United States moved from a “first to invent” to a “first-to-file” system. Under a “first-to-file” system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to a patent on the invention regardless of whether another inventor had made the invention earlier. The America Invents Act includes a number of other significant changes to U.S. patent law, including provisions that affect the way patent applications are prosecuted, redefine prior art and establish a new post-grant review system. The effects of these changes are currently unclear as the USPTO only recently developed new regulations and procedures in connection with the America Invents Act and many of the substantive changes to patent law, including the “first-to-file” provisions, only became effective in March 2013. In addition, the courts have yet to address many of these provisions and the applicability of the act and new regulations on specific patents discussed herein have not been determined and would need to be reviewed. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make or use compounds that are similar to the compositions of our product candidates but that are not covered by the claims of our patents;
- we or our licensors, as the case may be, may fail to meet our obligations to the U.S. government in regards to any in-licensed patents and patent applications funded by U.S. government grants, leading to the loss of patent rights;
- we or our licensors, as the case may be, might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- it is possible that our pending patent applications will not result in issued patents;
- it is possible that there are prior public disclosures that could invalidate our or our licensors’ patents, as the case may be, or parts of our or their patents;
- it is possible that others may circumvent our owned or in-licensed patents;
- it is possible that there are unpublished applications or patent applications maintained in secrecy that may later issue with claims covering our products or technology similar to ours;
- the laws of foreign countries may not protect our or our licensors’, as the case may be, proprietary rights to the same extent as the laws of the United States;
- the claims of our owned or in-licensed issued patents or patent applications, if and when issued, may not cover our product candidates;
- our owned or in-licensed issued patents may not provide us with any competitive advantages, may be narrowed in scope, or be held invalid or unenforceable as a result of legal challenges by third parties;
- the inventors of our owned or in-licensed patents or patent applications may become involved with competitors, develop products or processes which design around our patents, or become hostile to us or the patents or patent applications on which they are named as inventors;
- it is possible that our owned or in-licensed patents or patent applications omit individual(s) that should be listed as inventor(s) or include individual(s) that should not be listed as inventor(s), which may cause these patents or patents issuing from these patent applications to be held invalid or unenforceable;

[Table of Contents](#)

- we have engaged in scientific collaborations in the past, and will continue to do so in the future. Such collaborators may develop adjacent or competing products to ours that are outside the scope of our patents;
- we may not develop additional proprietary technologies for which we can obtain patent protection;
- it is possible that product candidates or diagnostic tests we develop may be covered by third parties' patents or other exclusive rights; or
- the patents of others may have an adverse effect on our business.

We may enter into license or other collaboration agreements in the future that may impose certain obligations on us. If we fail to comply with our obligations under such future agreements with third parties, we could lose license rights that may be important to our future business.

In connection with our efforts to expand our pipeline of product candidates, we may enter into certain licenses or other collaboration agreements in the future pertaining to the in-license of rights to additional candidates. Such agreements may impose various diligence, milestone payment, royalty, insurance or other obligations on us. If we fail to comply with these obligations, our licensor or collaboration partners may have the right to terminate the relevant agreement, in which event we would not be able to develop or market the products covered by such licensed intellectual property.

Moreover, disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our product candidates, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

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

In addition, we may have limited control over the maintenance and prosecution of these in-licensed patents and patent applications, or any other intellectual property that may be related to our in-licensed intellectual property. For example, we cannot be certain that such activities by any future licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights. We have limited control over the manner in which our licensors initiate an infringement proceeding against a third-party infringer of the intellectual property rights, or defend certain of the intellectual property that is licensed to us. It is possible that the licensors' infringement proceeding or defense activities may be less vigorous than had we conducted them ourselves.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to patent protection, we rely heavily upon know-how and trade secret protection, as well as non-disclosure agreements and invention assignment agreements with our employees, consultants and third-parties, to protect our confidential and proprietary information, especially where we do not believe patent protection is appropriate or obtainable. In addition to contractual measures, we try to protect the confidential nature of our proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third-party with authorized access, provide adequate protection for our proprietary information. Our security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive, and time-consuming, and the outcome is unpredictable. In addition, trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. For example, our clinical development strategy includes the testing of live tissue samples, and our techniques for preserving and testing these samples are proprietary and confidential. If one or more third parties obtain or are otherwise able to replicate these techniques, an important feature and differentiator of our clinical development strategy will become available to potential competitors. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

In addition, courts outside the United States are sometimes less willing to protect trade secrets. If we choose to go to court to stop a third-party from using any of our trade secrets, we may incur substantial costs. These lawsuits may consume our time and other resources even if we are successful. Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology.

Thus, we may not be able to meaningfully protect our trade secrets. It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual or entity during the course of the party's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual, and which are related to our current or planned business or research and development or made during normal working hours, on our premises or using our equipment or proprietary information, are our exclusive property. In addition, we take other appropriate precautions, such as physical and technological security measures, to guard against misappropriation of our proprietary technology by third parties. We have also adopted policies and conduct training that provides guidance on our expectations, and our advice for best practices, in protecting our trade secrets.

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

Our commercial success depends in part on our ability to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and biopharmaceutical industries, as well as administrative proceedings for challenging patents, including interference, derivation, *inter partes* review, post grant review, and reexamination proceedings before the USPTO or oppositions and other comparable proceedings in foreign jurisdictions. We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that

[Table of Contents](#)

our product candidates and/or proprietary technologies infringe their intellectual property rights. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing our product candidates. As the biotechnology and biopharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others. Moreover, it is not always clear to industry participants, including us, which patents cover various types of drugs, products or their methods of use or manufacture. Thus, because of the large number of patents issued and patent applications filed in our fields, there may be a risk that third parties may allege they have patent rights encompassing our product candidates, technologies or methods.

If a third-party claims that we infringe its intellectual property rights, we may face a number of issues, including, but not limited to:

- infringement and other intellectual property claims which, regardless of merit, may be expensive and time-consuming to litigate and may divert our management's attention from our core business;
- substantial damages for infringement, which we may have to pay if a court decides that the product candidate or technology at issue infringes on or violates the third-party's rights, and, if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees;
- a court prohibiting us from developing, manufacturing, marketing or selling our product candidates, or from using our proprietary technologies, unless the third-party licenses its product rights to us, which it is not required to do;
- if a license is available from a third-party, we may have to pay substantial royalties, upfront fees and other amounts, and/or grant cross-licenses to intellectual property rights for our products and any license that is available may be non-exclusive, which could result in our competitors gaining access to the same intellectual property; and
- redesigning our product candidates or processes so they do not infringe, which may not be possible or may require substantial monetary expenditures and time.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations or could otherwise have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or administrative proceedings, there is a risk that some of our confidential information could be compromised by disclosure.

Our collaborators may assert ownership or commercial rights to inventions they develop from research we support or that we develop from our use of the tissue samples or other biological materials, which they provide to us, or otherwise arising from the collaboration.

We collaborate with several institutions, universities, medical centers, physicians and researchers in scientific matters and expect to continue to enter into additional collaboration agreements. In certain cases, we do not have written agreements with these collaborators, or the written agreements we have do not cover intellectual property rights. Also, we rely on numerous third parties to provide us with tissue samples and biological materials that we use to conduct our research activities and develop our product candidates. If we cannot successfully negotiate sufficient ownership and commercial rights to any inventions that result from our use of a third-party collaborator's materials, or if disputes arise with respect to the intellectual property developed with the use of a collaborator's samples, or data developed in a collaborator's study, we may be limited in our ability to capitalize on the market potential of these inventions or developments.

Third parties may assert that we are employing their proprietary technology without authorization.

There may be third-party patents of which we are currently unaware with claims to compositions of matter, materials, formulations, methods of manufacture or methods for treatment that encompass the composition, use or manufacture of our product candidates. There may be currently pending patent applications of which we are currently unaware which may later result in issued patents that our product candidates or their use or manufacture may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patent were held by a court of competent jurisdiction to cover our product candidates, intermediates used in the manufacture of our product candidates or our materials generally, aspects of our formulations or methods of use, the holders of any such patent may be able to block our ability to develop and commercialize the product candidate unless we obtained a license or until such patent expires or is finally determined to be held invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all. If we are unable to obtain a necessary license to a third-party patent on commercially reasonable terms, or at all, our ability to commercialize our product candidates may be impaired or delayed, which could in turn significantly harm our business. Even if we obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

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

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

As is common in the biotechnology and biopharmaceutical industries, we employ individuals who were previously employed at universities or other biotechnology or biopharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, and although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and, if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. This type of litigation or proceeding could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their

[Table of Contents](#)

substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other intellectual property related proceedings could adversely affect our ability to compete in the marketplace.

We may not be successful in obtaining or maintaining necessary rights to develop any future product candidates on acceptable terms.

Because our programs may involve additional product candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire, in-license or use these proprietary rights.

Our product candidates may also require specific formulations to work effectively and efficiently and these rights may be held by others. We may develop products containing our compounds and pre-existing biopharmaceutical compounds. We may be unable to acquire or in-license any compositions, methods of use, processes or other third-party intellectual property rights from third parties that we identify as necessary or important to our business operations. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all, which would harm our business. We may need to cease use of the compositions or methods covered by such third-party intellectual property rights, and may need to seek to develop alternative approaches that do not infringe on such intellectual property rights which may entail additional costs and development delays, even if we were able to develop such alternatives, which may not be feasible. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology.

Additionally, we sometimes collaborate with academic institutions to accelerate our preclinical research or development under written agreements with these institutions. In certain cases, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to others, potentially blocking our ability to pursue our program. If we are unable to successfully obtain rights to required third-party intellectual property or to maintain the existing intellectual property rights we have, we may have to abandon development of such program and our business and financial condition could suffer.

The licensing and acquisition of third-party intellectual property rights is a competitive area, and companies, which may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party intellectual property rights that we may consider necessary or attractive in order to commercialize our product candidates. More established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. There can be no assurance that we will be able to successfully complete such negotiations and ultimately acquire the rights to the intellectual property surrounding the additional product candidates that we may seek to acquire.

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

Competitors may infringe our patents or the patents of our current or future licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that one or more of our patents is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question or for other reasons. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

[Table of Contents](#)

We may choose to challenge the patentability of claims in a third-party's U.S. patent by requesting that the USPTO review the patent claims in an *ex-parte* re-exam, *inter partes* review or post-grant review proceedings. These proceedings are expensive and may consume our time or other resources. We may choose to challenge a third-party's patent in patent opposition proceedings in the European Patent Office, or EPO, or other foreign patent office. The costs of these opposition proceedings could be substantial, and may consume our time or other resources. If we fail to obtain a favorable result at the USPTO, EPO or other patent office then we may be exposed to litigation by a third-party alleging that the patent may be infringed by our product candidates or proprietary technologies.

In addition, because some patent applications in the United States may be maintained in secrecy until the patents are issued, patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our owned and in-licensed issued patents or our pending applications, or that we or, if applicable, a licensor were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering our products or technology similar to ours. Any such patent application may have priority over our owned and in-licensed patent applications or patents, which could require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to those owned by or in-licensed to us, we or, in the case of in-licensed technology, the licensor may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. If we or one of our licensors is a party to an interference proceeding involving a U.S. patent application on inventions owned by or in-licensed to us, we may incur substantial costs, divert management's time and expend other resources, even if we are successful.

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

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

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

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process and following the issuance of a patent. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in

abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In certain circumstances, even inadvertent noncompliance events may permanently and irrevocably jeopardize patent rights. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

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

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

Likewise, our current licensed patents covering our companion technologies, licensed from UCSF are expected to expire in 2036, without taking into account any possible patent term adjustments or extensions. Our earliest patents may expire before, or soon after, our first product achieves marketing approval in the United States or foreign jurisdictions. Upon the expiration of our current patents, we may lose the right to exclude others from practicing these inventions. The expiration of these patents could also have a similar material adverse effect on our business, results of operations, financial condition and prospects. We own pending patent applications covering our proprietary technologies or our product candidates that if issued as patents are expected to expire from 2037 through 2040, without taking into account any possible patent term adjustments or extensions. However, we cannot be assured that the USPTO or relevant foreign patent offices will grant any of these patent applications.

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

Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith America Invents Act, or the America Invents Act, enacted in September 2011, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. A third party that files a patent application in the USPTO after March 2013, but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we or our licensors were

[Table of Contents](#)

the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our or our licensor's patents or patent applications.

The America Invents Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter-partes review, and derivation proceedings. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. Therefore, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our owned or in-licensed patent applications and the enforcement or defense of our owned or in-licensed issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

In addition, the patent positions of companies in the development and commercialization of biopharmaceuticals are particularly uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the validity and enforceability of patents, once obtained. Depending on future actions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our existing patent portfolio and our ability to protect and enforce our intellectual property in the future.

We have limited foreign intellectual property rights and may not be able to protect our intellectual property rights throughout the world.

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

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of, and may require a compulsory license to, patents, trade secrets and other intellectual property protection, particularly those relating to biopharmaceutical products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products against third parties in violation of our proprietary rights generally. The initiation of proceedings by third parties to challenge the scope or validity of our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing

and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

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

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions such as patent term adjustments and/or extensions, may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired, we may be open to competition from competitive products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

If we do not obtain patent term extension and data exclusivity for any product candidates we may develop, our business may be materially harmed.

Depending upon the timing, duration and specifics of any FDA marketing approval of any product candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984 Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent extension term of up to five years as compensation for patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

Risks Related to Our Reliance on Third Parties

We rely on third parties to conduct certain aspects of our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval of or commercialize any potential product candidates.

We depend upon third parties to conduct certain aspects of our preclinical studies and clinical trials, under agreements with universities, medical institutions, CROs, strategic collaborators and others. We expect to have to negotiate budgets and contracts with such third parties, which may result in delays to our development timelines and increased costs.

We will rely especially heavily on third parties over the course of our clinical trials, and, as a result, will have limited control over the clinical investigators and limited visibility into their day-to-day activities, including with respect to their compliance with the approved clinical protocol. Nevertheless, we are responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on third parties does not relieve us of our regulatory responsibilities. We and these third parties are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for product candidates in clinical development. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, clinical investigators and trial sites. If we or any of these third parties fail to comply with applicable GCP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to suspend or terminate these trials or perform additional preclinical studies or clinical trials before approving our marketing applications. We cannot be certain that, upon inspection, such regulatory authorities will determine that any of our clinical trials comply with the GCP requirements.

Our failure or any failure by these third parties to comply with these regulations or to recruit a sufficient number of patients may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be implicated if any of these third parties violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

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

If any of our relationships with these third-party CROs or others terminate, we may not be able to enter into arrangements with alternative CROs or other third parties or to do so on commercially reasonable terms.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO begins work. As a result, delays may occur, which can materially impact our ability to meet our desired development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We rely on third parties for tissue samples and other materials required for our research and development activities, and if we are unable to reach agreements with these third parties our research and development activities would be delayed.

We rely on third parties, primarily hospitals, health clinics and academic institutions, for the provision of tissue samples and other materials required in our research and development activities. Obtaining these materials requires various approvals as well as reaching a commercial agreement on acceptable terms with the hospital or other provider of the materials. While we currently have agreements in place with the institutions from which we receive our tissue samples, we do not have any exclusive arrangements with such sources and there is no guarantee that we will be able to maintain or renew such agreements on commercially reasonable terms, if at all. If we were unable to maintain or renew such agreements we would be forced to seek new arrangements with new hospitals, clinics or health institutions. If so, we may not be able to reach agreements with alternative partners or do so on terms acceptable to us. If we are unable to enter into such agreements, our research and development activities will be delayed and our ability to implement a key part of our development strategy will be compromised.

Because we rely on third-party manufacturing and supply vendors, our supply of research and development, preclinical and clinical development materials may become limited or interrupted or may not be of satisfactory quantity or quality.

We rely on third-party contract manufacturers to manufacture our product candidates for preclinical studies and clinical trials. We do not own manufacturing facilities for producing any clinical trial product supplies. There can be no assurance that our preclinical and clinical development product supplies will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of our manufacturer could require significant effort and expertise because there may be a limited number of qualified replacements.

The manufacturing process for a product candidate is subject to FDA and foreign regulatory authority review. Suppliers and manufacturers must meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with regulatory standards, such as cGMPs. In the event that any of our manufacturers fails to comply with such requirements or to perform its obligations to us in relation to quality, timing or otherwise, or if our supply of components or other materials becomes limited or interrupted for other reasons, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third-party, which we may not be able to do on reasonable terms, if at all. In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to another third-party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third-party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

We expect to continue to rely on third-party manufacturers if we receive regulatory approval for PLN-74809 or any other product candidate. To the extent that we have existing, or enter into future, manufacturing arrangements with third parties, we will depend on these third parties to perform their obligations in a timely manner consistent with contractual and regulatory requirements, including those related to quality control and assurance. If we are unable to obtain or maintain third-party manufacturing for product candidates, or to do so on commercially reasonable terms, we may not be able to develop and commercialize our product candidates successfully. Our or a third-party's failure to execute on our manufacturing requirements and comply with cGMP could adversely affect our business in a number of ways, including:

- an inability to initiate or continue clinical trials of product candidates under development;

Table of Contents

- delay in submitting regulatory applications, or receiving regulatory approvals, for product candidates;
- loss of the cooperation of an existing or future collaborator;
- subjecting third-party manufacturing facilities or our manufacturing facilities to additional inspections by regulatory authorities;
- requirements to cease distribution or to recall batches of our product candidates; and
- in the event of approval to market and commercialize a product candidate, an inability to meet commercial demands for our products.

We rely on a sole supplier for the manufacture of PLN-74809. If this sole supplier is unable to supply to us in the quantities we require, or at all, or otherwise defaults on its supply obligations to us, we may not be able to obtain alternative supplies from other suppliers on acceptable terms, in a timely manner, or at all. We also do not have long-term supply agreements with any of our suppliers. Our current contracts with certain suppliers may be canceled or not extended by such suppliers and, therefore, do not afford us with protection against a reduction or interruption in supplies. Moreover, in the event any of these suppliers breach their contracts with us, our legal remedies associated with such a breach may be insufficient to compensate us for any damages we may suffer.

In addition, we contract with fill and finishing providers with the appropriate expertise, facilities and scale to meet our needs. Failure to maintain cGMP can result in a contractor receiving FDA sanctions, which can impact our ability to operate or lead to delays in any clinical development programs. We believe that our current fill and finish contractor is operating in accordance with cGMP, but we can give no assurance that FDA or other regulatory agencies will not conclude that a lack of compliance exists. In addition, any delay in contracting for fill and finish services, or failure of the contract manufacturer to perform the services as needed, may delay any clinical trials, registration and launches, which could negatively affect our business.

Future collaborations will be important to our business. If we are unable to enter into new collaborations, or if these collaborations are not successful, our business could be adversely affected.

A part of our strategy is to selectively evaluate partnerships in indications and geographies where we believe partners can add significant commercial and/or development capabilities. Further, we have limited capabilities for product development and do not yet have any capability for commercialization. Accordingly, we may enter into collaborations with other companies to provide us with important technologies and funding for our programs and technology.

Our existing collaborations and any future collaborations we enter into may pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs or license arrangements based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as a strategic transaction that may divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products and product candidates if the collaborators believe that the competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;

[Table of Contents](#)

- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- collaborators may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution or marketing of a product candidate or product;
- collaborators with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;
- collaborators may not provide us with timely and accurate information regarding development progress and activity under any future license agreement, which could adversely impact our ability to report progress to our investors and otherwise plan development of our product candidates;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or terminations of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- if a collaborator of ours is involved in a business combination, the collaborator might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us; and
- collaborations may be terminated by the collaborator, and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

If our collaborations do not result in the successful discovery, development and commercialization of product candidates or if one of our collaborators terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under such collaboration. All of the risks relating to product development, regulatory approval and commercialization described in this prospectus also apply to the activities of our therapeutic collaborators.

Additionally, if one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and our perception in the business and financial communities could be adversely affected.

We face significant competition in seeking appropriate collaborators for our product candidates, and the negotiation process is time-consuming and complex. In order for us to successfully establish a collaboration for one or more of our product candidates, potential collaborators 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. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large biopharmaceutical companies that have resulted in a reduced number of potential future collaborators. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the

[Table of Contents](#)

development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms, or at all. If we fail to enter into collaborations or do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates, bring them to market and generate revenue from sales of drugs or continue to develop our technology, and our business may be materially and adversely affected. Even if we are successful in our efforts to establish new strategic collaborations, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such strategic collaborations if, for example, development or approval of a product candidate is delayed or sales of an approved product are disappointing. Any delay in entering into new strategic collaboration 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.

Risks Related to Managing Our Business and Operations

We may encounter difficulties in managing our growth, which could adversely affect our operations.

As of March 31, 2019, we had 48 full-time employees. As our clinical development and commercialization plans and strategies develop, and as we transition into operating as a public company, we will need to expand our managerial, clinical, regulatory, sales, marketing, financial, development, manufacturing and legal 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 collaborators, suppliers and other third parties. Our future growth would impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our development and commercialization efforts effectively, including the clinical and FDA review process for PLN-74809 and any other product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

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

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants to provide certain services, including contract manufacturers and companies focused on research and development and discovery activities. There can be no assurance that the services of independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality, accuracy or quantity of the services provided is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain, or may be substantially delayed in obtaining, regulatory approval of our product candidates or otherwise advance our business. There can be no assurance that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, or at all.

If we are not able to effectively expand our organization by hiring new employees and expanding our groups of consultants and contractors, we may not be able to successfully implement the tasks necessary to further develop and commercialize PLN-74809 or any other product candidates and, accordingly, may not achieve our research, development and commercialization goals.

[Table of Contents](#)

We may acquire additional technology and complementary businesses in the future. Acquisitions involve many risks, any of which could materially harm our business, including the diversion of management's attention from core business concerns, failure to effectively exploit acquired technologies, failure to successfully integrate the acquired business or realize expected synergies or the loss of key employees from either our business or the acquired businesses.

If we lose key management personnel, or if we fail to recruit additional highly skilled personnel, our ability to develop current product candidates or identify and develop new product candidates will be impaired, could result in loss of markets or market share and could make us less competitive.

Our ability to compete in the highly competitive biotechnology and biopharmaceutical industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. We are highly dependent on our management, scientific and medical personnel, including Bernard Coulie, M.D., Ph.D., our Chief Executive Officer and President, Keith Cummings, M.D., our Chief Financial Officer, Johannes (Hans) Hull, J.D., our Chief Business Officer and Éric Lefebvre, M.D., our Chief Medical Officer. The loss of the services of any of our executive officers, other key employees, and other scientific and medical advisors, and our inability to find suitable replacements could result in delays in product development and harm our business.

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

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

Our internal computer systems, or those used by our contract research organizations, or other contractors, service providers, partners or consultants, may fail or suffer security breaches.

Despite the implementation of security measures, our internal computer systems and those of our future CROs, and other contractors, service providers, partners and consultants may be vulnerable to damage or interruption from system malfunction or failure, service interruptions, cyberattacks (including but not limited to tradition "hacking", computer viruses, malware, ransomware, denial-of-service attacks, phishing scams and other social engineering attacks), security breaches, computer theft and other types of incidents, which could include inadvertent or intentional actions by our employees, contractors, consultants, business partners and/or other third parties. While we have not experienced any material system failures or material security breaches to date. We cannot guarantee that such failures or breaches will not occur. If such actual or perceived events were to occur and cause interruptions in our operations, they could result in a material disruption of our development programs and our business operations. For example, the loss of preclinical or clinical data could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we may rely on third parties for the manufacture of our product candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any actual or perceived disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our product candidates could be delayed.

Our current operations are concentrated in one location, and we or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our current operations are located in our facilities in South San Francisco, California. Any unplanned event, such as flood, fire, explosion, earthquake, extreme weather condition, medical epidemics, power shortage, telecommunication failure or other natural or manmade accidents or incidents that result in us being unable to fully utilize our facilities, or the manufacturing facilities of our third-party contract manufacturers, may have a material and adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business operations. Earthquakes or other natural disasters could further disrupt our operations, and have a material and adverse effect on our business, financial condition, results of operations and prospects. If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our research facilities or the manufacturing facilities of our third-party contract manufacturers, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place may prove inadequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, could have a material adverse effect on our business. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities, or the manufacturing facilities of our third-party contract manufacturers, are unable to operate because of an accident or incident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed.

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

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

The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business may not grow at similar rates, or at all.

Market opportunity estimates and growth forecasts included in this prospectus are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. The estimates and forecasts included in this prospectus relating to size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth forecasts included in this prospectus, our business may not grow at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

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

We are exposed to the risk of employee fraud or other illegal activity by our employees, independent contractors, consultants, commercial partners, collaborators 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 other similar foreign regulatory bodies, provide true, complete and accurate information to the FDA and other similar foreign regulatory bodies, comply with manufacturing standards we have established, comply with healthcare fraud and abuse laws in the United States and similar foreign fraudulent misconduct laws, or report financial information or data accurately or to disclose unauthorized activities to us. If we obtain FDA approval of any of our product candidates and begin commercializing those products in the United States, our potential exposure under such laws will increase significantly, and our costs associated with compliance with such laws will also increase. These laws may impact, among other things, our current activities with principal investigators and research patients, as well as proposed and future sales, marketing and education programs. In connection with this offering, we will adopt a code of business conduct and ethics, but it is not always possible to identify and deter misconduct by our employees, independent contractors, consultants, commercial partners and vendors, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, monetary fines, imprisonment, disgorgement, possible exclusion from participation in government healthcare programs, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings and the curtailment of our operations.

We use and generate materials that may expose us to material liability.

Our research programs involve the use of hazardous materials and chemicals, which are currently only handled by third parties. We are subject to foreign, federal, state and local environmental and health and safety laws and regulations governing, among other matters, the use, manufacture, handling, storage and disposal of hazardous materials and waste products such as human tissue samples that may have the potential to transmit diseases. We may incur significant costs to comply with these current or future environmental and health and safety laws and regulations. In addition, we cannot completely eliminate the risk of contamination or injury from hazardous materials and may incur material liability as a result of such contamination or injury. In the event of an accident, an injured party may seek to hold us liable for any damages that result. Any liability could exceed the limits or fall outside the coverage of our workers' compensation, property and business interruption insurance and we may not be able to maintain insurance on acceptable terms, if at all. We currently carry no insurance specifically covering environmental claims.

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our research and development activities involve the use of biological and hazardous materials and produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we

believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries, this insurance may not provide adequate coverage against potential liabilities. We do not carry specific biological waste or hazardous waste insurance coverage, workers compensation or property and casualty and general liability insurance policies that include coverage for damages and fines arising from biological or hazardous waste exposure or contamination.

Compliance with governmental regulations regarding the treatment of animals used in research could increase our operating costs, which would adversely affect the commercialization of our products.

The Animal Welfare Act, or AWA, is the federal law that covers the treatment of certain animals used in research. Currently, the AWA imposes a wide variety of specific regulations that govern the humane handling, care, treatment and transportation of certain animals by producers and users of research animals, most notably relating to personnel, facilities, sanitation, cage size, and feeding, watering and shipping conditions. Third parties with whom we contract are subject to registration, inspections and reporting requirements under the AWA. Furthermore, some states have their own regulations, including general anti-cruelty legislation, which establish certain standards in handling animals. Comparable rules, regulations, and or obligations exist in many foreign jurisdictions. If we or our contractors fail to comply with regulations concerning the treatment of animals used in research, we may be subject to fines and penalties and adverse publicity, and our operations could be adversely affected.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, or the TCJA, that significantly reforms the Internal Revenue Code of 1986, as amended, or the Code. The TCJA, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from 34.0% to a flat rate of 21.0%, limitation of the tax deduction for interest expense to 30.0% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80.0% of annual taxable income and elimination of net operating loss carrybacks and modifying or repealing many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions generally referred to as "orphan drugs"). We urge investors to consult with their legal and tax advisers regarding the implications of the TCJA on an investment in our common stock.

Our ability to use our net operating loss carryforwards and certain tax credit carryforwards may be subject to limitation.

As of December 31, 2018, we had net operating loss carryforwards for federal and state income tax purposes of \$29.9 million and \$59.6 million, respectively, which will begin to expire in 2035. As of December 31, 2018, we also had available tax credit carryforwards for federal income tax purposes of \$2.3 million, which begin to

expire in 2036, and state income tax purposes of \$2.1 million. Under Section 382 of the Code, changes in our ownership may limit the amount of our net operating loss carryforwards and tax credit carryforwards that could be utilized annually to offset our future taxable income, if any. This limitation would generally apply in the event of a cumulative change in ownership of our company of more than 50% within a three-year period. Any such limitation may significantly reduce our ability to utilize our net operating loss carryforwards and tax credit carryforwards before they expire. Private placements and other transactions that have occurred since our inception, as well as this offering, may trigger such an ownership change pursuant to Section 382. Any such limitation, whether as the result of this offering, prior private placements, sales of our common stock by our existing stockholders or additional sales of our common stock by us, could have a material adverse effect on our results of operations in future years. The reduction of the corporate tax rate under TCJA may cause a reduction in the economic benefit of our net operating loss carryforwards and other deferred tax assets available to us. Under the TCJA, net operating losses generated after December 31, 2017 will not be subject to expiration.

Risks Related to Our Common Stock and this Offering

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

Prior to this offering there has been no public market for shares of our common stock. You may not be able to sell your shares quickly or at the market price if trading in shares of our common stock is not active. The initial public offering price for our common stock will be determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of the common stock after the offering. An active or liquid market in our common stock may not develop upon the completion of this offering or, if it does develop, it may not be sustainable. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the initial public offering price.

Further, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic collaborations or acquire companies or products by using our shares of common stock as consideration.

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

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

- the results from our ongoing Phase 1b clinical trial of PLN-74809, as well as the commencement, enrollment or results of our planned Phase 2a clinical trials of PLN-74809;
- any delay in identifying and advancing a clinical candidate for our other development programs;
- any delay in our regulatory filings for PLN-74809 or our other product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority’s review of such filings, including without limitation the FDA’s issuance of a “refusal to file” letter or a request for additional information;
- adverse results or delays in future clinical trials;
- our decision to initiate a clinical trial, not to initiate a clinical trial or to terminate an existing clinical trial;
- adverse regulatory decisions, including failure to receive regulatory approval of PLN-74809 or any other product candidate;
- changes in laws or regulations applicable to PLN-74809 or any other product candidate, including but not limited to clinical trial requirements for approvals;

[Table of Contents](#)

- adverse developments concerning our manufacturers;
- our inability to obtain adequate product supply for any approved product or inability to do so at acceptable prices;
- our inability to establish collaborations, if needed;
- our failure to commercialize our product candidates, if approved;
- additions or departures of key scientific or management personnel;
- unanticipated serious safety concerns related to the use of PLN-74809 or any other product candidate;
- introduction of new products or services offered by us or our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- our ability to effectively manage our growth;
- actual or anticipated variations in quarterly operating results;
- our cash position;
- our failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public;
- publication of research reports about us or our industry, or product candidates in particular, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in the market valuations of similar companies;
- changes in the structure of the healthcare payment systems;
- overall performance of the equity markets;
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- changes in accounting practices;
- ineffectiveness of our internal controls;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- significant lawsuits, including patent or stockholder litigation;
- general political and economic conditions; and
- other events or factors, many of which are beyond our control.

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

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

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Furthermore, future debt or other financing arrangements may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Any return to stockholders will therefore be limited to the appreciation of their stock.

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

Immediately following the completion of this offering, our executive officers, directors and their affiliates will beneficially hold, in the aggregate, approximately % of our outstanding voting stock. These stockholders, acting together, would be able to significantly influence all matters requiring stockholder approval. For example, these stockholders would be able to significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

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

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

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

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

We are an emerging growth company, or EGC, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012. For as long as we continue to be an EGC, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not EGCs, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an EGC for up to five years following the year

[Table of Contents](#)

in which we complete this offering, although circumstances could cause us to lose that status earlier. We will remain an EGC until the earlier of (i) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least \$1.07 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed \$700.0 million as of the prior June 30th, and (ii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of reduced reporting burdens in this prospectus. In particular, we have not included all of the executive compensation information that would be required if we were not an EGC. We cannot predict whether investors will find our common stock less attractive if we rely on certain or all of these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, EGCs can also delay adopting new or revised accounting standards until such time as those standards apply to private companies, which may make our financial statements less comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

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

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

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

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an EGC, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an EGC for up to five years. An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to restatements of our financial statements and require us to incur the expense of remediation.

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

Upon completion of this offering, we will become subject to certain reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

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

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares of common stock outstanding as of March 31, 2019, upon the completion of this offering we will have outstanding a total of shares of common stock. Of these shares, only the shares of common stock sold in this offering by us, plus any shares sold upon exercise of the underwriters' option to purchase additional shares, will be freely tradable without restriction in the public market immediately following this offering.

The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus, subject to earlier release of all or a portion of the shares subject to such agreements by the representatives of the

[Table of Contents](#)

underwriters in this offering in their sole discretion. After the lock-up agreements expire, based upon the number of shares of common stock, on an as-converted basis, outstanding as of December 31, 2018, up to an additional shares of common stock will be eligible for sale in the public market. Approximately % of these additional shares are beneficially held by directors, executive officers and their affiliates and will be subject to certain limitations of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act.

In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our existing equity compensation plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline. Additionally, the number of shares of our common stock reserved for issuance under 2019 Stock Option and Incentive Plan will automatically increase on January 1 of each year, beginning on January 1, 2020, by % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors or compensation committee. Moreover, the number of shares of our common stock reserved for issuance under 2019 Employee Stock Purchase Plan will automatically increase on January 1 of each year, beginning on January 1, 2020, by % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors or compensation committee. Unless our board of directors elects not to increase the number of shares available for future grant each year, our stockholders may experience additional dilution.

After this offering, the holders of shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act as provided under the terms of an investors' rights agreement between us and the holders of our convertible preferred stock, subject to the 180-day lock-up agreements described above. See "Description of Capital Stock — Registration Rights." Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by affiliates, as defined in Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We have broad discretion in the use of our existing cash and cash equivalents and the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of our existing cash and cash equivalents and the net proceeds from this offering, other than the payment required to be made to UCSF pursuant to our license agreement with them upon the closing of this offering, including for any of the purposes described in the section entitled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether such proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of our existing cash and cash equivalents and the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. Our management might not apply our existing cash and cash equivalents and the net proceeds from this offering in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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

Our amended and restated certificate of incorporation and amended and restated bylaws, which are to become effective upon the completion of this offering, contain provisions that could delay or prevent a change of

Table of Contents

control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions include:

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

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

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

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

Our amended and restated by-laws will designate the Court of Chancery of the State of Delaware as the exclusive forum for certain state law litigation that may be initiated by our stockholders, which could limit our stockholders' ability to litigate disputes with us in a different judicial forum.

Pursuant to our amended and restated by-laws, as will be in effect upon the completion of this offering, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of

[Table of Contents](#)

Delaware will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware, our amended and restated certificate of incorporation or our amended and restated by-laws; (iv) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or by-laws; or (v) any action asserting a claim governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. This exclusive forum provision will not apply to any causes of action arising under the Securities Act or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. The forum selection clause in our amended and restated by-laws may limit our stockholders' ability to litigate disputes with us in a different judicial forum.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors, and consultants under our stock incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition that are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- the success, cost and timing of our product development activities and clinical trials of our lead product candidate, PLN-74809, including the progress of, and results from, our ongoing Phase 1b clinical trial, and future clinical trials of this and our other product candidates;
- the success, cost and timing of completing IND-enabling studies of PLN-74809 in uses for PSC, and the timing of our planned Investigational New Drug Application, or IND, submissions for PLN-74809 in uses for PSC;
- our plans to initiate, recruit and enroll patients in, and conduct our clinical trials at the pace that we project;
- our plans and strategy to obtain and maintain regulatory approvals of our product candidates;
- our plans and strategy to obtain funding for our operations, including funding necessary to complete further development and, upon successful development, if approved, commercialize any of our product candidates;
- the potential benefit of orphan drug designations for PLN-74809;
- the success, cost and timing of completing IND-enabling studies of our second product candidate, PLN-1474, and the timing of our planned IND submissions for PLN-1474;
- our ability to compete with companies currently marketing or engaged in the development of treatments for fibrosis;
- our plans and strategy regarding obtaining and maintaining intellectual property protection for our product candidates and the duration of such protection;
- our plans and strategy regarding the manufacture of our product candidates for clinical trials and for commercial use, if approved;
- our plans and strategy regarding the commercialization of any products that are approved for marketing;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets, either alone or in combination with others;
- our expectations regarding government and third-party payor coverage and reimbursement; and
- our expected use of the proceeds from this offering.

[Table of Contents](#)

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the section entitled “Risk factors” and elsewhere in this prospectus. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements in this prospectus represent our views as of the date of this prospectus. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we assume no obligation to update or revise any forward-looking statements except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this prospectus.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to rely unduly upon these statements.

MARKET AND INDUSTRY DATA AND FORECASTS

We obtained the industry, market and competitive position data used throughout this prospectus from our own internal estimates and research, as well as from independent market research, industry and general publications and surveys, governmental agencies and publicly available information in addition to research, surveys and studies conducted by third parties. Internal estimates are derived from publicly available information released by industry analysts and third-party sources, our internal research and our industry experience, and are based on assumptions made by us based on such data and our knowledge of our industry and market, which we believe to be reasonable. In some cases, we do not expressly refer to the sources from which this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires. In addition, while we believe the industry, market and competitive position data included in this prospectus is reliable and based on reasonable assumptions, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section entitled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties or by us.

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of _____ shares of our common stock in this offering will be approximately \$ _____ million, or approximately \$ _____ million if the underwriters exercise in full their option to purchase _____ additional shares, assuming an initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million shares in the number of shares we are offering would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ _____ million, assuming the assumed initial public offering price to the public remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We do not expect that a change in the initial price to the public or the number of shares by these amounts would have a material effect on the uses of the proceeds from this offering, although it may accelerate the time at which we will need to seek additional capital.

The principal purposes of this offering are to increase our financial flexibility, create a public market for our common stock and facilitate our future access to capital markets.

We currently expect to use the net proceeds from this offering as follows:

- approximately \$ _____ million to fund the clinical development of our lead product candidate, PLN-74809, including for conducting our planned Phase 2a clinical trials in IPF and PSC;
- approximately \$ _____ million to fund the preclinical and clinical development of our second product candidate, PLN-1474; and
- the remainder, if any, for business development activities, working capital and other general corporate purposes, including early stage research and development activities.

In addition, under our license agreement with UCSF, we are required to pay a sum of \$ _____ million, based on the assumed sale of _____ shares of common stock in this offering and an assumed offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover of this prospectus. We plan to make this payment shortly following the completion of this offering from our existing cash resources.

Based on our current plans, we believe our existing cash and cash equivalents, together with the net proceeds from this offering, will be sufficient to fund our operating expenses and capital expenditure requirements through _____, including with respect to PLN-74809, through _____ and with respect to PLN-1474 through _____.

We may also use a portion of the net proceeds to in-license, acquire or invest in new businesses, technology or assets. Although we have no current agreements, commitments or understandings with respect to any such in-license or acquisition, we evaluate such opportunities and engage in related discussions with third parties from time to time.

The expected use of net proceeds from this offering represents our intentions based upon our present plans and business conditions. We cannot specify with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering. Due to uncertainties inherent in the product development process, it is difficult to estimate the exact amounts of the net proceeds that will be used for any particular purpose. We may use our existing cash and cash equivalents and the future payments, if any, generated from any future collaboration agreements to fund our operations, either of which may alter the amount of net proceeds used for a particular purpose. In addition, the amount, allocation and timing of our actual expenditures will depend upon

[Table of Contents](#)

numerous factors, including the results of our research and development efforts, the timing and success of clinical trials and the timing of regulatory submissions. Accordingly, we will have broad discretion in using these proceeds.

Pending the uses described above, we plan to invest the net proceeds of this offering in short- and immediate- term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We do not anticipate paying any dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare dividends will be subject to the discretion of our board of directors and will depend on various factors, including applicable laws, our results of operations, financial condition, future prospects and any other factors deemed relevant by our board of directors. Investors should not purchase our common stock with the expectation of receiving cash dividends.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2019:

- on an actual basis;
- on a pro forma basis to give effect to (i) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2019 into an aggregate of 105,501,221 shares of our common stock as if such conversion had occurred on March 31, 2019, and (ii) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to give effect to (i) the pro forma adjustments described above, and (ii) the issuance and sale of _____ shares of our common stock in this offering at an assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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

	As of March 31, 2019		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(in thousands, except share and per share data)		
Cash, cash equivalents and short-term investments	\$ 49,720	\$	\$
Redeemable convertible preferred stock, par value \$0.0001 per share; 114,109,973 shares authorized, 105,501,221 issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	\$133,447	\$	
Stockholders’ (deficit) equity:			
Common stock, par value \$0.0001 per share; 147,682,655 shares authorized, 10,646,759 shares issued and outstanding, actual; _____ shares authorized, 116,147,980 shares issued and outstanding, pro forma; _____ shares authorized, _____ shares issued and outstanding, pro forma as adjusted(2)		1	
Preferred stock, \$0.0001 par value per share; no shares authorized, issued or outstanding, actual; _____ shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—		—
Additional paid-in capital	—		
Accumulated deficit	(86,517)		
Accumulated other comprehensive gain	3		
Total stockholders’ (deficit) equity	(86,513)		
Total capitalization	\$ 46,934	\$	\$

(1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ (deficit) equity, and total capitalization by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million shares in the number of shares we are offering would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ (deficit) equity, and total capitalization by approximately \$ _____ million, assuming the assumed initial public offering price per share, as set forth on the cover page of this prospectus, remains the same. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

[Table of Contents](#)

(2) Shares issued and outstanding, actual, pro forma and pro forma as adjusted excludes 4,460,226 unvested restricted shares subject to repurchase.

The number of shares of common stock issued and outstanding pro forma and pro forma as adjusted in the table above is based on 116,147,980 shares of common stock (including our redeemable convertible preferred stock on an as-converted basis) outstanding as of March 31, 2019, and excludes:

- 7,560,547 shares of common stock issuable upon exercise of outstanding options issued as of March 31, 2019 under our 2015 Plan, at a weighted-average exercise price of \$0.29 per share, or pursuant to rights to purchase restricted stock at a weighted average purchase price of \$0.01 per share;
- 1,621,000 shares of common stock issuable upon the exercise of options granted since March 31, 2019 under the 2015 Plan, at a weighted-average exercise price of \$0.87 per share;
- 3,310,971 shares of common stock reserved for future issuance under our 2015 Plan as of March 31, 2019 (which number of shares includes the 1,621,000 options previously granted since March 31, 2019);
- 4,460,226 shares of unvested restricted common stock issued under the 2015 Plan and shares issued to our founders as of March 31, 2019 and subject to our right to repurchase;
- shares of our common stock reserved for future issuance under our 2019 Plan, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part; and
- shares of our common stock reserved for future issuance under our 2019 ESPP, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book (deficit) value per share of our common stock immediately after this offering.

Our historical net tangible book (deficit) value per share as of March 31, 2019 is determined by dividing our total tangible assets less our total liabilities and redeemable convertible preferred stock, which are not included within stockholders' deficit, by the number of shares of common stock outstanding as of such date. Our historical net tangible book value (deficit) was \$(86.5) million, or \$(5.73) per share as of March 31, 2019.

Our pro forma net tangible book value (deficit) as of March 31, 2019 was \$ million, or \$ per share. Our pro forma net tangible book value (deficit) per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of March 31, 2019, assuming the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2019 into an aggregate of 105,501,221 shares of common stock, which conversion will occur immediately prior to the completion of this offering.

Our pro forma as adjusted net tangible book value (deficit) represents our pro forma net tangible book (deficit) value, plus the effect of the sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after completion of this offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2019 would have been \$ million, or \$ per share. This represents an immediate increase in net tangible book value of \$ per share to existing stockholders and an immediate dilution in net tangible book value of \$ per share to purchasers of common stock in this offering, as illustrated in the following table:

Assumed initial public offering price per share	\$
Historical net tangible book value (deficit) per share as of March 31, 2019	\$(5.73)
Pro forma increase in net tangible book value (deficit) per share as of March 31, 2019	_____
Pro forma net tangible book value (deficit) per share as of March 31, 2019	_____
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering	_____
Pro forma as adjusted net tangible book value (deficit) per share after this offering	_____
Dilution per share to new investors participating in this offering	\$ _____

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

Each \$1.00 increase or decrease in the assumed public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro

[Table of Contents](#)

forma as adjusted net tangible book value by \$ million, or \$ per share, and dilution per share to investors in this offering by \$ per share, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase or decrease of 1.0 million shares in the number of shares we are offering would increase or decrease, as applicable, our pro forma as adjusted net tangible book value by approximately \$ million, or approximately \$ per share and would increase or decrease, as applicable, dilution per share to investors in this offering by approximately \$ per share, assuming the assumed initial public offering price per share remains the same and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us.

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

The following table shows, as of March 31, 2019, on a pro forma as adjusted basis (but before deducting underwriting discounts and commissions and estimated offering expenses payable by us), the differences between the existing stockholders and the purchasers of shares in this offering with respect to the number of shares purchased from us, the total consideration paid, which includes net proceeds received from the issuance of common and redeemable convertible preferred stock, cash received from the exercise of stock options, and the value of any stock issued for services and the average price paid per share (in thousands, except per share amounts and percentages):

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Weighted-Average Price Per Share</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Existing stockholders before this offering		%	\$	%	\$
New investors participating in this offering					\$
Totals		<u>100%</u>	<u>\$</u>	<u>100%</u>	

The foregoing tables and calculations (other than the historical net tangible book value calculations) are based on 120,608,203 shares of common stock (including our redeemable convertible preferred stock on an as-converted basis) outstanding as of March 31, 2019 and excludes:

- 7,560,547 shares of common stock issuable upon exercise of outstanding options issued as of March 31, 2019 under our 2015 Plan, at a weighted-average exercise price of \$0.29 per share, or pursuant to rights to purchase restricted stock at a weighted average purchase price of \$0.01 per share;
- 1,621,000 shares of common stock issuable upon the exercise of options granted since March 31, 2019 under the 2015 Plan, at a weighted-average exercise price of \$0.87 per share;
- 3,310,971 shares of common stock reserved for future issuance under our 2015 Plan as of March 31, 2019 (which number of shares includes the 1,621,000 options previously granted since March 31, 2019);
- shares of our common stock reserved for future issuance under our 2019 Plan, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part; and
- shares of our common stock reserved for future issuance under our 2019 ESPP, which will become available for issuance upon the effectiveness of the registration statement of which this prospectus is a part.

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

SELECTED FINANCIAL DATA

The following tables present selected financial data for our business. We have derived the selected statements of operations data for the years ended December 31, 2017 and 2018 and the selected balance sheet data as of December 31, 2017 and 2018 from our audited financial statements appearing elsewhere in this prospectus. The selected statements of operations data for the three months ended March 31, 2018 and 2019, and the selected balance sheet data as of March 31, 2019, have been derived from our unaudited condensed financial statements appearing elsewhere in this prospectus, which have been prepared on the same basis as our audited financial statements. We have included all adjustments consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those unaudited condensed financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future and our operating results for the three months ended March 31, 2019 are not necessarily indicative of the actual or expected results for the full year ending December 31, 2019 or any other interim periods or any future period. You should read this data together with our financial statements and related notes appearing elsewhere in this prospectus and the information in the section entitled “Management Discussion and Analysis of Financial Condition and Results of Operations.”

(In thousands, except share and per share amounts)	Years Ended December 31,		Three Months Ended	
	2017	2018	March 31,	2019
Statements of Operations Data:				
Operating expenses:				
Research and development	\$ 14,526	\$ 24,415	\$ 5,018	\$ 11,749
General and administrative	3,823	6,500	1,210	2,601
Total operating expenses	<u>18,349</u>	<u>30,915</u>	<u>6,228</u>	<u>14,350</u>
Loss from operations	(18,349)	(30,915)	(6,228)	(14,350)
Interest income	16	688	16	313
Other income (expense), net	—	(49)	(10)	14
Net loss	<u>\$ (18,333)</u>	<u>\$ (30,276)</u>	<u>\$ (6,222)</u>	<u>\$ (14,023)</u>
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	\$ (2,289)	\$ (4,876)	\$ (882)	\$ (1,344)
Net loss attributable to common stockholders	<u>\$ (20,622)</u>	<u>\$ (35,152)</u>	<u>\$ (7,104)</u>	<u>\$ (15,367)</u>
Net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	<u>\$ (3.59)</u>	<u>\$ (4.22)</u>	<u>\$ (0.96)</u>	<u>\$ (1.52)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	<u>5,745,000</u>	<u>8,333,000</u>	<u>7,387,889</u>	<u>10,079,336</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾		<u>\$</u>		<u>\$</u>
Weighted-average shares outstanding used in computing pro forma net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾		<u></u>		<u></u>

(1) See Notes 3 and 16 to our audited financial statements included elsewhere in the prospectus for an explanation of the calculations of our basic and diluted net loss per share, pro forma net loss per share and the weighted-average number of shares used in the computation of the per share amounts.

[Table of Contents](#)

(In thousands)	As of December 31,		As of March 31,
	2017	2018	2019
Balance Sheets Data:			
Cash, cash equivalents and short-term investments	\$ 4,251	\$ 60,949	\$ 49,720
Working capital ⁽¹⁾	1,519	56,649	42,604
Total assets	6,553	66,529	55,978
Redeemable convertible preferred stock	39,910	132,103	133,447
Accumulated deficit	(36,566)	(71,470)	(86,517)
Total stockholders' deficit	(36,565)	(71,469)	(86,513)

(1) We define working capital as current assets less current liabilities. See our financial statements and related notes appearing elsewhere in this prospectus for details regarding our current assets and current liabilities.

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

You should read the following discussion and analysis of our financial condition and results of operations together with the section entitled "Selected Financial Data" and our financial statements and related notes appearing elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties, such as our plans, objectives, expectations, intentions and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors."

Overview

We are a clinical stage biopharmaceutical company focused on discovering and developing novel therapies for the treatment of fibrosis. Our initial focus is on treating fibrosis by inhibiting integrin-mediated activation of TGF- β . Our lead product candidate, PLN-74809, is an oral small-molecule dual selective inhibitor of $\alpha v\beta 6$ and $\alpha v\beta 1$ integrins that we are developing for the treatment of idiopathic pulmonary fibrosis, or IPF, and primary sclerosing cholangitis, or PSC. We have completed a Phase 1a SAD/MAD trial and are currently conducting a Phase 1b proof-of-mechanism trial of PLN-74809 in IPF and expect to receive data in mid-2019. In the second half of 2019, we plan to initiate two Phase 2a trials in IPF. We also plan to submit an IND application for PLN-74809 for the treatment of PSC in the second half of 2019, and plan to initiate a Phase 2a trial as soon as possible thereafter. Our second product candidate, PLN-1474, is an oral small-molecule selective inhibitor of $\alpha v\beta 1$ for the treatment of stage F3/F4 liver fibrosis associated with NASH. We are currently conducting IND-enabling studies and plan to submit an IND application for PLN-1474 by the end of 2019. We have applied our deep understanding of fibrosis biology, along with our medicinal chemistry and translational medicine expertise to develop a set of proprietary tools designed to discover and de-risk product candidates quickly and efficiently. Our goal is to become a world-leading fibrosis company, developing and commercializing disease-modifying therapies across a spectrum of fibrotic diseases.

Since our inception in 2015, our operations have been limited to organizing and hiring personnel for our company, business planning, raising capital, establishing our intellectual property portfolio and performing research and development of TGF- β signaling and integrin biology, medicinal chemistry, translational screening technologies, and clinical insights to create tissue-specific inhibitors of fibrotic diseases. We do not have any products approved for commercial sale and have not generated any revenues. To date, we have funded our operations primarily through private placements of our redeemable convertible preferred stock.

Since our inception, we have incurred significant operating losses. Our net loss was \$30.3 million and \$14.0 million for the year ended December 31, 2018 and the three months ended March 31, 2019, respectively. As of December 31, 2018 and March 31, 2019, we had an accumulated deficit of \$71.5 million and \$86.5 million, respectively. We expect to continue to incur significant expenses and operating losses for the foreseeable future. In addition, we anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- advance the development of our lead product candidate, PLN-74809, through clinical development, and, if successful, later-stage clinical trials;
- advance our other preclinical development programs, including PLN-1474, into clinical development;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- increase the amount of research and development activities to identify and develop product candidates;
- hire additional clinical, quality control and scientific personnel;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- maintain, expand and protect our intellectual property portfolio;

[Table of Contents](#)

- establish a sales, marketing, medical affairs and distribution infrastructure to commercialize any products for which we may obtain marketing approval and intend to commercialize on our own or jointly with third parties; and
- invest in or in-license other technologies or product candidates.

We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for PLN-74809 or any of our other product candidates. In addition, if we obtain regulatory approval for PLN-74809 or any of our other product candidates and do not enter into one or more collaborations with third-parties for commercialization, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing and distribution activities.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity offerings and debt financings, government funding arrangements, collaborations, strategic alliances and marketing, distribution or licensing arrangements. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or magnitude of expenses. Even if we can generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of March 31, 2019, we had cash, cash equivalents and short-term investments of \$49.7 million. We expect to continue to incur losses for the foreseeable future and will require additional financial resources to continue to advance our products and intellectual property. Based on our current forecast we do not have sufficient cash and cash equivalents for at least the next year following the date that the financial statements appearing elsewhere in this prospectus were issued. These circumstances raise substantial doubt about our ability to continue as a going concern. We will need to obtain additional financing to sustain our operations. However, we may be unable to obtain sufficient financing at acceptable terms, if at all, and the failure to do so, when needed, could have a material adverse effect on our business, results of operations and financial condition. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Financial Operations Overview

Operating Expenses

Research and Development

Our research and development expenses consist of expenses incurred in connection with the development of our product candidates. Research and development expenses include:

- employee-related expenses, which include salaries, benefits and stock-based compensation for our research and development personnel;
- expenses incurred under agreements with third-party contract organizations, investigative clinical trial sites and consultants that conduct research and development activities on our behalf;
- costs associated with preclinical studies and clinical trials;
- depreciation of laboratory equipment and costs of supplies;

[Table of Contents](#)

- costs associated with technology and intellectual property licenses; and
- facilities and other allocated expenses, which include expenses for rent and other facility related costs and other supplies.

We expense all research and development costs in the periods in which they are incurred. We do not allocate our costs by product candidates or by preclinical programs as these are in early stages of clinical trials or development, and our internal expenses are not allocated between candidates and programs. Although external third-party costs are allocable between candidates and programs, we do not perform this allocation.

We are eligible for a research and development tax credit. The tax incentive is available to us based on research and development activity within the United States and California. These research and development tax incentives are recognized as a contra to FICA payroll tax expense when the right to receive has been attained and funds are collectible and is capped at \$250,000 per year. For additional information, see Note 3 to our audited financial statements included elsewhere in this prospectus.

We expect our research and development expenses to increase substantially for the foreseeable future as we continue to invest in research and development activities related to developing our product candidates and our preclinical programs and as they advance into later stages of development. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming, and the successful development of our product candidates is highly uncertain. As a result, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our product candidates.

General and Administrative

Our general and administrative expenses consist primarily of personnel costs, allocated facilities costs and other expenses for outside professional services, including legal, marketing, investor relations, human resource and accounting services. Personnel costs consist of salaries, benefits and stock-based compensation for our general and administrative personnel. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC, The Nasdaq Global Market, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect to increase the size of our administrative function to support the growth of our business. In addition, if we obtain regulatory approval for any of our product candidates and do not enter into a third-party commercialization collaboration, we expect to incur significant expenses related to building a sales and marketing team to support product sales, marketing and distribution activities.

Interest Income

Our interest income consists of interest income earned on cash and money market funds.

Results of Operations*Comparison of the Years Ended December 31, 2017 and 2018*

(In thousands, except percentages)	Years Ended December 31,		\$ Change	% Change
	2017	2018		
Operating expenses:				
Research and development	\$ 14,526	\$ 24,415	\$ 9,889	68.1%
General and administrative	3,823	6,500	2,677	70.0%
Total operating expenses	18,349	30,915	12,566	68.5%
Loss from operations	(18,349)	(30,915)	(12,566)	(68.5)%
Interest income	16	688	672	NM
Other expense, net	—	(49)	(49)	NM
Net loss	\$ (18,333)	\$ (30,276)	\$ (11,943)	(65.1)%

NM: Results not meaningful

Research and Development Expenses

Research and development expenses increased by \$9.9 million, or 68.1%, for the year ended December 31, 2018, compared to the year ended December 31, 2017. The increase was primarily due to \$4.8 million of increased consulting and outside services costs, \$2.2 million of increased compensation costs, \$2.1 million of increased laboratory supply costs, \$0.6 million of increased rent expense, \$0.3 million increase in depreciation expense, \$0.1 million increase in miscellaneous and other expenses and \$0.1 million increase in stock-based compensation expense, partially offset by a \$0.3 million reduction in sponsored research expenses. Consulting and outside services and laboratory and equipment supplies costs increased due to increased PLN-74809 and PLN-1474 development activities. Compensation costs increased as a result of headcount increases. Rent expense increased due to the move to new office space in South San Francisco in mid-2018. Depreciation expense increased due to increased leasehold improvements installed at the South San Francisco office. The decrease in sponsored research was due to a decrease in spending for sponsored research activities with universities in 2018, compared to the 2017 period.

General and Administrative Expenses

General and administrative expenses increased by \$2.7 million, or 70.0%, for the year ended December 31, 2018, compared to the year ended December 31, 2017. The increase was primarily due to \$1.0 million of increased professional and consulting costs, \$0.5 million of increased compensation costs, \$0.5 million increase in charitable contributions, \$0.2 million increase in travel related expenses, \$0.3 million increase in miscellaneous and other expenses and \$0.1 million increase in stock-based compensation expense. Professional and consulting costs increased primarily as a result of increased legal, marketing, investor relations and accounting fees. Compensation costs increased as a result of increased headcount. Travel related expenses increased due to increased executive travel related to equity raising activities.

Interest Income

Interest income increased by \$0.7 million for the year ended December 31, 2018, compared to the year ended December 31, 2017. The increase was attributable to interest income earned on an increased cash and cash equivalents balance from increased convertible preferred stock issuances in 2018 when compared to 2017.

[Table of Contents](#)

Results of Operations

Comparison of the Three Months Ended March 31, 2018 and 2019

(In thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2018	2019		
Operating expenses:				
Research and development	\$ 5,018	\$ 11,749	\$ 6,731	134.1%
General and administrative	1,210	2,601	1,391	115.0%
Total operating expenses	6,228	14,350	8,122	130.4%
Loss from operations	(6,228)	(14,350)	(8,122)	130.4%
Interest income	16	313	297	NM
Other expense, net	(10)	14	24	NM
Net loss	<u>\$(6,222)</u>	<u>\$(14,023)</u>	<u>\$(7,801)</u>	125.4%

NM: Results not meaningful

Research and Development Expenses

Research and development expenses increased by \$6.7 million, or 134.1%, for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. The increase was primarily due to \$5.4 million of increased consulting and outside services costs, \$0.8 million of increased compensation costs, \$0.2 million of increased rent expense, \$0.1 million in increased stock-based compensation costs, \$0.1 million of increased depreciation expense and \$0.1 million of increased miscellaneous and other expenses. Consulting and outside services costs increased due to increased PLN-74809 and PLN-1474 development activities. Compensation costs and stock-based compensation costs increased as a result of headcount increases. Rent expense increased due to the move to new office space in South San Francisco in mid-2018. Depreciation expense increased due to increased leasehold improvements installed at the South San Francisco office.

General and Administrative Expenses

General and administrative expenses increased by \$1.4 million, or 115.0%, for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. The increase was primarily due to \$0.4 million of increased compensation costs, \$0.3 million of increased charitable contributions, \$0.2 million of increased stock-based compensation costs, \$0.1 million of increased professional and consulting costs and \$0.4 million of increased miscellaneous and other expenses. Compensation costs and stock-based compensation costs increased as a result of increased headcount.

Interest Income

Interest income increased by \$0.3 million for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. The increase was attributable to interest income earned on higher cash and cash equivalents balances resulting from preferred stock issuances in the second half of 2018.

Liquidity and Capital Resources

Overview

Since inception and through March 31, 2019, we have funded our operations primarily by net proceeds of \$123.8 million from the sale of our redeemable convertible preferred stock. At March 31, 2019, we had available cash, cash equivalents and short-term investments of \$49.7 million.

[Table of Contents](#)

We have incurred operating losses and experienced negative operating cash flows since our inception, we will continue to incur losses for the foreseeable future and will require additional financial resources to continue to advance our products and intellectual property. Our net loss was \$30.3 million and \$14.0 million for the year ended December 31, 2018 and the three months ended March 31, 2019, respectively, and, as of December 31, 2018 and March 31, 2019, we had an accumulated deficit of \$71.5 million and \$86.5 million, respectively. Based on our current forecast we do not have sufficient cash and cash equivalents for at least the next year following the date that the financial statements appearing elsewhere in this prospectus were issued. These circumstances raise substantial doubt about our ability to continue as a going concern. We will need to obtain additional financing to sustain our operations. However, we may be unable to obtain sufficient financing at acceptable terms, if any at all, and the failure to do so could have a material adverse effect on our business, results of operations and financial condition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Funding Requirements

Our primary use of cash is to fund operating expenses, primarily research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable, accrued expenses and prepaid expenses.

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

- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our product candidates;
- the clinical development plans we establish for these product candidates;
- the number and characteristics of product candidates that we develop;
- the outcome, timing and cost of meeting regulatory requirements established by the U.S. Food and Drug Administration, or FDA, and other comparable foreign regulatory authorities;
- whether we enter into any collaboration agreements and the terms of any such agreements;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the cost of defending intellectual property disputes, including patent infringement actions brought by third parties against us or our product candidates;
- the effect of competing technological and market developments;
- the cost and timing of completion of commercial-scale outsourced manufacturing activities; and
- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we choose to commercialize our products on our own.

Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development expenditures.

If we need to raise additional capital to fund our operations, funding may not be available to us on acceptable terms, or at all. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our preclinical studies, clinical trials, research and development programs or commercialization efforts. We may seek to raise any necessary additional capital through a combination of public or private equity offerings, debt financings, collaborations and other licensing arrangements. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional capital through marketing and distribution arrangements or other

[Table of Contents](#)

collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable rights to our product candidates, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable to us.

Cash Flows

Comparison of the Years Ended December 31, 2017 and 2018

The following summarizes our cash flows for the periods indicated (in thousands):

	Years Ended December 31,	
	2017	2018
Cash used in operating activities	<u>\$ (16,924)</u>	<u>\$ (28,328)</u>
Cash used in investing activities	(1,405)	(2,323)
Cash provided by financing activities	<u>20,006</u>	<u>87,349</u>
Net increase in cash and cash equivalents	<u>\$ 1,677</u>	<u>\$ 56,698</u>

Cash Used in Operating Activities

Net cash used in operating activities was \$28.3 million for the year ended December 31, 2018 and \$16.9 million for the year ended December 31, 2017.

Cash used in operating activities in the year ended December 31, 2018, was primarily due to our net loss for the year of \$30.3 million adjusted by non-cash charges of \$0.9 million and a net change of \$1.1 million in our net operating assets and liabilities. The non-cash charges consisted of \$0.7 million of depreciation expense and \$0.2 million of stock-based compensation expense. The changes in our net operating assets and liabilities were primarily due to an increase of \$1.5 million in accounts payable and accrued expenses and \$0.4 million increase in deferred rent, partially offset by a decrease of \$0.8 million in other non-current assets, prepayments and tax credit receivable.

Cash used in operating activities in the year ended December 31, 2017 was primarily due to our net loss for the year of \$18.3 million adjusted by non-cash charges of \$0.3 million and net change of \$1.1 million in our net operating assets and liabilities. The non-cash charges consisted primarily of \$0.3 million for depreciation expense. The changes in our net operating assets and liabilities were primarily due to an increase of \$1.3 million in accounts payable and accrued expenses and \$0.1 million in other non-current assets, partially offset by a decrease of \$0.3 million in prepayments and tax credit receivable.

Cash Used in Investing Activities

During the years ended December 31, 2017 and 2018, cash used in investing activities was \$1.4 million and \$2.3 million, respectively, primarily resulting from the purchase of laboratory equipment and leasehold improvements.

Cash Provided by Financing Activities

During the year ended December 31, 2017, cash provided by financing activities was \$20.0 million from the issuance of shares of Series A redeemable convertible preferred stock.

During the year ended December 31, 2018, cash provided by financing activities was \$87.3 million of proceeds from the issuance of shares of Series A and Series B redeemable convertible preferred stock.

[Table of Contents](#)

Comparison of the Three Months Ended March 31, 2018 and 2019

The following summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended	
	March 31,	
	2018	2019
Cash used in operating activities	\$ (7,587)	\$ (10,847)
Cash used in investing activities	(890)	(27,417)
Cash provided by (used in) financing activities	19,484	(127)
Net increase (decrease) in cash and cash equivalents	<u>\$ 11,007</u>	<u>\$ (38,391)</u>

Cash Used in Operating Activities

Net cash used in operating activities was \$10.8 million for the three months ended March 31, 2019 and \$7.6 million for the three months ended March 31, 2018.

Cash used in operating activities in the three months ended March 31, 2019 was primarily due to our net loss for the period of \$14.0 million adjusted by non-cash charges of \$0.6 million and net change of \$2.6 million in our net operating assets and liabilities. The non-cash charges consisted of \$0.3 million of depreciation expense and \$0.3 million of stock-based compensation expense. The changes in our net operating assets and liabilities were primarily due to an increase of \$2.9 million in accounts payable and accrued expenses, partially offset by a decrease of \$0.3 million in other non-current assets, prepayments and a tax credit receivable.

Cash used in operating activities in the three months ended March 31, 2018 was primarily due to our net loss for the period of \$6.2 million adjusted by non-cash charges of \$0.1 million and net change of \$1.5 million in our net operating assets and liabilities. The non-cash charges consisted primarily of \$0.1 million for depreciation expense. The changes in our net operating assets and liabilities were primarily due to decreases of \$0.9 million in accounts payable and accrued expenses and \$0.6 million in other non-current assets, prepayments and a tax credit receivable.

Cash Used in Investing Activities

During the three months ended March 31, 2019 and 2018, cash used in investing activities was \$27.4 million and \$0.9 million, respectively. Cash used in investing activities for the three months ended March 31, 2019 was primarily due to the purchase of short-term investments of \$27.1 million and purchases of property and equipment of \$0.3 million. Cash used in investing activities for the three months ended March 31, 2018 was due to property and equipment purchases of \$0.9 million.

Cash Provided by (Used in) Financing Activities

During the three months ended March 31, 2019, cash used in financing activities was \$0.1 million for payment of deferred offering costs. During the three months ended March 31, 2018, cash provided by financing activities was \$19.5 million of proceeds from the issuance of shares of Series A redeemable convertible preferred stock.

[Table of Contents](#)

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations and other commitments as of December 31, 2018 (in thousands):

	Payments Due by Period				Total
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	
Operating lease	\$ 1,892	\$3,986	\$4,269	\$ 3,391	\$13,538
Total obligations	\$ 1,892	\$3,986	\$4,269	\$ 3,391	\$13,538

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

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

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements or holdings in any variable interest entities.

Quantitative and Qualitative Disclosures about Market Risk

The primary objectives of our investment activities are to ensure liquidity and to preserve capital. We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. We had cash, cash equivalents and short-term investments of \$49.7 million as of March 31, 2019 which consisted of bank deposits and highly liquid money market funds. Historical fluctuations in interest rates have not been significant for us. We had no outstanding debt as of March 31, 2019. Due to the short-term maturities of our cash equivalents, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. To minimize the risk in the future, we intend to maintain our portfolio of cash equivalents in institutional market funds that are composed of U.S. Treasury and U.S. Treasury-backed repurchase agreements or short-term U.S. Treasury securities. We do not believe that inflation, interest rate changes, or exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.

Critical Accounting Policies and Estimates

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

While our significant accounting policies are described in more detail in Note 3 to our financial statements appearing elsewhere in this prospectus, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Accrued Research and Development Costs

We record accrued expenses for estimated costs of our research and development activities conducted by third-party service providers, which include the conduct of clinical studies and preclinical studies. We record the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and include these costs in accrued liabilities in the balance sheets and within research and development expense in the statement of operations. These costs are a significant component of our research and development expenses. We record accrued expenses for these costs based on factors such as estimates of the work completed and in accordance with agreements established with these third-party service providers. Any payments made in advance of services provided are recorded as prepaid assets, which are expensed as the contracted services are performed.

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

Stock-Based Compensation

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

The Black-Scholes option-pricing model requires the use of subjective assumptions which determine the fair value of stock-based awards, including the expected term and the price volatility of the underlying stock. These assumptions include:

- *Fair value of common stock*—See “Determination of the Fair Value of Our Common Stock” below.
- *Expected term*—The expected term represents the period that the stock-based awards are expected to be outstanding. The expected term for our stock options was calculated based on the weighted-average vesting term of the awards and the contract period, or simplified method, as allowed by the SEC.
- *Expected volatility*—Since we are not yet a public company and do not have any trading history for our common stock, the expected volatility was estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their size, stage in the life cycle or area of specialty. We will continue to apply this process until enough historical information regarding the volatility of our own stock price becomes available.
- *Risk-free interest rate*—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- *Expected dividend*—We have never paid dividends on our common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

Determination of the Fair Value of Our Common Stock

As there has been no public market for our common stock to date, the estimated fair value of our common stock has been determined by our board of directors as of the date of each option grant, with input from management, considering our most recently available third-party valuations of common stock and our board of directors' assessment of additional objective and subjective factors that it believed were relevant and which may have changed from the date of the most recent valuation through the date of the grant. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

For our stock awards granted during 2017, our common stock valuations were developed primarily based on the Current Value Method, or CVM, and the Probability Weighted Expected Return Method, or PWERM. The primary considerations were the liquidation and going concern scenario and to a lesser degree, a merger and acquisition and IPO scenarios. For the liquidation scenario, we considered application of the CVM to value the Company and for the going concern scenario, the PWERM was considered.

The CVM is based on an allocation theory that shareholders with senior stock rights would attempt to maximize the value of their holdings based solely on the senior interest's underlying liquidation preference, participation rights and conversion rights, as well as an imminent liquidity event. This approach determines the value of the enterprise at the valuation date, distributes that value through the existing capital structure and then applies discounts or premiums as may be appropriate to the varying securities classes. It does not consider optionality or upside payoffs for those securities that may not receive value at the current valuation.

Under the PWERM, the value of a Company's equity class is estimated based upon an analysis of future values for the entire enterprise assuming various future outcomes. Share value is based upon the probability-weighted present value of these expected outcomes, as well as the rights of each class of preferred and common stock.

For stock awards and options granted in 2018, we considered the use of the Income and Market approaches. Under the income approach, the cash generating ability of the company is valued. This approach focuses on determining a forecast benefit stream that is reflective of the subject company's most likely future performance. The forecast benefit stream is then discounted to present value based on the appropriate risk-adjusted discount rate or capitalization rate.

Under the Market approach, we referenced actual transactions involving our company or similar assets and/or enterprises. The Market approach generally consists of two primary methodologies: The Guideline Comparables Method, or GCM and the Guideline Transaction Method, or GTM. The GCM involves identifying and selecting publicly traded companies or guideline public companies, or Guideline Public Companies, with financial and operating characteristics like the subject being valued, and subsequently deriving multiples and other metrics from such Guideline Public Companies to apply to the subject being valued.

Taking the stage of our development into consideration and expected liquidity events into account, we elected not to rely upon a pure application of the Income or Market valuation approaches. We determined that the PWERM was more appropriate to value our equity classes as the approach is based upon an analysis of future values for the entire enterprise assuming various future outcomes. We did consider elements of the Income and Market approaches for gauging the appropriateness of certain PWERM inputs and assumptions.

In addition to considering the results of these third-party valuations, our board of directors considered various objective and subjective factors to determine the fair value of our common stock as of each grant date, which may be as a date later than the most recent third-party valuation date, including:

- the prices at which we sold shares of preferred stock and the superior rights and preferences of the preferred stock relative to our common stock at the time of each grant;

Table of Contents

- the progress of our research and development programs, including the status of pre-clinical and planned clinical trials for our product candidates;
- our stage of development and commercialization and our business strategy;
- external market conditions affecting the biotechnology industry, and trends within the biotechnology industry;
- our financial position, including cash on hand, and our historical and forecasted performance and operating results;
- the lack of an active public market for our common stock and our preferred stock;
- the likelihood of achieving a liquidity event, such as an initial public offering, or IPO, or a sale of our company considering prevailing market conditions; and
- the analysis of IPOs and the market performance of similar companies in the biopharmaceutical industry.

For financial reporting purposes, we considered the amount of time between the valuation date and the grant date of our stock awards and options to determine whether to use the latest common stock valuation or an interpolated fair value between the two valuation dates. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date.

The assumptions underlying these valuations represent management's best estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation expense could be materially different. Following the closing of this offering, the fair value of our common stock will be determined based on the quoted market price of our common stock.

As of December 31, 2018, we had \$0.7 million and \$0.4 million of unrecognized stock-based compensation expense that is expected to be recognized over the weighted-average periods of 2.2 years and 3.7 years related to restricted stock awards and stock options, respectively.

As of March 31, 2019, we had \$0.6 million and \$4.2 million of unrecognized stock-based compensation expense that is expected to be recognized over the weighted-average periods of 2.2 years and 3.7 years related to restricted stock awards and stock options, respectively. Based upon the assumed initial public offering price of \$, the midpoint of the price range set forth on the cover page of this prospectus, the aggregate intrinsic value of options outstanding as of March 31, 2019 was \$ million, \$ million of which related to unvested options and \$ million of which related to unvested restricted stock awards.

Recent Accounting Pronouncements

See Note 3 to our financial statements appearing elsewhere in this prospectus for more information.

Emerging Growth Company Status and JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption and adopt ASU No. 2016-02 (*Topic 842*), Leases when the standard is effective for private companies which is for fiscal years beginning after December 15, 2019. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

[Table of Contents](#)

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an “emerging growth company” we intend to rely on such exemptions, we are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of this offering or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

Business

Overview

We are a clinical stage biopharmaceutical company focused on discovering and developing novel therapies for the treatment of fibrosis. Our initial focus is on treating fibrosis by inhibiting integrin-mediated activation of TGF- β . Our lead product candidate, PLN-74809, is an oral small-molecule dual selective inhibitor of $\alpha v\beta 6$ and $\alpha v\beta 1$ integrins that we are developing for the treatment of idiopathic pulmonary fibrosis, or IPF, and primary sclerosing cholangitis, or PSC. We have completed a Phase 1a SAD/MAD trial and are currently conducting a Phase 1b proof-of-mechanism trial of PLN-74809 in IPF and expect to receive data in mid-2019. In the second half of 2019, we plan to initiate two Phase 2a trials in IPF. We also plan to submit an IND for PLN-74809 for the treatment of PSC in the second half of 2019, and plan to initiate a Phase 2a trial as soon as possible thereafter. Our second product candidate, PLN-1474, is an oral small-molecule selective inhibitor of $\alpha v\beta 1$ for the treatment of stage F3/F4 liver fibrosis associated with NASH. We are currently conducting IND-enabling studies and plan to submit an IND application for PLN-1474 by the end of 2019. We have applied our deep understanding of fibrosis biology, along with our medicinal chemistry and translational medicine expertise to develop a set of proprietary tools designed to discover and de-risk product candidates quickly and efficiently. Our goal is to become a world-leading fibrosis company, developing and commercializing disease-modifying therapies across a spectrum of fibrotic diseases.

Fibrosis refers to the abnormal thickening and scarring of connective tissue due to the production and deposition of excess collagen in the extracellular matrix. Fibrosis can occur in many different tissues including lung, liver, kidney, muscle, skin and the gastrointestinal tract, and often causes severe and debilitating disease potentially leading to organ failure and death. Fibrosis has historically proven difficult to treat, which we believe is due to the complexity of the disease biology and the challenge of targeting fibrotic tissues selectively without affecting healthy tissues.

We believe that tissue-specific inhibition of TGF- β may hold the key to successfully treating fibrosis. In normal tissues TGF- β is activated in response to tissue injury which initiates a cascade that results in collagen production and, ultimately, scar formation to heal the tissue. In fibrosis, however, TGF- β signaling becomes dysregulated, with TGF- β being continuously activated, leading to excess collagen deposition, even in the absence of acute tissue injury. TGF- β , while implicated in fibrosis pathophysiology, is expressed and intermittently activated across all tissue types and plays important, context-specific roles in tissue homeostasis. Therefore, TGF- β cannot be blocked systemically without disrupting these homeostatic functions and causing significant toxicities. To more precisely treat fibrosis in specific tissues, we believe it is crucial to discover and treat the underlying mechanism causing excess TGF- β activation.

Our scientific founders are pioneers in elucidating the role of specific extracellular receptors known as integrins as a key element in the activation of TGF- β . While the role of integrins in TGF- β activation has been well-characterized over the past 10 years, integrins have historically been difficult to target therapeutically using small-molecules due to the difficulty of engineering molecules with high receptor selectivity and oral bioavailability. We believe that we have addressed these challenges with our platform. We have built a library of compounds that includes orally bioavailable, selective and potent inhibitors of multiple integrins that may be used to target a range of fibrotic diseases across different tissues.

Our Pipeline

Program	Indication	Preclinical		Clinical			Expected Catalysts	Global Rights
		Lead Op	IND Enabling	Phase I	Phase II	Phase III		
PLN-74809 Dual selective inhibitor of $\alpha_v\beta_6/\alpha_v\beta_1$	Idiopathic Pulmonary Fibrosis	[Progress bar: Lead Op, IND Enabling, Phase I]					Phase 2a initiation – 2H19	
	Primary Sclerosing Cholangitis ⁽¹⁾	[Progress bar: Lead Op, IND Enabling, Phase I]			[Progress bar: Phase II]		IND Filing – 2H19	
PLN-1474 Selective inhibitor of $\alpha_v\beta_3$	F3/F4 NASH-Associated Liver Fibrosis	[Progress bar: Lead Op, IND Enabling]					IND Filing – EOY19	

(1) We plan to submit an IND for PLN-74809 for the treatment of PSC in the second half of 2019 incorporating the data from the completed Phase 1a healthy volunteer trial and plan to initiate a Phase 2a clinical trial for PSC thereafter.

Our lead wholly owned product candidate, PLN-74809, is a small-molecule, dual-selective inhibitor of $\alpha_v\beta_6$ and $\alpha_v\beta_1$ that we are advancing in IPF and PSC. While expressed at very low levels in normal tissues, $\alpha_v\beta_6$ and $\alpha_v\beta_1$ are upregulated in the pulmonary tissues of IPF patients, and in the liver tissues of PSC patients. They both serve as activators of TGF- β , leading to increased collagen production and fibrosis in these tissues. By blocking TGF- β activation by both $\alpha_v\beta_6$ and $\alpha_v\beta_1$, we believe PLN-74809 may slow and potentially halt the progression of fibrosis in these patient populations. PLN-74809 has been granted orphan drug designation by the U.S. Food and Drug Administration, or FDA, for both IPF and PSC.

IPF is the most common and severe form of progressive pulmonary fibrosis, affecting approximately 140,000 patients in the United States. While the underlying cause of IPF is unknown, the course of the disease is well documented, with progressive scarring that destroys the structure and function of the lungs over time. The average life expectancy for patients with confirmed IPF is between three and five years. There are currently two FDA-approved therapies for IPF. Both have shown modest slowing of disease progression. However, both therapies have raised significant safety and tolerability concerns.

PSC is a progressive liver disorder affecting approximately 30,000 to 45,000 patients in the United States. The disease is characterized by fibrosis originating in the bile ducts that ultimately results in bile flow obstruction, or cholestasis, causing liver damage and progressive fibrosis of the liver. Patients have a median survival of 10 to 12 years without intervention and carry high lifetime risk of developing gastrointestinal malignancies. There are currently no FDA-approved therapies for PSC.

In our live human tissue assay, PLN-74809 showed a greater than 50 percent decrease in the expression of pro-fibrotic genes, such as collagen type I alpha1 chain, or *COL1A1*, and collagen type 3 alpha1 chain, or *COL3A1*, that are responsible for collagen production in human IPF and PSC tissues. Additionally, we have completed a study in non-human primates in which we showed that inhibition of $\alpha_v\beta_6$ and $\alpha_v\beta_1$ reduced TGF- β activation by greater than 75% in cells isolated from the lungs after seven days of treatment.

We have completed a Phase 1a single ascending dose, or SAD, multiple ascending dose, or MAD, and food effect clinical trial in which PLN-74809 was shown to be orally bioavailable and generally well tolerated with a half-life that may support once-daily dosing.

We are currently conducting a Phase 1b proof-of-mechanism trial in healthy volunteers that is similar in design to our previously completed non-human primate study. We will measure PLN-74809's ability to inhibit

[Table of Contents](#)

TGF- β activation as measured through pSMAD2/3 activation levels in certain types of pulmonary cells. pSMADs act as signaling molecules directly downstream from the TGF- β receptor, and therefore pSMAD2/3 activation is used as a reliable biomarker for TGF- β activation. We expect to receive data from this trial in mid-2019.

In the second half of 2019, we plan to initiate two Phase 2a trials of PLN-74809 in IPF. In the first of these trials, we plan to enroll 18 IPF patients and utilize a positron emission tomography, or PET, ligand to measure av β 6 target engagement by PLN-74809 in the lungs post-treatment. The second trial is expected to be a 12-week double blind placebo-controlled trial involving approximately 40 IPF patients across four cohorts consisting of three doses of PLN-74809 and one placebo and will evaluate safety, tolerability and pharmacokinetics, or PK. We also plan to employ exploratory efficacy endpoints including biomarkers and pulmonary function. We plan to submit an IND for PLN-74809 in PSC in the second half of 2019 and initiate a Phase 2a trial as soon as possible thereafter. This trial is expected to be a 12-week double blind placebo-controlled trial involving approximately 40 PSC patients across four cohorts consisting of three doses of PLN-74809 and one placebo and will evaluate safety, tolerability and PK. We also plan to employ exploratory efficacy endpoints including biomarkers and evaluation of liver-stiffness.

Our second wholly owned product candidate, PLN-1474, is an oral, small-molecule, selective inhibitor of TGF- β activation by the integrin av β 1, in development for treatment of stage F3/F4 NASH. av β 1 serves as an activator of TGF- β and its expression has been shown to be upregulated in hepatic stellate cells in stage F3 and F4 NASH-associated liver fibrosis.

NASH is a severe form of non-alcoholic fatty liver disease, or NAFLD, that is associated with the development of liver fibrosis and potentially life-threatening liver dysfunction. NASH is highly prevalent, affecting approximately 16.5 million adults in the United States, including approximately 3.3 million with stage F3/F4 fibrosis. Over time, NASH-related liver fibrosis may progress to cirrhosis, resulting in impaired liver function and increased risk of liver-related complications and mortality. There are currently no approved therapies for NASH, and to date investigational NASH therapies have only shown modest anti-fibrotic benefits in clinical trials.

We have shown through our assays of live human fibrotic liver tissue that PLN-1474 is able to decrease the expression of pro-fibrotic genes such as *COL1A1*, the gene associated with the production of the most abundant type of collagen produced in fibrosis. We have also shown in multiple animal models of NASH that PLN-1474 has a potent anti-fibrotic effect. We are currently completing IND-enabling studies of PLN-1474 and plan to submit an IND by the end of 2019.

Pliant was formed to build upon our scientific founders' pioneering work elucidating the biology of fibrosis and its underlying causes. Our mission is to advance the understanding of fibrosis by building a biology-, chemistry- and screening-based engine to drive drug development across the spectrum of fibrotic diseases. We have established what we believe is a leading capability to both identify relevant fibrosis targets across different tissue types and address those targets with product candidates that have been optimized for potency and selectivity. We have established collaborations with top medical research institutions such as Stanford University and the University of California, San Francisco that provide us access to human fibrotic tissue from patients undergoing transplant to use in evaluation of our product candidates and share insights with thought leaders to further engage them in our mission. By refining the development of biology-driven product candidates in our laboratories through testing in freshly obtained human fibrotic tissue, we believe that we may be able to increase the efficiency of our development process and maximize the probability of success.

We have assembled an executive team with highly relevant experience in fibrosis, small-molecule drug discovery and clinical development. Bernard Coulie, M.D., Ph.D., our CEO, has 20 years of experience in drug development, previously serving as CEO and CMO of ActoGeniX, as well as holding senior roles at Johnson & Johnson. Éric Lefebvre, M.D., our Chief Medical Officer, brings deep experience in clinical development in liver disease. He previously served as head of clinical research and development for NASH at Allergan. Prior to

Allergan, Dr. Lefebvre led HIV and HCV development at Janssen and later served as CMO at Tobira. Eduard Gorina, M.D., our Vice President of Clinical Development, brings extensive experience in fibrotic disease. Prior to Pliant, Dr. Gorina served as executive director of clinical development at FibroGen where he led clinical programs in IPF and Duchenne muscular dystrophy. He also held senior director roles at InterMune, where he played a key role in the development of pirfenidone, the first therapy approved for IPF. We were founded by world-renowned researchers Dean Sheppard, Rik Derynck, Bill DeGrado and Hal Chapman from the University of California, San Francisco, who bring broad experience in fibrosis biology and small-molecule chemistry among other related disciplines.

To date, we have raised over \$120 million from investors including Third Rock Ventures, Cowen Healthcare Investments, Eventide Asset Management, Schroder AdvEq Management, Menlo Ventures, S-Cubed Capital and Agent Capital.

Our Strategy

Our goal is to become a world-leading fibrosis company, developing and commercializing disease-modifying therapies across a spectrum of fibrotic diseases. To achieve this, we are focused on the following key strategies:

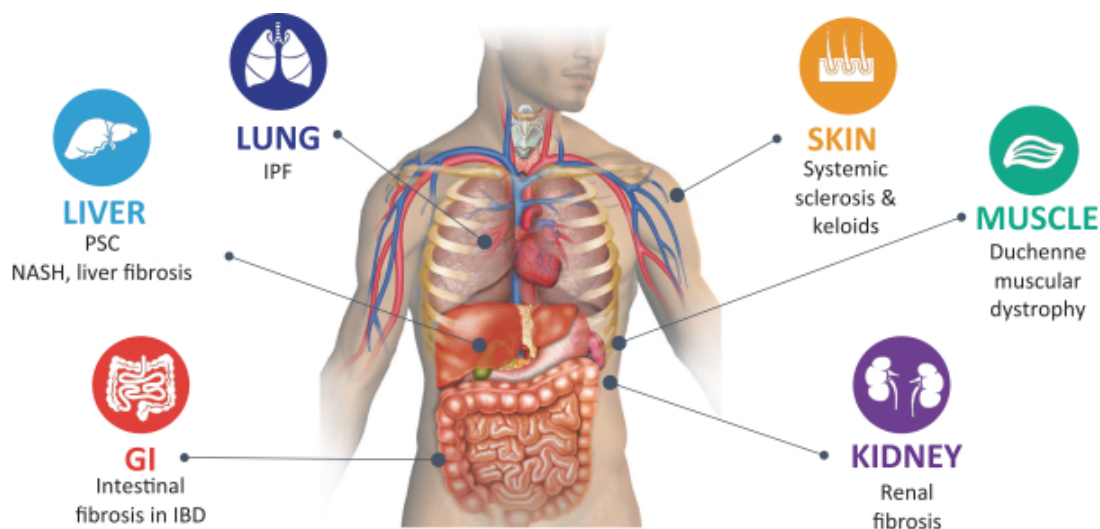
- **Rapidly advance PLN-74809 in IPF and PSC through clinical development and commercialization.** We are developing our lead oral small-molecule inhibitor of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ as a novel therapy for both IPF and PSC, each areas of high unmet medical need. Both IPF and PSC are orphan indications that we believe we can commercialize on our own in key geographies using targeted sales forces.
- **Rapidly advance our second compound, PLN-1474, in NASH.** PLN-1474 is an oral small-molecule selective inhibitor of $\alpha\text{v}\beta\text{1}$ in development for the treatment of stage F3/F4 liver fibrosis associated with NASH, an area of high unmet medical need with no currently FDA-approved treatments. PLN-1474 is currently in IND-enabling studies and we expect to submit an IND for this product candidate by the end of 2019.
- **Selectively evaluate partnerships in indications and geographies where we believe partners can add significant commercial and/or development capabilities.** Fibrotic diseases represent a broad set of disease indications to pursue. Our focus is to commercialize our assets in orphan fibrosis indications and to selectively work with partners in larger fibrosis indications and in geographies outside of North America. Furthermore, we believe our platform is capable of generating product candidates in indications outside of fibrosis, which we will evaluate and potentially choose to partner.
- **Explore opportunities for our pipeline assets in additional fibrotic indications.** We are evaluating the potential benefit of our product candidates outside of their lead indications. Our product candidates have shown anti-fibrotic activity in multiple animal models as well as human tissue in indications outside of IPF, PSC and NASH. We will continue to evaluate additional indications to maximize the potential of our pipeline.
- **Leverage our industry leading tools and capabilities to advance our mission of becoming a leading fibrosis company.** Since our founding we have endeavored to advance the understanding of fibrosis biology, uncover new targets and advance novel product candidates. Currently, our proprietary capabilities include a target expression atlas, an expansive library of over 4,500 integrin inhibitor molecules, integrin screening assay platform, live fibrotic human tissue program, PET-ligand imaging program, and biomarker assays. We continue to expand our integrin inhibitor library and develop tools such as additional PET-ligands as well as novel disease biomarkers. In addition, we have over 70,000 compound library for non-integrin targets. We intend to leverage these tools and capabilities in a target- and modality-agnostic manner to expand our pipeline with a mission to become a leading fibrosis company.

Fibrosis: A Condition of Uncontrolled Scarring

Fibrosis refers to excessive scarring often resulting from aberrant tissue repair processes. In normal tissues, fibrotic pathways represent a repair mechanism by which the tissues heal themselves in response to injury or disease. These pathways are normally deactivated upon completion of tissue repair. However, when they become dysregulated and remain activated, excess collagen deposition can cause tissues to thicken and become stiff, ultimately impairing their physiological function.

Fibrosis is a disease of connective tissue. Normal connective tissue forms a supportive network between cells, lending structure and integrity to tissues built up of many cell types. Connective tissue is composed of collagenous and elastic fibers, as well as a number of supporting cells such as fibroblasts and white blood cells. These supporting cells are embedded in a gel-like matrix made up of proteins known as the extra-cellular matrix. The most important protein in this matrix is collagen, which takes the form of elongated, fine fibers, providing flexible support to the surrounding cells. In fibrotic tissues, initial insults such as tissue damage or inflammation spur the deposition of excess collagen. Normally such responses are balanced in finely controlled feedback loops, but in fibrotic disease these feedback loops are dysregulated, resulting in progressive scarring, thickening, and loss of function.

Fibrosis occurs in many organ systems throughout the body including the lungs, liver, kidneys, gastrointestinal tract, skin and muscles. While the exact pathologies of diseases in these organs vary, the development of fibrosis involves many common cell types and biochemical pathways, including the TGF- β signaling pathway. The ultimate result is similar across many tissues: secretion and extracellular activation of growth factors that stimulate fibroblasts to secrete excess collagen, leading to runaway growth of scar tissue.



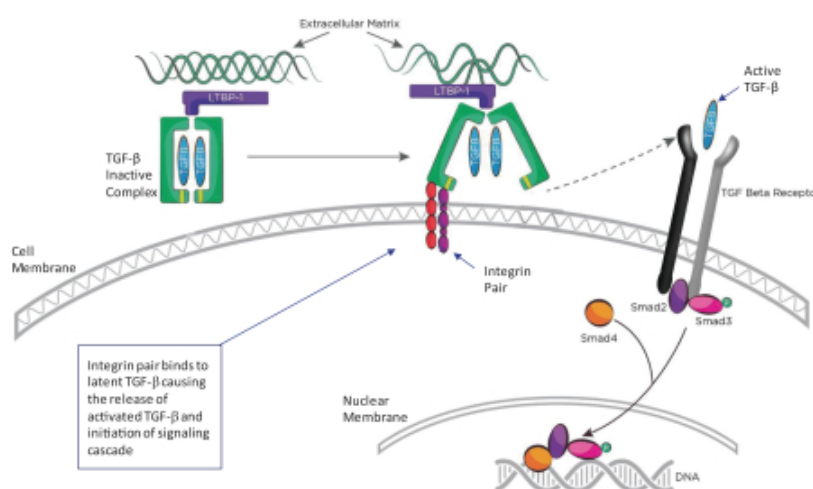
Role of TGF- β Signaling in Fibrosis

We believe that selectively inhibiting TGF- β activation holds the key to successfully treating fibrosis across multiple tissues and organs. TGF- β is secreted by nearly all cells and organs in mammals and stored in large amounts outside of cells, in the extra-cellular matrix, as part of an inactive complex. In healthy tissues, TGF- β is transiently activated in response to tissue injury which initiates a cascade that results in collagen production and, ultimately, healing of the tissue. In fibrosis, however TGF- β signaling becomes dysregulated and perpetuated, with TGF- β being continuously activated, leading to excess collagen deposition in the absence of acute tissue injury. Moreover, induced activation of TGF- β alone in animal models has been shown to be sufficient to induce fibrosis, and inhibition of TGF- β activation has been shown to prevent or attenuate fibrosis.

TGF- β can be activated in multiple ways in response to specific tissue injury. One important class of cell-surface proteins that activate TGF- β in fibrosis are integrins. Integrins have a variety of functions, including signaling inside the cells, providing tissue structure and stability through adhesion between cells. Integrins are heterodimeric proteins, meaning they are composed of two different protein subunits paired together. These subunits are known as α and β subunits. In humans, there are eighteen distinct α subunits and eight distinct β subunits, which combine to form 24 known and functional integrin pairs.

Certain integrins bind the inactive TGF- β complex. In response to tissue injury, the cells expressing these integrins are induced to contract, exerting physical force on the bound TGF- β complex. This mechanical force changes the shape of the complex, releasing active TGF- β . This activation triggers a biological cascade which results in collagen production, and when dysregulated leads to fibrosis. As depicted in the figure below, this cascade involves (i) binding of active TGF- β to its receptor, the TGF- β type I receptor kinase also known as ALK5; (ii) phosphorylation of immediate downstream signaling proteins known as SMAD2 and SMAD3; (iii) formation of a transcription initiation complex by pSMAD2, pSMAD3 and SMAD4; and (iv) subsequent transcription of target genes that encode fibrotic proteins such as collagen. Importantly, whereas certain TGF- β -activating integrins are expressed at very low levels in healthy tissues, the TGF- β cascade can lead to the upregulation of these integrins resulting in a TGF- β -driven positive feed-forward loop which further increases TGF- β activation. Furthermore, as fibrosis progresses and the fibrotic organ gets stiffer, it becomes progressively easier for contracting cells to activate integrin-bound TGF- β . It is because of this continued, tissue-specific upregulation of integrins and their key roles in continued TGF- β -activation that we believe that integrins provide an avenue to selectively inhibit TGF- β activation in fibrotic tissue without affecting TGF- β 's important physiological roles in healthy tissues.

α_v Integrins promote fibrosis through activation of TGF- β



Model of integrin regulation of TGF- β signaling

Historical Challenges to Drug Development in Fibrosis

Fibrosis has historically been a difficult therapeutic area to target pharmaceutically. The biology and underlying causes of fibrosis are complex and, in many diseases, poorly understood. In the past, many patients with fibrotic disease were treated with anti-inflammatory agents such as steroids. While steroids may have a mild anti-fibrotic effect in some forms of fibrosis, they can exacerbate others, such as IPF. Additionally, the negative effects of chronic steroid exposure make it difficult to treat patients with these agents for long term periods.

More recently, it has become well understood that regardless of the underlying cause, TGF- β activation is at the heart of several key processes that drive fibrosis, including collagen formation, deposition of extracellular matrix proteins and activation and proliferation of fibroblast cells. As such, much of the historic drug development efforts to treat fibrosis have been aimed at systemically inhibiting or disrupting the TGF- β signaling pathway by either (i) blocking TGF- β binding to the TGF- β receptors with an antibody or (ii) preventing the type I TGF- β receptor, also known as ALK5, from activating the SMADs using a small-molecule kinase inhibitor. However, because of TGF- β 's role in normal physiology, these approaches cause substantial toxicity and dysregulation of normal functions. In fact, documented toxicities that arise from systemic inhibition of TGF- β signaling include cardiac toxicity, inflammation, and focal epithelial hyperplasia.

A potentially safer approach to fibrosis therapy is to inhibit specific pro-fibrotic signaling molecules, such as connective tissue growth factor and autotaxin, which operate downstream of TGF- β activation, thereby mitigating the tolerability issues associated with systemic TGF- β inhibition. While tolerability has been shown to improve with this approach, the efficacy shown to date has been modest, likely because TGF- β activates multiple pro-fibrotic signaling pathways in addition to those targeted by these approaches.

Another recent approach is to prevent TGF- β activation by stabilizing TGF- β in its inactive form. However, it is not known whether latent TGF- β stabilization can be accomplished in a tissue specific manner.

In addition to the historical difficulty in targeting TGF- β , clinical development for the treatment of fibrosis has also been limited by the lack of tools to understand this complex multicellular process. Only certain parts of this process can be modeled using cellular assays. More complete representations of fibrosis can be generated in animal models, but these models tend to be acute in nature and do not accurately represent disease pathology in humans which, in most cases, develops over decades.

Integrin Inhibitors as a Potential Treatment for Fibrosis

An ideal approach to fibrosis treatment would be one that inhibits TGF- β activation in only those tissues where fibrosis is occurring. One potential way to accomplish this is to inhibit the integrin proteins that are known to be overexpressed in specific fibrotic tissue and cause the abnormal activation of TGF- β . In several forms of fibrosis, namely IPF and PSC, TGF- β activating integrins such as $\alpha v\beta 6$ and $\alpha v\beta 1$ are over-expressed. These integrins are normally expressed at low levels in healthy tissue. Therefore, we would not expect off-target toxicity effects by selectively inhibiting $\alpha v\beta 6$ and $\alpha v\beta 1$. By inhibiting fibrosis-specific TGF- β activators such as these specific integrins, it is possible to block abnormal TGF- β activation in the specific tissues where fibrosis occurs, without affecting TGF- β signaling in healthy tissues. However, integrin drug development has historically been challenging due to the difficulty of developing integrin inhibitors that are both selective for specific integrins and orally bioavailable. We believe our pipeline of orally bioavailable highly selective integrin inhibitors has the potential to address these challenges.

Recently, large biopharmaceutical companies have begun to recognize the potential of anti-integrin approaches to treat fibrosis and made large investments in the space. Biogen is currently developing a subcutaneous antibody against $\alpha v\beta 6$ for treatment of IPF. In preclinical trials, Biogen presented results showing its $\alpha v\beta 6$ antibody reduced pSMAD2 levels, a key biomarker for TGF- β activation, in alveolar macrophages of non-human primates. In a Phase 2a study presented in 2018, Biogen's antibody was shown to have a similar effect in IPF patients. Biogen is currently conducting a 290 patient Phase 2b trial with their antibody candidate. In addition, AbbVie recently in-licensed a set of preclinical integrin inhibitors for the treatment of fibrosis including an $\alpha v\beta 6$ inhibitor targeting IPF. The Biogen and AbbVie product candidates are all single selective inhibitors of $\alpha v\beta 6$; however, it has been shown that the expression of both $\alpha v\beta 6$ and $\alpha v\beta 1$ is upregulated in IPF. We believe that our dual-selective $\alpha v\beta 6/\alpha v\beta 1$ inhibitor approach has the potential to provide a more potent anti-fibrotic effect than a single selective $\alpha v\beta 6$ inhibitor.

We believe that recent developments in the field of integrin inhibitors validate our initial focus on integrin inhibitors as a treatment for fibrosis. Utilizing our proprietary discovery and development capabilities, we believe

that we have overcome key historical challenges to the development of integrin inhibitors, including potency, selectivity and oral bioavailability. We have identified two orally bioavailable and highly potent and selective integrin inhibitors. Our lead product candidate, PLN-74809, has completed Phase 1a trials and has demonstrated potential for a once daily oral dosing profile.

Our Capability and Approach to Fibrosis Drug Discovery and Development

Our approach to drug development in fibrosis combines our deep knowledge of the biology of fibrosis with various cellular, tissue, and *in vivo* assays developed in house to interrogate the biology of fibrosis and uncover pathways and potential targets. We developed an extensive panel of cell assays, precision cut tissue assays and animal models covering various types of fibrotic diseases. These assays allow us to evaluate target expression in fibrotic tissues as well as the anti-fibrotic activity of our candidates after treatment and begin to establish proof-of-biological-mechanism in both animal models and human tissue prior to initiating clinical trials. We believe these collective capabilities uniquely allow us to (i) efficiently identify targets, (ii) optimize the potency and selectivity of candidates and (iii) de-risk product candidates in advance of human proof-of-concept.

The first tool we use in our discovery process is our target expression atlas. Utilizing samples from normal and fibrotic human tissue, we developed a quantitative atlas of gene and protein expression across multiple fibrotic diseases. This database represents a wealth of data that we use to quantify expression of tissue specific targets for potential therapeutics. The atlas is continuously expanding through acquisition of additional samples as well as additional analyses. To date, we have advanced multiple potential targets to our early discovery pipeline.

The second important tool in our discovery process is our compound library that we screen for activity against targets identified through our target atlas. While we are agnostic to treatment modality, our initial targeted chemistry effort has been focused on integrin inhibitors, and our medicinal chemistry team has developed a proprietary library of over 4,500 potential integrin inhibitors. The goal of the library is to maximize structural diversity while targeting optimal absorption, distribution, metabolism and excretion, or ADME, properties. We expect that the library will continue to grow as we investigate new structures. We have designed the library based on *in silico* known X-ray structures/homology models, structure-activity relationships of structural motifs of known integrin inhibitors, and *de novo* molecular design. In addition to our proprietary integrin inhibitor library, we have a non-integrin compound library of over 70,000 compounds that we screen against non-integrin targets.

Once we have identified a potential target through our target expression atlas, we screen our library of compounds against the target. We have developed screening assays for 20 of the 24 known integrins and use these assays to evaluate the potency and selectivity of binding for our potential drug candidates prior to preclinical studies. Given the selectivity and potency challenges that have hampered integrin drug development, we believe our integrin assay panel represents a major step forward in integrin-based drug development.

We believe a key advantage of our development strategy is our ability to test our product candidates in live human fibrotic tissue, which helps us to bridge the gap between animal models and clinical proof-of-concept. We have developed proprietary protocols that extend the viability of live human explant tissue samples which allow us to reproducibly perform multiday experiments. We also maintain an on-call, around the clock team that obtains tissue samples following transplant procedures and transports those tissues to our lab within hours of explant, in a highly coordinated process. Our access to these live tissue samples allows us to evaluate the effects of our product candidates on multiple markers of anti-fibrotic activity. The data from these experiments increase our confidence that the tested product candidates will show anti-fibrotic effects in patients. In this way, our human tissue program serves to further de-risk product candidates and increase their likelihood of success in the clinic.

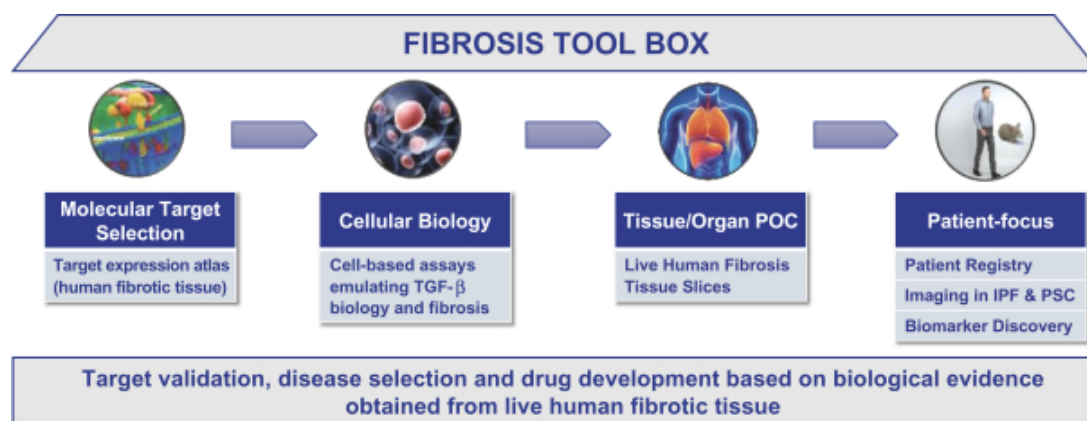
Once in clinical development, we continue to de-risk our programs by designing clinical trials that allow us to show proof-of-mechanism in advance of clinical efficacy data. Because fibrosis is a chronic disease, proof-of-

Table of Contents

efficacy in human trials is expensive and takes years to complete. We utilize pharmacodynamic biomarkers and advanced imaging techniques, including PET, to evaluate target engagement by our product candidates over relatively short time periods and observe whether the product candidate is having the anticipated effect. We believe obtaining these clinical data points in an efficient manner will allow us to optimize our clinical development strategy and resource allocation.

We and our partners also proactively conduct observational, natural history trials in target diseases to better understand disease pathophysiology and progression and develop new molecular biomarkers. Through these trials, we have gone on to develop patient registries and establish relationships with clinicians at leading medical research institutions dedicated to bringing novel fibrosis therapies to their patients.

We are developing an extensive biomarker discovery and validation program. We are seeking to develop biomarkers to (i) identify patients at high risk of rapid disease progression, (ii) identify patients more likely to respond to treatment and (iii) monitor early treatment responses. We are conducting clinical studies and other research with leading academic centers to track disease progression and collect biological samples such as blood, urine, and tissue biopsies which we can use to discover and validate novel biomarkers.



Our systematic approach to identifying and targeting integrins in fibrosis

Selective inhibition of TGF- β activation in fibrotic tissues could potentially be the safest and most effective approach to treating fibrosis. One way to accomplish this is to inhibit the integrin receptors that drive excessive activation of TGF- β . Given the importance of integrins in regulating the initial steps in fibrosis, we have focused our initial drug discovery efforts on a dual approach. This approach includes both biological profiling to identify which integrins are important in various diseased tissues and chemical profiling of libraries containing proprietary integrin inhibitors to help determine their selectivity and potency for individual integrins.

Utilizing our extensive in-house medicinal chemistry expertise, we have created a library of over 4,500 integrin-inhibitors. We screen this library against the integrin targets that we identify through our expression atlas and or biological profiling process. To our knowledge, this type of industrial-scale, systematic biological and chemical profiling, seeking selective inhibitors of one or more integrins, has not previously been carried out. We believe this combination makes our approach distinctive.

Central to our integrin inhibitor discovery process are our integrin assay panels. A key challenge in integrin inhibition, historically, has been selectivity for specific integrins. To address this challenge, we have developed assays against the 20 most relevant known integrins. We use these screening assays to measure potency and selectivity of potential candidates against these integrins. This allows us to quickly optimize the integrin binding profiles of potential development candidates in an iterative process.

[Table of Contents](#)

Integrins can undergo conformational change. This results in different binding affinities. We believe an ideal integrin inhibitor should potently bind across the spectrum of conformations. Through the use of specific assays, we can measure the potency of our product candidates against multiple integrin conformations and seek to optimize for candidates that are able to potently bind to all conformations.

In addition to our deep understanding of integrin biology, we have gained significant insight in structure-activity relationships that determine integrin selectivity and optimal PK profiles. Utilizing this knowledge, we are now able to precisely engineer orally bioavailable integrin inhibitors with high potency and desired selectivity.

Our integrin inhibitor profiling capability has enabled us to quickly identify inhibitors that target individual integrins such as PLN-1474, which selectively inhibits $\alpha v\beta 1$, as well as dual inhibitors such as PLN-74809 which selectively targets both $\alpha v\beta 6$ and $\alpha v\beta 1$. Combining the data from our biological profiling and chemical profiling sets has enabled us to identify compounds that we believe have the highest potential for therapeutic activity in specific fibrotic diseases. Our iterative drug discovery effort focuses on drug-like properties of compounds early in the testing process. Compounds are screened for *in vitro* potency/selectivity and ADME/PK properties. This enables us to move from compound optimization to *in vivo* testing in a matter of months.

In addition to PLN-1474 and PLN-74809, we continue to evaluate our broad proprietary library of integrin inhibitors to identify additional product candidates to treat fibrotic diseases. Furthermore, our approach allows us to use our discovery and development capabilities to develop non-integrin therapeutic modalities to treat fibrotic diseases. Our rich library also provides a deep series of potential backup molecules with structurally unique chemotypes that we believe can enhance the probability of clinical success.

As with all of our development efforts, a key approach to pre-clinically de-risking our integrin inhibitor candidates is evaluation of the candidates in live human fibrotic tissue obtained following transplant procedures. The ability to observe effects of our product candidates on gene expression in human tissues prior to entering the clinic provides a bridge from animal models to clinical proof-of-concept and helps give us additional confidence as we move toward human trials. Similarly, if our *ex vivo* live human tissue studies show little or no effect on the target genes, we can quickly reallocate resources, saving time and money, and minimizing unnecessary patient exposure.

A second important de-risking strategy involves biomarker measurement in both preclinical and early stage clinical studies. By utilizing specific biomarkers such as pSMAD2/3 that operate immediately downstream from TGF- β , we are able to measure the effects of our drugs on TGF- β activation. We believe understanding the ability of our drug candidates to reduce TGF- β activation is crucial to gaining confidence in the anti-fibrotic activity of our product candidates as we move forward in the clinic.

Once in Phase 2 clinical trials, we plan to use an advanced imaging technique to generate mechanistic data and de-risk the development of our candidates. Fibrosis is a chronic process and it can take 6 months to a year to see a clinical benefit with a drug candidate. We intend to utilize PET imaging to evaluate target engagement in patients and to determine if our candidates are having an effect in the tissues. We have an ongoing collaboration with Stanford pursuant to which we are evaluating Stanford's $\alpha v\beta 6$ PET ligand in IPF patients. We plan to use this ligand to evaluate the level of $\alpha v\beta 6$ expression in the lungs of IPF patients, as well as to measure our product candidate's ability to bind $\alpha v\beta 6$. Over time, we believe this imaging modality will be able to detect changes in expression levels of $\alpha v\beta 6$ and confirm whether our candidate is having its intended biological effect. In addition to the $\alpha v\beta 6$ PET ligand, we are internally developing PET ligands to other integrins that we will use to evaluate subsequent product candidates.

Our product candidates

PLN-74809 for the treatment of IPF and PSC

Our lead product candidate, PLN-74809, is an oral small-molecule, dual-selective inhibitor of $\alpha v\beta 6$ and $\alpha v\beta 1$ integrins which we are developing for the treatment of IPF and PSC. We have received orphan drug

designation for PLN-74809 in both IPF and PSC. We completed a Phase 1a trial of PLN-74809 in healthy volunteers and are currently conducting a Phase 1b trial in which we will assess target engagement and proof-of-mechanism in healthy volunteers by examining the inhibition of TGF- β activation in alveolar macrophages. We anticipate results from this trial to be available in mid-2019.

Idiopathic pulmonary fibrosis background

IPF is a debilitating, age-related lung disease of unknown causes that has few treatment options. It is a form of progressive pulmonary fibrosis that leads to thickening and stiffening of the lung tissue resulting in the loss of lung function. As tissue scarring progresses, the lungs' ability to transfer oxygen into the bloodstream becomes increasingly impaired. Average life expectancy at the time of confirmatory diagnosis of IPF is estimated to be between three and four years. Approximately 60 to 80 percent of patients die within five years of diagnosis. These survival rates are worse than those of many late stage cancers, such as stage 3 breast cancer.

Patients with IPF experience debilitating symptoms, including shortness of breath and difficulty performing routine functions, such as walking and talking. Other symptoms include a chronic, dry, hacking cough; fatigue; weakness; discomfort in the chest; loss of appetite; and weight loss. IPF is a rare disease that affects approximately 140,000 people in the United States. There are an estimated 30,000 to 40,000 new cases diagnosed each year.

Currently, there is no pharmacological cure for IPF and only a small proportion of late-stage IPF patients may be eligible for a lung transplant. The current non-transplant standard of care aims to slow the disease progression and improve the quality of life. Two therapies to treat IPF have recently been approved by the FDA: Esbriet® (pirfenidone), marketed by Genentech, and OFEV® (nintedanib), marketed by Boehringer Ingelheim. After decades during which the FDA approved no new treatments for IPF, the approvals of pirfenidone and nintedanib represented a major breakthrough for IPF patients. However, while these therapies may help slow the decline of lung function, neither drug has been shown to stop the progression of IPF. We believe that, despite the approval of pirfenidone and nintedanib by FDA, there remains an unmet need for IPF patients that we plan to address through our product candidate.

Despite its mechanism of action being unknown, pirfenidone has been shown in registrational trials to have a modest effect on slowing the progression of IPF as measured by forced vital capacity, or FVC, in approximately fifteen percent of patients. Recent studies suggest that pirfenidone may have an impact on survival compared to placebo, but these results have not been confirmed.

Nintedanib is an inhibitor of multiple tyrosine kinases that are receptors for growth factors such as platelet-derived growth factor, or PDGF, fibroblast growth factor, or FGF, and vascular endothelial growth factor or VEGF. Nintedanib reduced the rate of decline of pulmonary function in multiple trials by approximately half and led to significant delays in the time to acute disease exacerbation. While treatment was associated with a trend towards increased survival in registration trials, it has not been shown conclusively to have a survival benefit. Recent exploratory analyses from pooled data from six clinical trials of nintedanib suggest that nintedanib may extend life expectancy in patients with IPF.

Elevated liver enzymes have been observed with both of these drugs, requiring monitoring of liver tests and potentially temporary dose reduction and discontinuation. Cases of drug-induced liver injury, including one fatal outcome, have been reported in patients treated with nintedanib. Pirfenidone's prescribing information also carries a similar warning about elevated liver enzymes. Despite the remaining unmet need, combined sales of pirfenidone and nintedanib in 2018 were over \$2 billion. IPF remains a major cause of morbidity and mortality and an area of high unmet medical need for which a commercial opportunity remains.

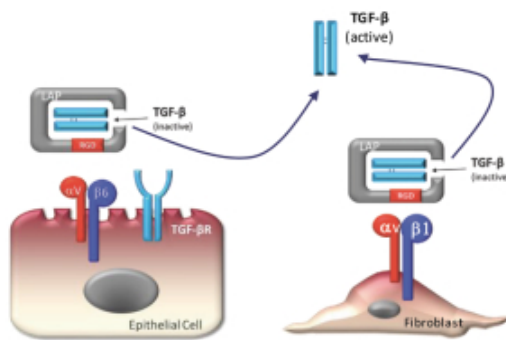
Primary sclerosing cholangitis background

PSC is a progressive liver disorder characterized by inflammation and fibrosis of the bile ducts which transport bile from the liver to the intestines. This type of fibrosis often results in obstruction or interruption of bile flow from the liver, a condition known as cholestasis, leading to liver fibrosis. Cirrhosis eventually develops and many individuals ultimately require a liver transplant. PSC patients are also at a higher risk of developing hepatobiliary cancers, including a 5 to 20 percent lifetime chance of developing cholangiocarcinoma, a typically rare form of cancer with an especially poor prognosis. The exact cause of PSC is unknown. PSC is normally diagnosed at middle age, with a median age at diagnosis of approximately 40 years old. The prevalence of PSC in the United States is estimated to be between 30,000 and 45,000 patients.

In the absence of liver transplant, median survival of PSC patients is 10 to 12 years following diagnosis without intervention. There are currently no approved pharmacological treatments for PSC. A number of immunosuppressive and anti-inflammatory agents have been studied in patients with PSC, but none has been conclusively proven to slow progression. Liver transplantation is the only available treatment for PSC patients; however, disease has been shown to recur in up to 20 percent of patients following transplantation.

Our solution, PLN-74809

PLN-74809 is a small-molecule that selectively inhibits both $\alpha_v\beta_6$ and $\alpha_v\beta_1$ integrins that we are developing as a potential once daily oral therapy for IPF and PSC. We have determined that TGF- β activation in fibrosis associated with IPF and PSC involves both $\alpha_v\beta_6$ and $\alpha_v\beta_1$ integrins. It has been shown that expression of both $\alpha_v\beta_6$ on epithelial cells and $\alpha_v\beta_1$ on fibroblasts can lead to excessive activation of TGF- β in fibrosis. Epithelial tissue includes any tissue that lines the surfaces of the body such as alveoli, bile ducts, urinary tract, skin, and gastrointestinal tract. Each of these tissues contains multiple cell types including epithelial cells and fibroblasts. An important secondary effect of the TGF- β cascade is that it promotes upregulation of $\alpha_v\beta_6$ on epithelial cells. The increased expression of these integrins on the cell surface contributes in turn to further TGF- β activation in a TGF- β -driven positive feed-forward loop.

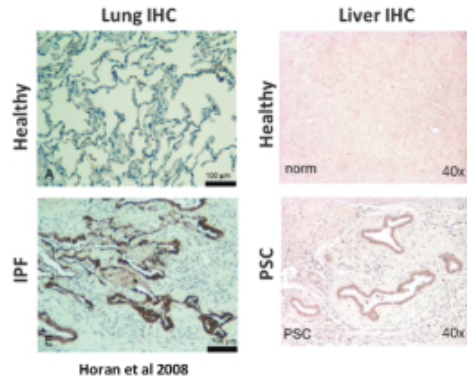


Activation of TGF- β by $\alpha_v\beta_6$ and $\alpha_v\beta_1$ leads to:

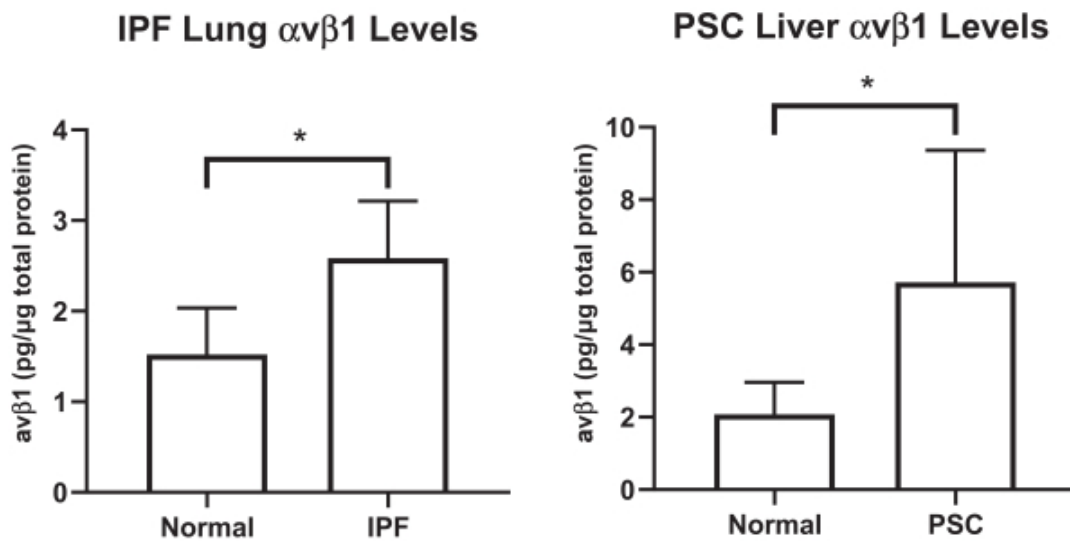
- Activation of TGF- β signaling pathways
- Expression of pro-fibrotic genes including *COL1A1*
- Subsequent collagen production and deposition
- Additional upregulation of $\alpha_v\beta_6$

Epithelial tissue fibrosis is driven by two types of integrins

Data from our lab, as well as scientific literature, have shown that $\alpha_v\beta_6$ and $\alpha_v\beta_1$ proteins are overexpressed in at least two different fibrosis indications: IPF and PSC. In lung tissue from IPF patients we and others have shown that alveolar epithelial cells have elevated $\alpha_v\beta_6$ expression, and that the level of over-expression correlates with disease severity. We have also shown that in these patients, $\alpha_v\beta_1$ expression is upregulated. In liver tissue from PSC patients, we have shown that $\alpha_v\beta_6$ is upregulated in cholangiocytes, the epithelial cells that line the bile ducts, and that $\alpha_v\beta_1$ is upregulated in whole fibrotic liver tissue. $\alpha_v\beta_6$ and $\alpha_v\beta_1$ are normally expressed at very low levels in healthy tissue making them ideal targets for selectively inhibiting TGF- β activation in IPF and PSC.



αvβ6 is upregulated in the lung tissue of IPF patients and the liver tissue of PSC patients

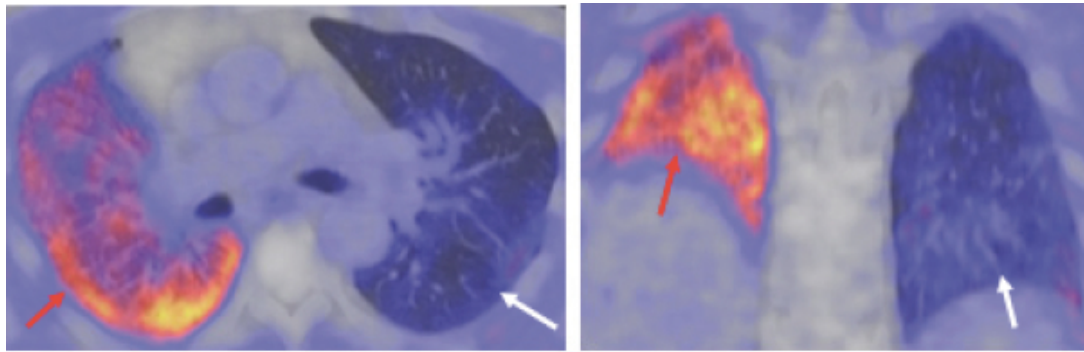


* = p < 0.05(1)

- (1) A p-value is the probability that the reported result was achieved purely by chance, such that a p-value of less than or equal to 0.05 or 0.01 means that there is a 5.0% or 1.0% or less probability, respectively, that the difference between the control group and the treatment group is purely due to chance. A p-value of 0.05 or less typically represents a statistically significant result.

αvβ1 expression is upregulated in lung and liver fibrosis

We have conducted a non-interventional clinical trial in IPF patients to assess the expression of integrin αvβ6 using a PET ligand. This trial confirmed that patients with IPF have high levels of integrin αvβ6 expression, which tend to be co-localized with fibrotic regions of the lungs. The specificity of this PET ligand can be seen in images from an IPF patient who received a unilateral lung transplant. The PET ligand is only taken up in the diseased lung but not in the transplanted healthy lung.



Red arrow: IPF lung
White arrow: transplant lung

Pulmonary $\alpha v\beta 6$ PET ligand uptake in an IPF patient with a unilateral lung transplantation is confined to the IPF lung

We have shown that inhibition of both $\alpha v\beta 6$ and $\alpha v\beta 1$ integrins is required to maximally inhibit the expression of *COL1A1*, a key gene that encodes type I collagen, in models of lung and biliary fibrosis as well as in human IPF tissue. *COL1A1* is a TGF- β regulated gene that is expressed in fibrotic tissue. The expression level of *COL1A1* correlates with the amount of collagen deposited as measured by the standard biochemical method of quantification of hydroxyproline, an amino acid that is a major component of collagen.

Clinical development of PLN-74809

Completed and ongoing trials

We completed a Phase 1a SAD/MAD and food effect clinical trial of PLN-74809 in healthy volunteers. In the SAD portion of the trial, single doses of PLN-74809 were administered orally to 32 volunteers across four cohorts at doses of 15, 30, 50 and 75 mg. Eight additional volunteers in the SAD portion of the trial received placebo. In the MAD portion of the trial, PLN-74809 was administered orally to 27 volunteers, once-daily over 14 days at 10, 20 and 40 mg. Six additional volunteers in the MAD portion of the trial received placebo. In the food effect part of the trial, PLN-74809 was administered orally to 12 volunteers, administered as a single dose of 40 mg with and without food. PLN-74809 was shown to be well tolerated with no dose-related AEs. All but two AEs reported in the entire trial were mild except for a moderate AE of dental abscess (SAD, 30 mg dose cohort) and a moderate AE of viral syndrome (MAD, 40 mg dose cohort). All AEs resolved or recovered and no dose relationship for AEs was observed. No notable findings were observed for laboratory abnormalities, vital signs or ECG/telemetry.

Adverse Events Reported by Participants Receiving PLN-74809

Study Part	PLN-74809 Dose	Adverse Event	Severity
SAD	15 mg	None	-
SAD	30 mg	Constipation ^a	Mild
		Dental abscess ^a	Moderate
		Headache	Mild
SAD	50 mg	None	-
SAD	75 mg	Superficial skin abrasion	Mild
FE-P1	40 mg	None	-
FE-P2	40 mg	Upper respiratory infection	Mild
		Constipation	Mild
MAD	10 mg QD	None	--
MAD	20 mg QD	Back sprain ^b	Mild
		Constipation ^b	Mild
		Constipation	Mild
		Contact dermatitis	Mild
		Nausea ^c	Mild
		Headache ^c	Mild
		Intermittent epigastric discomfort + minty-cool taste ^c	Mild
MAD	40 mg QD	Viral syndrome ^d	Moderate
		Frequent bowel movements ^d	Mild
		Right back muscle spasm ^d	Mild

FE = Food effect; MAD = multiple ascending dose; P1 = Period 1; P2 = Period 2; SAD = single ascending dose.

a, b, c, d: Same participant

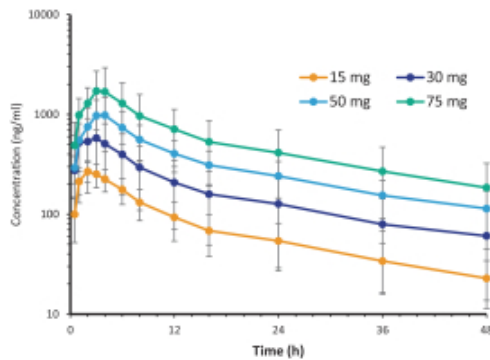
Additionally, PLN-74809 was well absorbed orally, and displayed a half-life of over 20 hours. PLN-74809 reached steady state plasma concentrations after seven days of dosing. Co-administration of PLN-74809 with food decreased drug concentrations relative to the fasted state, with AUC decreasing by approximately 40 percent and C_{max} by approximately 50 percent.

We are currently conducting a Phase 1b proof-of-mechanism trial in healthy volunteers that is similar in design to our previously completed non-human primate mechanistic trial. We will measure PLN-74809's ability to block TGF-β signaling as measured by pSMAD levels in pulmonary alveolar macrophages collected from broncho-alveolar lavage, or BAL, fluid obtained through bronchoscopy. In this procedure, a bronchoscope is passed through the mouth or nose and fluid is injected into the lungs then collected along with any displaced

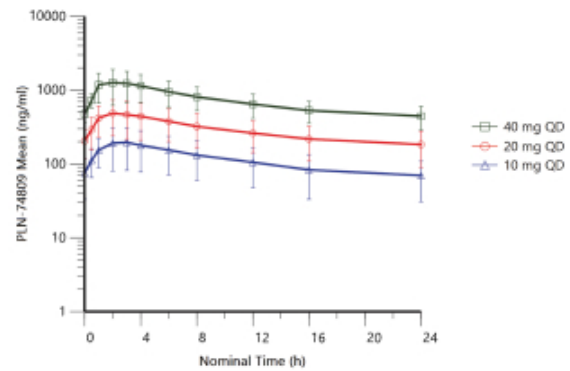
Table of Contents

cells. These cells can then be assayed for biomarkers such as pSMAD. We are conducting this trial in healthy volunteers due to the safety risk associated with BAL procedure in IPF patients. We believe this trial will allow us to further characterize the PK/PD relationship in humans and will serve to inform our dose selection for Phase 2.

Phase 1a SAD PK

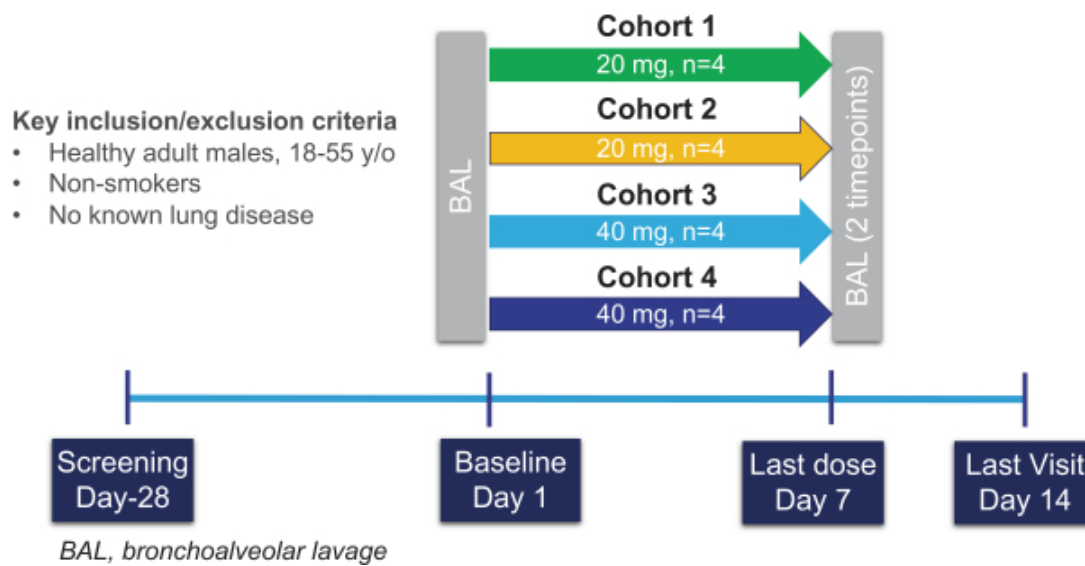


Phase 1a MAD PK at Day 13



In our Phase 1b trial, we expect to enroll 16 volunteers across four equal cohorts (randomized 3:1 active to placebo); two cohorts dosed at 20 mg once daily and two cohorts dosed at 40 mg once daily. We expect that volunteers will undergo an initial BAL procedure prior to treatment to measure baseline pSMAD levels. They will then be treated with PLN-74809 or placebo for seven days, after which they will undergo two additional BAL procedures to measure the amount of pSMAD reduction post-treatment at multiple time points. By utilizing two cohorts each for the 20 mg and 40 mg doses, our objective is to measure pSMAD and drug levels at 4 different time points post treatment for each dose (3, 6, 12 and 24 hours post-dose on day 7), that will allow assessment of PK/PD relationship over a 24-hour period. We expect to receive data from this trial in mid-2019.

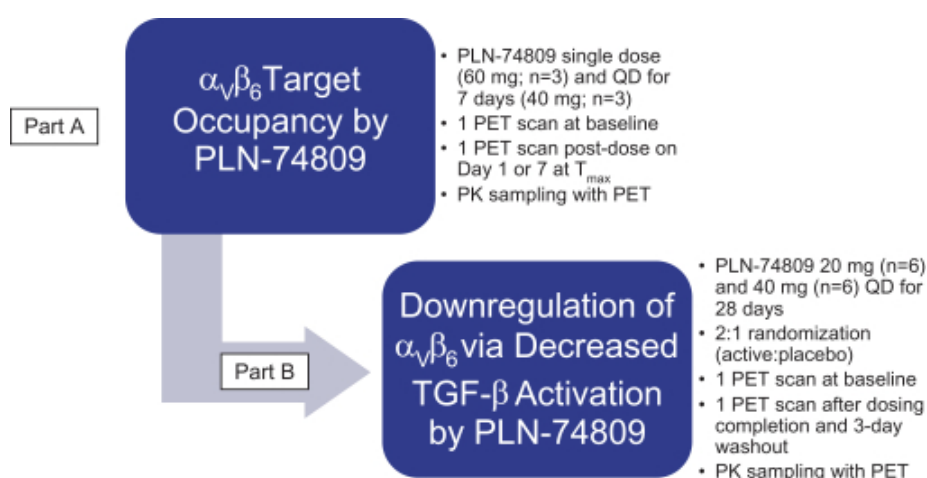
Randomization 3:1 (active:placebo)



Planned clinical trials for IPF and PSC

In the second half of 2019, we plan to initiate two Phase 2a trials of PLN-74809 in patients with IPF. In the first of these trials, we plan to utilize a PET ligand to $\alpha_v\beta_6$ that allows imaging of target engagement by PLN-74809 in the lungs of IPF patients during treatment. This trial will target enrollment of a total of 18 patients in two parts, A and B. In Part A, we plan to enroll 6 patients in two sequential cohorts: first, a 60 mg single-dose cohort (n=3) followed by a 40 mg multiple-dose cohort (n=3) treated for seven days. We will obtain a PET scan at baseline to evaluate $\alpha_v\beta_6$ expression levels in the patients' lungs and then initiate treatment with open-label PLN-74809. In Part A, the post-treatment PET scan will be performed at approximately three hours after administration of the last dose, which will enable us to evaluate PLN-74809's target engagement in patients' lungs at maximum drug concentration. When PLN-74809 binds to the $\alpha_v\beta_6$ receptor, we would expect to see decreased PET ligand uptake in the lungs post-treatment when compared to pre-treatment levels. The relationship between dose and target engagement is important to guide dose selection in future studies. We expect data from Part A to be available in the first quarter of 2020.

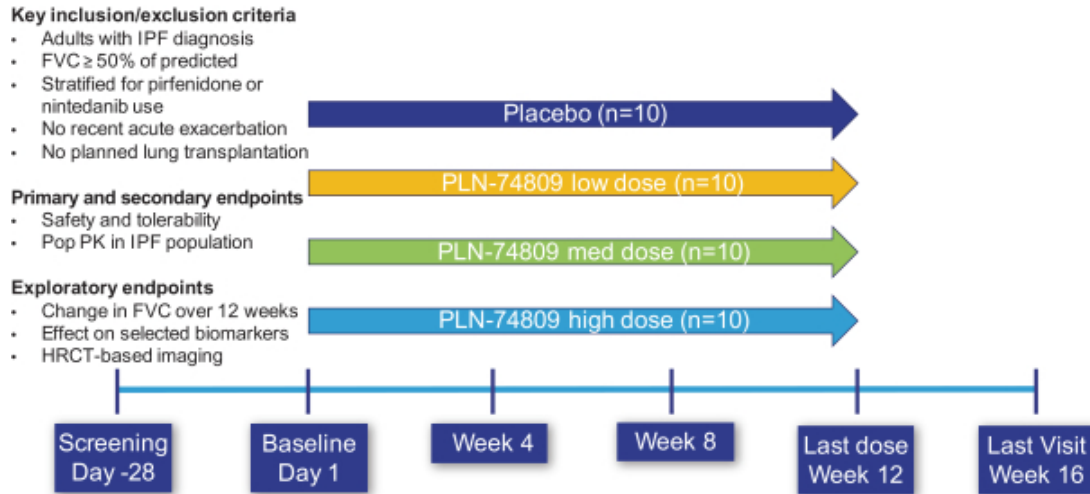
In Part B of our Phase 2a PET imaging trial, we plan to measure whether prolonged treatment with PLN-74809 can break the TGF- β -driven positive feed-forward loop, as previously described, therefore causing downregulation of $\alpha_v\beta_6$ expression in the lungs of IPF patients. We plan to enroll a total of 12 patients randomized across two PLN-74809 dose groups, 20 mg once daily and 40 mg once daily, or placebo (randomized 3:1 active to placebo). After obtaining a pre-treatment baseline PET scan to evaluate $\alpha_v\beta_6$ expression levels in the patients' lungs, we will treat patients for 28 days, followed by a 3-day drug washout period. We will obtain a second, post-treatment PET scan following completion of dosing and washout to evaluate post-treatment $\alpha_v\beta_6$ expression levels. If prolonged PLN-74809 treatment is successful in causing downregulation of $\alpha_v\beta_6$, we would expect to see reduced PET ligand uptake in patient lungs post-treatment vs. baseline. Downregulation of $\alpha_v\beta_6$ expression would reflect effective inhibition of the TGF- β signaling pathway in IPF patients by PLN-74809.



Design of four week Phase 2a IPF PET imaging trial

We plan to initiate our second Phase 2a randomized, double-blind, placebo-controlled IPF trial in the second half of 2019 evaluating up to three doses of PLN-74809 and enrolling approximately 40 IPF patients. This trial is planned to be initiated as a 4-week trial in a limited number of patients and transitioned into a 12-week trial once non-clinical data support longer term dosing. The primary endpoints for this trial will be safety and tolerability, as well as PK in IPF patients. We plan to evaluate exploratory endpoints including pulmonary function tests, biomarkers, and imaging.

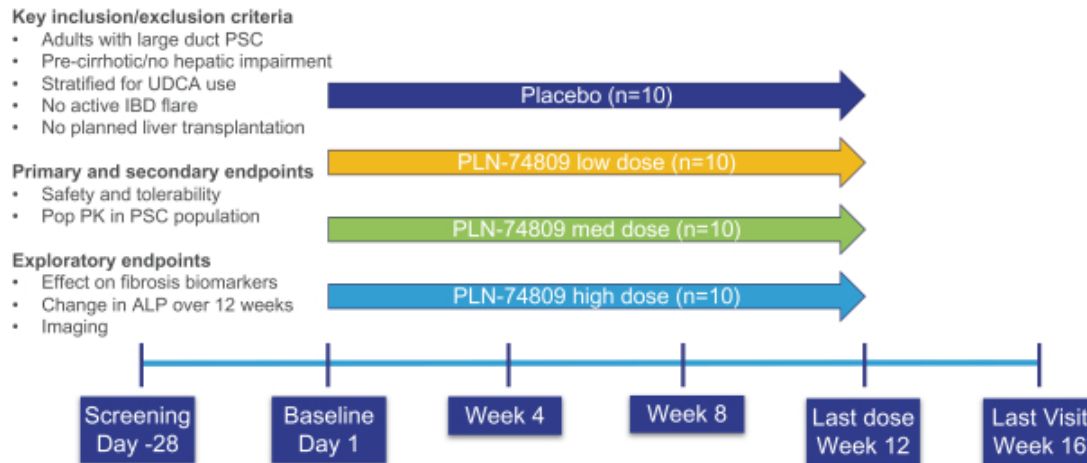
12 Week Safety, PK, Biomarker Trial in IPF Patients



Design of 12 week Phase 2a IPF trial

We plan to file an IND for PLN-74809 in PSC in the second half of 2019 and to initiate our third Phase 2a randomized, double-blind, placebo-controlled trial in PSC patients as soon as possible thereafter. We plan to utilize a similar approach to the previously described IPF study, initiating the trial with a 4-week duration in a limited number of patients and transitioning to a 12-week trial involving approximately 40 PSC patients, evaluating up to three doses of PLN-74809 or placebo. We expect the primary endpoints for this trial will be safety and tolerability, as well as PK. We will also employ exploratory endpoints including fibrosis biomarkers, change in liver function, and imaging.

12 Week Safety, PK, Biomarker Trial in PSC Patients



Design of 12 week Phase 2a PSC trial

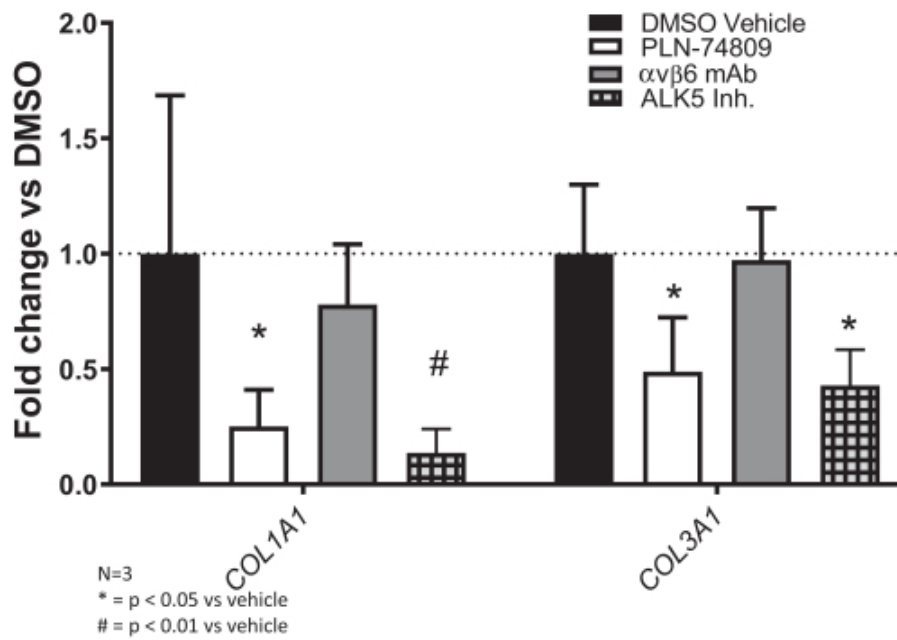
Preclinical data in IPF

Summary Preclinical Data in IPF	
Preclinical Findings	Observations
PLN-74809 reduced collagen gene expression in live human IPF lung tissue	<ul style="list-style-type: none"> Greater than 50% decrease in expression of <i>COL1A1</i> and <i>COL3A1</i> relative to DMSO vehicle control An antibody to $\alpha\text{v}\beta\text{6}$ did not significantly decrease expression
pSMAD3 was correlated with extractable collagen levels in patients suspected of having IPF	<ul style="list-style-type: none"> pSMAD3 and extractable, or newly formed, collagen 1 were measured in biopsy samples from 18 patients and 5 controls. pSMAD3 and extractable collagen 1 were correlated with an r value of 0.7807 ($p < 0.0001$)
$\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ expression is elevated in mouse bleomycin IPF models	<ul style="list-style-type: none"> In both acute and chronic bleomycin IPF mouse models, expression of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ integrins was higher in bleomycin exposed animals compared to healthy controls
Dual $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ inhibition decreased collagen more than $\alpha\text{v}\beta\text{6}$ or $\alpha\text{v}\beta\text{1}$ single inhibition in mouse chronic bleomycin precision cut lung slices	<ul style="list-style-type: none"> Dual inhibition of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ at 10x IC_{50} significantly decreased <i>Col1a1</i> expression relative to DMSO vehicle control Single inhibition of either $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ at 10x IC_{50} did not show significant decrease in <i>Col1a1</i> expression
PLN-74809 showed a dose dependent reduction in collagen fiber density in a mouse bleomycin IPF model	<ul style="list-style-type: none"> Three weeks of treatment with PLN-74809 utilizing second-harmonic generation resulted in a dose dependent decrease in collagen fiber density Fibrous composite score was significantly reduced in a dose dependent manner vs. vehicle control
PLN-74809 decreased TGF- β activation in chronic bleomycin mouse model	<ul style="list-style-type: none"> After two weeks of treatment with PLN-74809 levels of pSMAD3 were significantly reduced compared to PBS vehicle control Post-treatment pSMAD levels were similar to those of healthy controls
Inhibition of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ blocked TGF- β activation in the pulmonary cells of non-human primates	<ul style="list-style-type: none"> After seven days of treatment with dual $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ inhibitor pSMAD2 levels were reduced by greater than 75% in pulmonary cells of non-human primates An anti-$\alpha\text{v}\beta\text{6}$ antibody showed approximately 50% decrease Dual inhibition showed a clear PK/PD relationship with maximal pSMAD suppression was achieved and maintained while drug concentrations were in the effective dose range (i.e., above the plasma protein adjusted IC_{50}, or p.a. IC_{50})
PLN-74809 binds to all conformations of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ in biochemical assays	<ul style="list-style-type: none"> PLN-74809 binds both bent-closed and extended-open conformations of $\alpha\text{v}\beta\text{6}$ and $\alpha\text{v}\beta\text{1}$ at below 2.0 nM concentrations

PLN-74809 reduced collagen gene expression in live human IPF lung tissue

In an assay using live lung tissue from a patient with IPF, application of PLN-74809 led to significant decrease in expression of *COL1A1* and *COL3A1*, two genes responsible for collagen production. The degree of inhibition observed with PLN-74809 was similar to the degree of inhibition resulting from complete blockade of

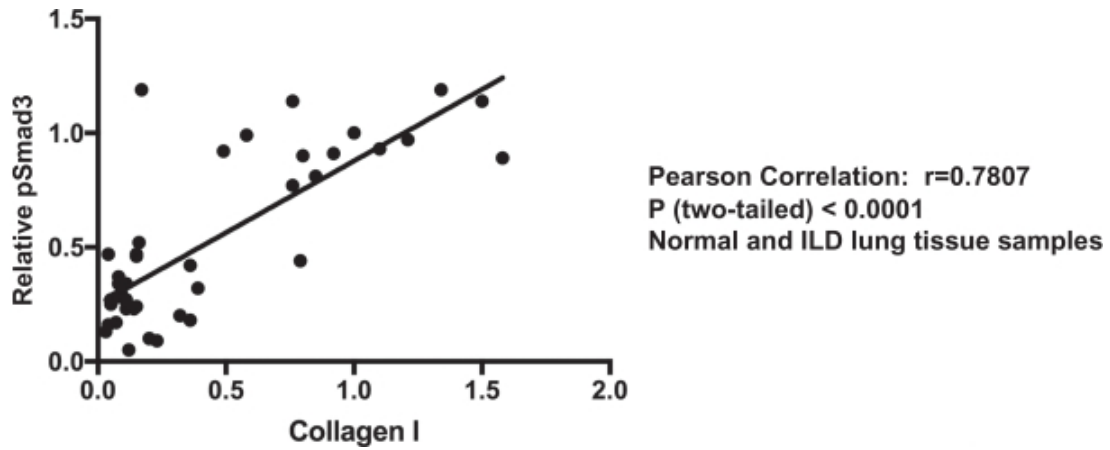
TGF- β signaling using a direct inhibitor of its TGF- β type I receptor kinase, also known as ALK5. In contrast, an $\alpha\text{v}\beta6$ -specific monoclonal antibody, or mAb, that we synthesized based on publicly available information regarding Biogen's antibody, 3G9, was unable to significantly inhibit *COL1A1* or *COL3A1* expression.



Combined inhibition of $\alpha\text{v}\beta6$ and $\alpha\text{v}\beta1$ provided increased anti-fibrotic activity in live human fibrotic tissue as compared to DMSO vehicle control.

pSMAD3 was correlated with extractable collagen levels in patients suspected of having IPF

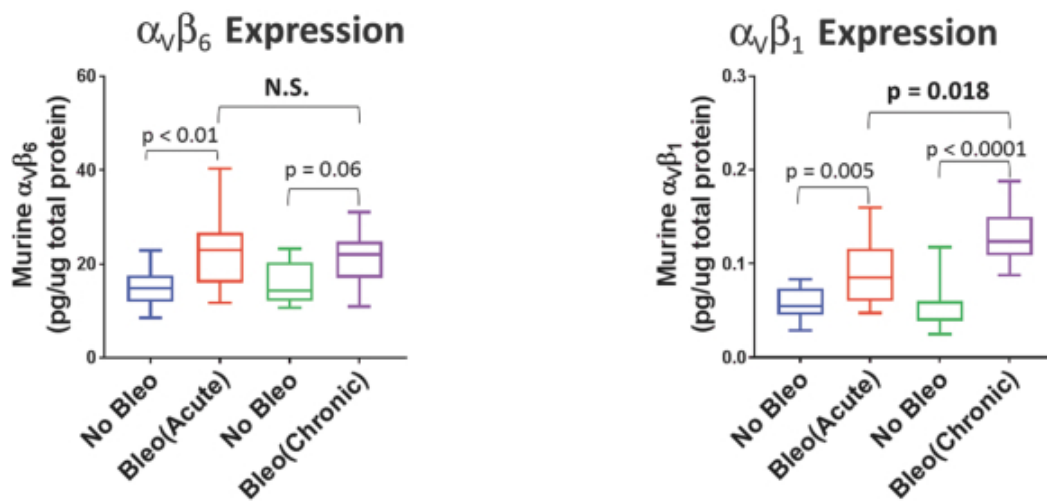
Open lung biopsies for histologic confirmation of IPF diagnosis were performed in 18 patients with interstitial lung disease, or ILD, who were suspected of having IPF. As part of this analysis, five controls (non-transplanted donor lungs) were also included. Multiple biopsies were taken from different lobes of each lung. Total pSMAD3 and extractable collagen 1 were measured by western blot. Extractable collagen 1 is thought to be collagen that has been recently formed and has not been cross-linked to the extracellular matrix. Total pSMAD3 and extractable collagen were significantly correlated. Higher pSMAD3 levels corresponded to higher levels of recently produced collagen.



pSMAD3 levels are correlated with extractable collagen in lung biopsies from patients suspected of having IPF

avβ6 and avβ1 expression is elevated in mouse bleomycin IPF model

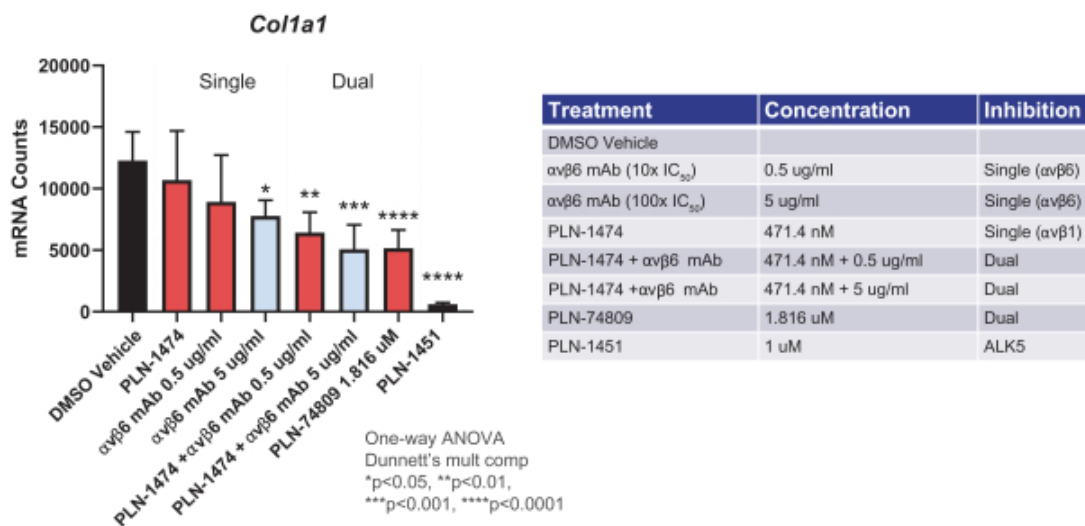
We used the increased expression of both avβ6 and avβ1 integrins in human disease samples to select animal models with similar characteristics which we then employed for higher-throughput and more extensive testing than would be feasible with primary human tissue. The bleomycin model is the most extensively used model of IPF due to its ability to reproduce many aspects of the disease. The pattern of expression of integrins suggests that the bleomycin model can serve as a valid preclinical surrogate for evaluating the effects of integrin inhibition in IPF. We confirmed that both avβ6 and avβ1 integrins are upregulated in a mouse model of pulmonary fibrosis induced by exposure to bleomycin. In both acute and chronic versions of this model, expression of avβ6 and avβ1 integrins were higher in bleomycin-exposed animals compared to healthy controls.



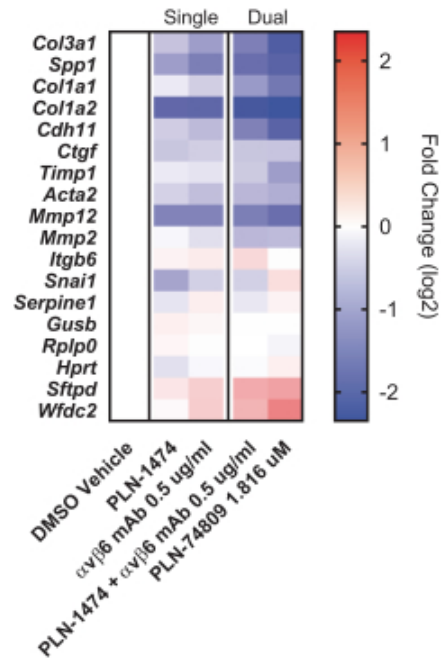
avβ6 and avβ1 expression in murine bleomycin model

Dual $\alpha\beta6$ and $\alpha\beta1$ inhibition decreased collagen more than $\alpha\beta6$ or $\alpha\beta1$ single inhibition in mouse chronic bleomycin precision cut lung slices

To further understand the anti-fibrotic effect of single vs. dual integrin inhibition in the murine chronic bleomycin model, we performed assays on precision cut lung slices from chronic bleomycin mouse lungs. We incubated the samples for seven days with either a single selective $\alpha\beta1$ inhibitor (PLN-1474), a single selective $\alpha\beta6$ inhibitor ($\alpha\beta6$ mAb), or a dual selective $\alpha\beta6/\alpha\beta1$ inhibitor. Dual selective inhibition was accomplished with either PLN-74809 or a combination of PLN-1474 and the $\alpha\beta6$ mAb. In this assay, we also compared against PLN-1451, an inhibitor of the TGF- β receptor kinase ALK5, as a positive control. We measured effects on pro-fibrotic gene expression through the mRNA counts for *Col1a1*. PLN-1474, a single selective inhibitor of $\alpha\beta1$, and the $\alpha\beta6$ mAb, dosed at 10x their IC_{50} , failed to show a significant reduction in *Col1a1* expression. PLN-74809 showed a significant reduction in *Col1a1* expression that was similar to what was seen when PLN-1474 and the $\alpha\beta6$ mAb were incubated as a combination therapy. We also evaluated gene expression across a broad panel of 17 additional pro-fibrotic genes. Similar to *Col1a1*, dual inhibition resulted in a greater reduction in gene expression across the panel versus single inhibition.



Dual $\alpha\beta6/\alpha\beta1$ inhibition blocked *Col1a1* expression more than single inhibition ($\alpha\beta6$ or $\alpha\beta1$) in chronic bleomycin lung slices

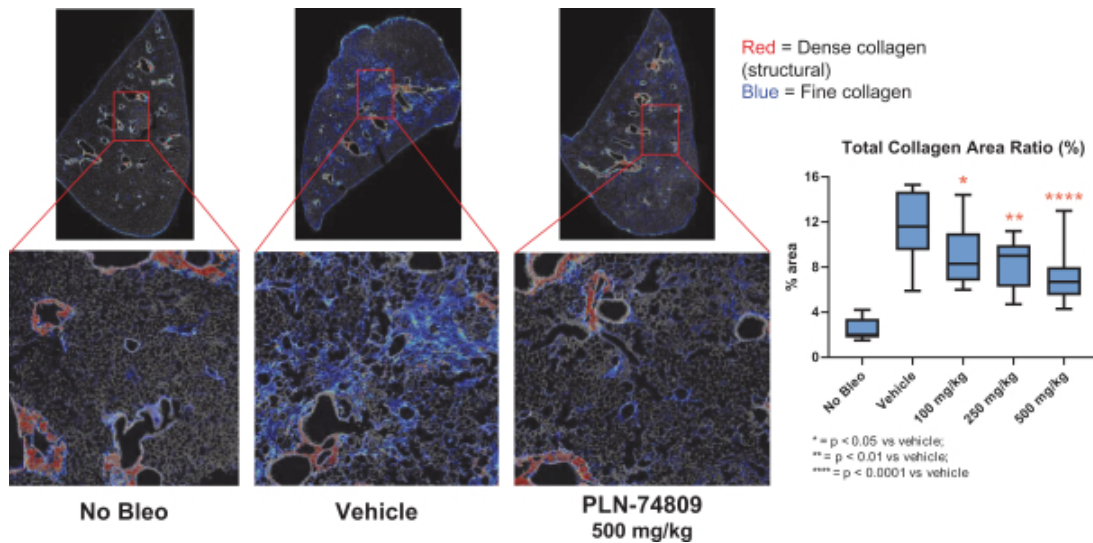


Treatment	Concentration	Inhibition
DMSO		
αvβ6 mAb (10x IC ₅₀)	0.5 ug/ml	Single (αvβ6)
PLN-1474	471.4 nM	Single (αvβ1)
PLN-1474 + αvβ6 mAb	471.4 nM + 0.5 ug/ml	Dual
PLN-74809	1.816 uM	Dual

Dual αvβ6/αvβ1 inhibition blocked profibrotic gene expression more than single inhibition (αvβ6 or αvβ1) in chronic bleomycin lung slices

PLN-74809 showed a dose-dependent reduction in collagen fiber density in a mouse bleomycin IPF model

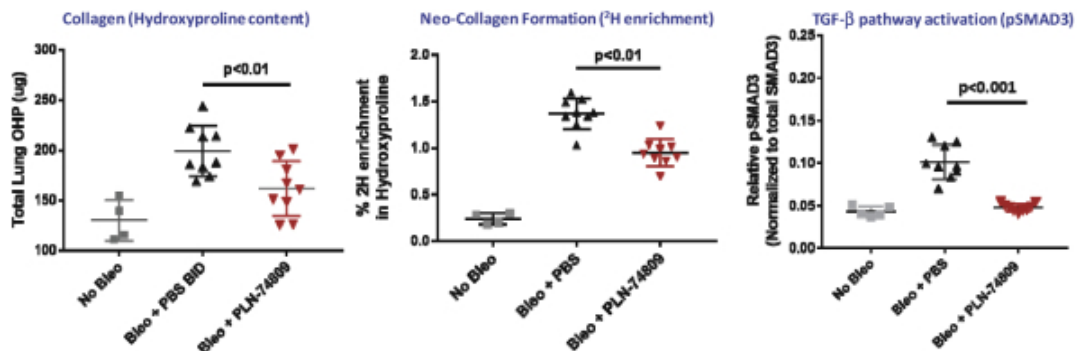
We evaluated three doses of PLN-74809 in a mouse bleomycin IPF model utilizing second-harmonic generation to evaluate the amount of new collagen formation ongoing post-treatment with PLN-74809. We evaluated 100 mg/kg, 250 mg/kg, and 500 mg/kg doses against vehicle control and saw a dose dependent reduction in collagen fiber density and fibrosis composite score.



PLN-74809 resulted in a dose-dependent decrease in collagen fiber density in a mouse bleomycin IPF model as measured through second-harmonic generation

PLN-74809 decreased TGF-β activation in chronic bleomycin mouse model

We confirmed through biochemical analyses that anti-fibrotic efficacy of PLN-74809 in the bleomycin model was due to blockade of TGF-β activation. A key biochemical marker of TGF-β activation is the phosphorylation of SMAD2/3. In the bleomycin model, two weeks of treatment with PLN-74809 reduced pSMAD3 levels to those seen in control mice that had not been exposed to bleomycin in the acute IPF model. In addition, levels of newly formed collagen, or neo-collagen, and total lung hydroxyproline content were significantly reduced in the treatment group.

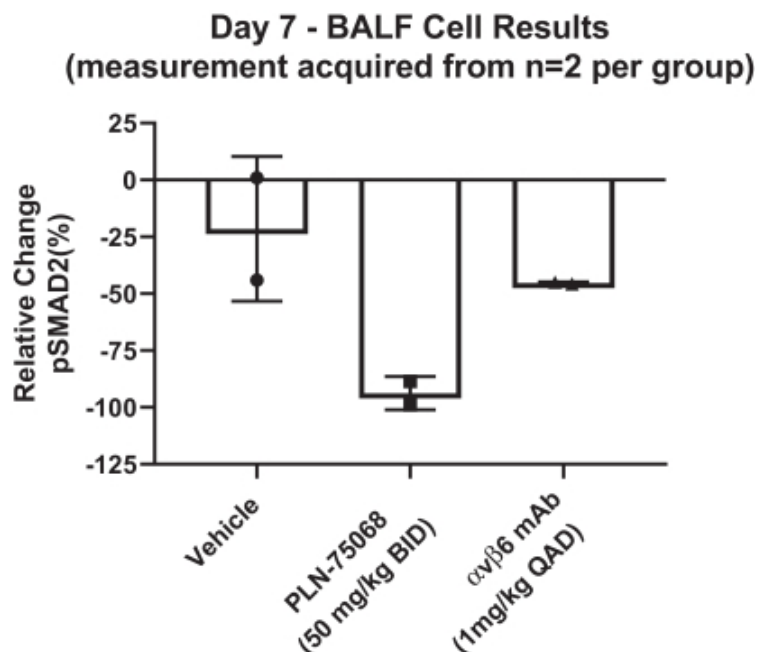


PLN-74809 blocked TGF-β activation in a chronic bleomycin model

The ability to measure TGF- β activation through SMAD phosphorylation also provided us with the opportunity to develop SMAD2/3 phosphorylation as a biomarker that correlates with $\alpha v\beta 6$ and $\alpha v\beta 1$ integrin inhibition.

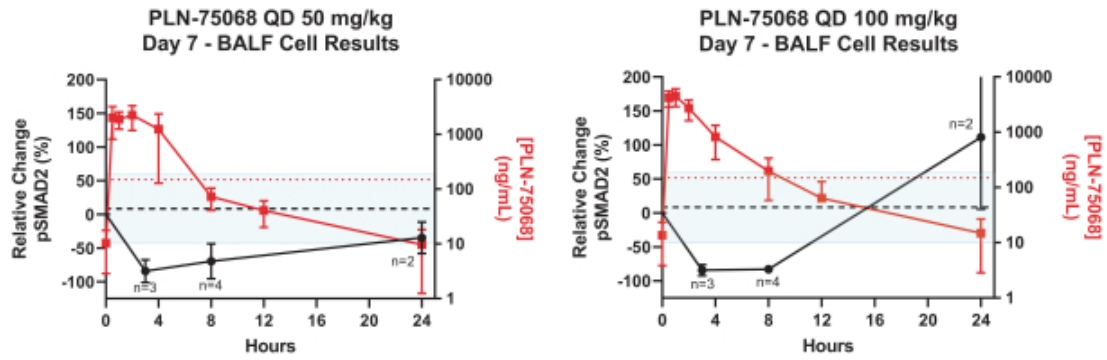
Inhibition of $\alpha v\beta 6$ and $\alpha v\beta 1$ blocked TGF- β activation in the pulmonary cells of non-human primates

We conducted a non-human primate study to validate pSMAD as a biomarker for TGF- β activation for future clinical studies. Given that this study will not be part of our regulatory package for our lead compound, PLN-74809, we used PLN-75068, a close analog to PLN-74809, with a similar binding and PK profile for this particular study. In the first stage of this study, we treated non-human primates with PLN-75068 at 50 mg/kg twice daily, or with the $\alpha v\beta 6$ mAb at 1 mg/kg every other day for seven days. We performed BAL procedures on the monkeys pre- and post- treatment and measured pSMAD2 levels in the pulmonary macrophages. BAL fluid collected three hours after dosing showed a significant reduction of pSMAD2 levels when compared to pre-treatment levels. The $\alpha v\beta 6$ mAb showed pSMAD2 level reduction as well, but the effect was less pronounced than for PLN-75068.



BID Dosing of PLN-75068 reduced pSMAD2 levels in non-human primate alveolar fluid

A second stage of this study was designed to evaluate the PK/PD relationship between PLN-75068 and the inhibition of TGF- β activation. In this stage, we dosed monkeys at either 50 mg/kg or 100 mg/kg once a day for seven days. We designed the study to obtain multiple BAL measurements after the last treatment in order to understand how changes in the pSMAD2 levels relate to serum levels of PLN-75068. Dosing of PLN-75068 in non-human primates showed a decrease in the pSMAD2 levels at both doses. Soon after dosing, when drug concentrations were at their peak, the levels of pSMAD2 levels showed a reduction of more than 75 percent. As the drug concentration decreased, pSMAD2 levels gradually returned to baseline levels. Importantly, the 50 mg/kg and 100 mg/kg dosing groups resulted in similar levels of pSMAD2 level reduction; however, the 100 mg/kg dose stayed in the effective dose range longer, and therefore maintained pSMAD2 level reduction for a longer period.

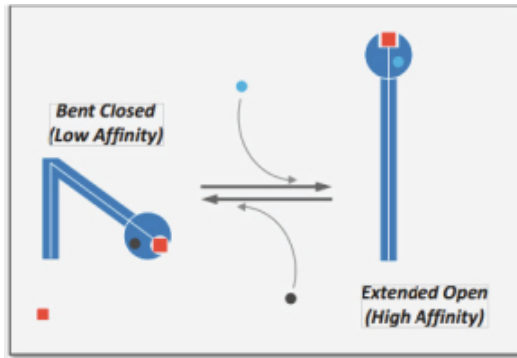


QD dosing of PLN-75068 reduced pSMAD2 levels

PLN-74809 binds to all conformations of $\alpha_v\beta_6$ and $\alpha_v\beta_1$ in biochemical assays

Integrins are cellular adhesion proteins having a high degree of structural flexibility with two predominant forms: an extended form with high affinity for binding to ligands, and a bent or closed form in which the ligand binding domain has low affinity for binding to ligands. The conformation of the integrin can also dramatically alter the binding of potential therapeutics such as antibodies.

Biochemical profiling of PLN-74809 confirms that it can inhibit both $\alpha_v\beta_6$ and $\alpha_v\beta_1$ integrins in both the high-affinity, extended open conformation as well as in the lower-affinity, bent closed conformation and thus has the potential to block integrin interactions regardless of the initial state of the receptor.



	Human Integrin	Conformation	Affinity, K_D (nM)
PLN-74809	$\alpha_v\beta_1$	Bent closed (Mg^{2+})	1.92
		Extended open (Mn^{2+})	0.075
PLN-74809	$\alpha_v\beta_6$	Bent closed (Mg^{2+})	1.32
		Extended open (Mn^{2+})	0.037

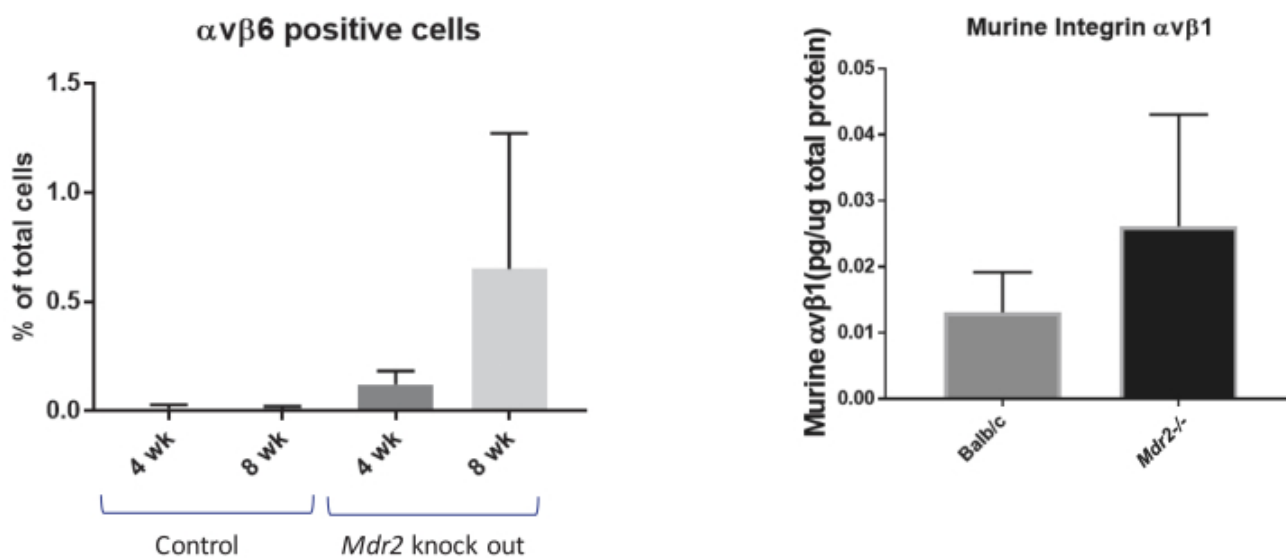
PLN-74809 binds to both high-affinity and low-affinity conformations of $\alpha_v\beta_1$ and $\alpha_v\beta_6$

Preclinical data in PSC

Summary Preclinical Data in PSC	
Preclinical Findings	Observations
avβ6 and avβ1 are overexpressed in human PSC liver tissue as well as a mouse model of PSC	<ul style="list-style-type: none"> We confirmed that the widely used <i>Mdr2</i> knockout PSC mouse model shows upregulation of both avβ6 and avβ1, similar to our observations in diseased tissue from PSC patients
PLN-74809 showed a dose dependent reduction in fibrosis in a mouse PSC model	<ul style="list-style-type: none"> Six weeks of treatment with PLN-74809 resulted in a significant dose-dependent reduction in fibrosis compared to vehicle treated mice pSMAD3 levels were also significantly reduced in a dose-dependent manner
PLN-74809 reduced cholestasis markers in PSC model	<ul style="list-style-type: none"> After six weeks of treatment with PLN-74809, at the highest dose tested, we observed a significant reduction of alkaline phosphatase and total bilirubin
Dual avβ6 and avβ1 inhibitor decreased <i>COL1A1</i> expression in human PSC liver tissue sample	<ul style="list-style-type: none"> After two days incubation with a dual avβ6 and avβ1 inhibitor we observed a significant reduction in <i>COL1A1</i> gene expression in a live liver sample from a PSC patient after transplant

avβ6 and avβ1 are overexpressed in human PSC liver tissue as well as a mouse model of PSC

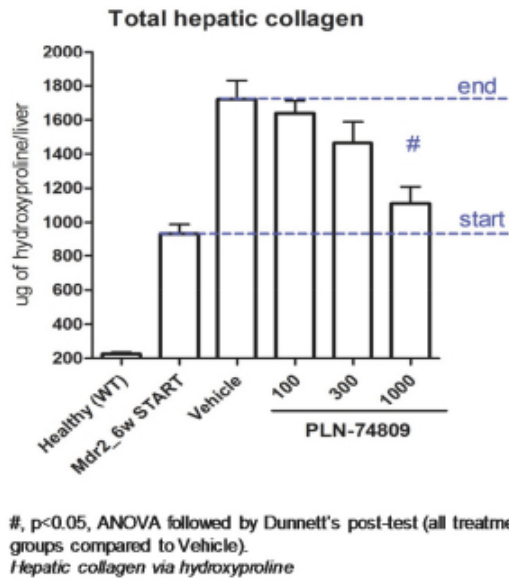
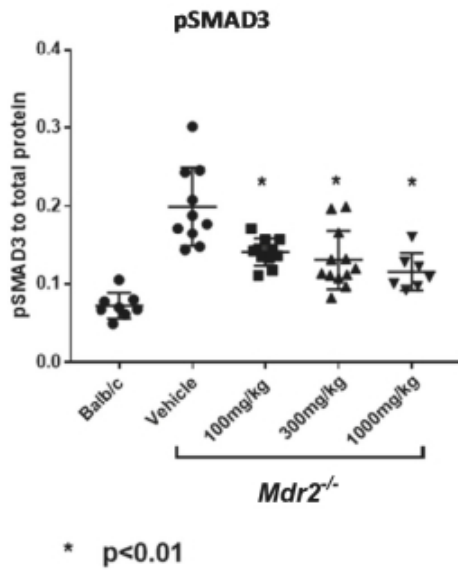
Similar to our approach in diseased tissue from an IPF patient, we examined the expression patterns of integrins in live, diseased tissue obtained from a patient with PSC. We found that both avβ6 and avβ1 integrins are overexpressed in these tissues. We then went to the standard animal model for PSC based on a deletion of the *Mdr2* gene in mice and confirmed that in this model both avβ6 and avβ1 are overexpressed compared to normal control mice.



Both avβ6 and avβ1 are overexpressed in a *Mdr2* knockout model of PSC

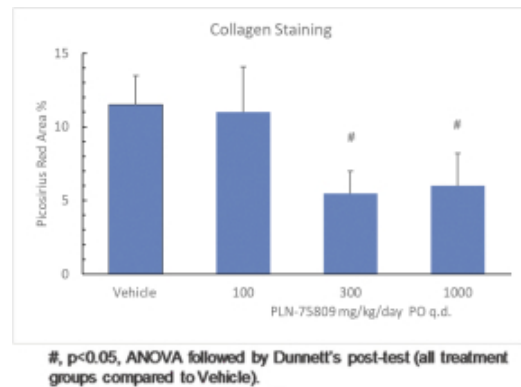
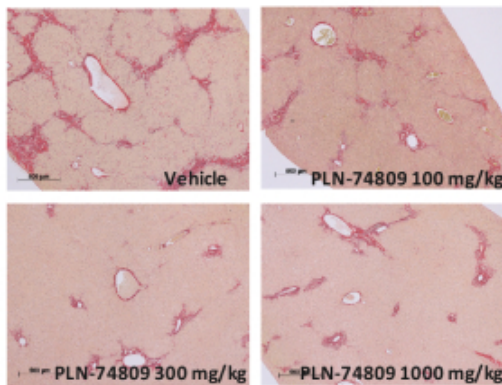
PLN-74809 showed a dose dependent reduction in fibrosis in a mouse PSC model

In *Mdr2*-deficient mice that have developed biliary fibrosis resembling PSC, dosing with PLN-74809 for six weeks resulted in a significant, dose-dependent reduction in fibrosis compared to vehicle treated mice. Similar results were observed whether the analyses were based on collagen levels as measured by hydroxyproline, pSMAD3 levels or histological staining.



PLN-74809 showed reduction of fibrosis in the *Mdr2* deficient PSC model

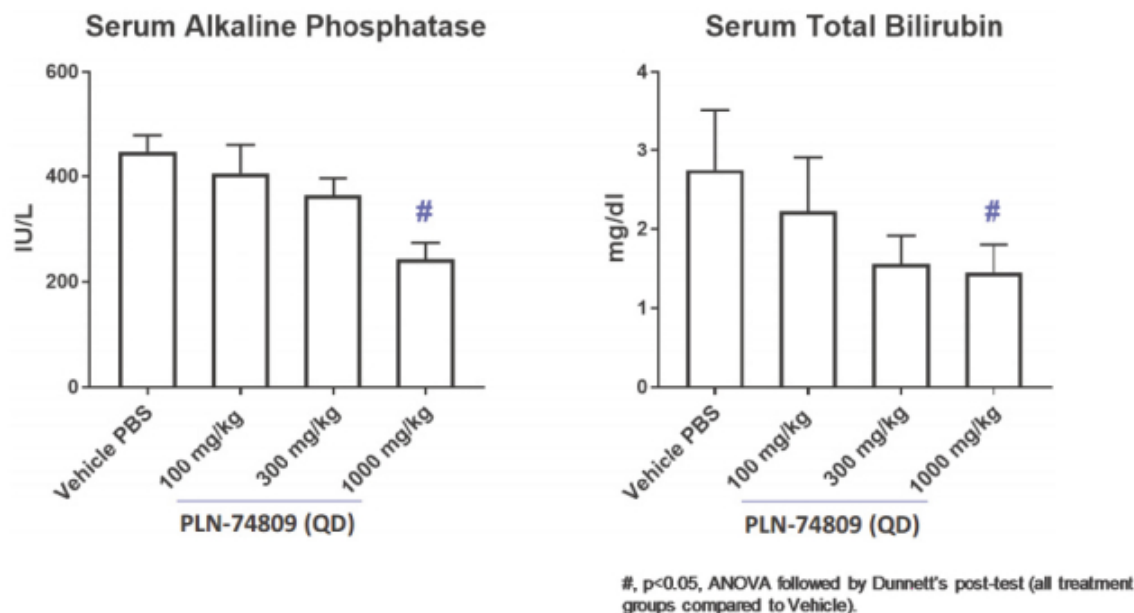
Liver fibrosis (histology)



PLN-74809 showed improved histology score in the *Mdr2* deficient PSC model

PLN-74809 reduced cholestasis liver biomarkers in PSC model

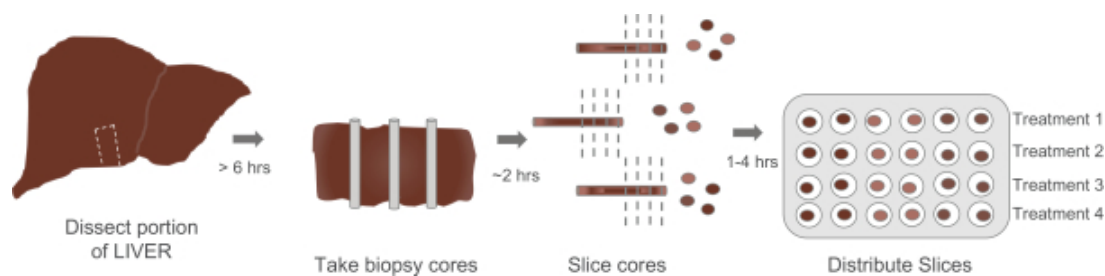
Treatment of *Mdr2*-deficient mice with PLN-74809 also reduced in a dose-dependent manner serum levels of alkaline phosphatase and total bilirubin compared to vehicle controls. Both are markers of cholestasis.



PLN-74809 reduced cholestasis markers in PSC model

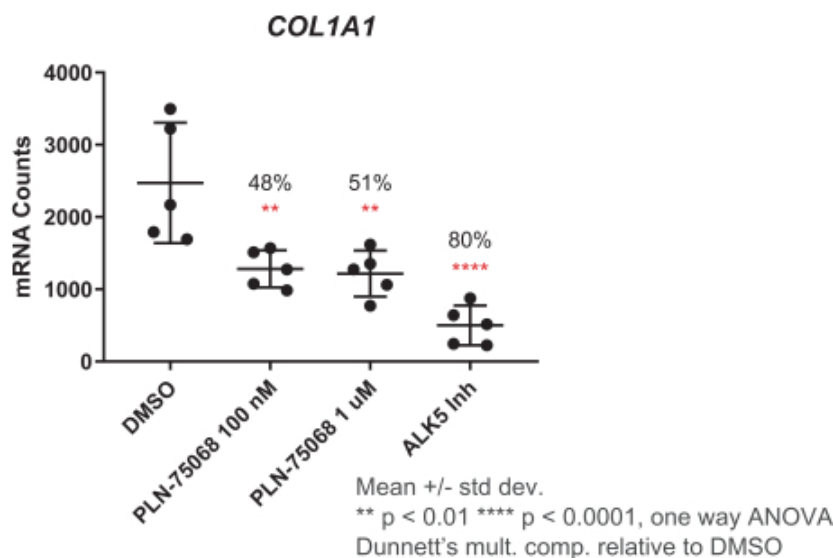
Dual $\alpha v\beta 6$ and $\alpha v\beta 1$ inhibitor decreased COL1A1 expression in human PSC liver tissue sample

We assessed the anti-fibrotic activity of our integrin inhibitors using liver samples obtained from a PSC patient. We used precision-cut tissue slices to establish *ex vivo* tissue culture samples that mimic the multicellular characteristics of organs. The use of these precision-cut tissue culture assays not only provides the opportunity to assess the effects of our compounds directly on diseased human tissue, but also allows this to be done in a three-dimensional, multicellular context that better represents the complexity of the diseased tissue environment.



Assessing anti-fibrotic activity of compounds in live human liver fibrosis tissue

In a tissue sample from a PSC patient, incubation for two days with PLN-75068, a structural analog of PLN-74809, led to a significant decrease of COL1A1 expression.



PLN-75068 blocked fibrosis in live human PSC liver tissue

PLN-1474 for the treatment of liver fibrosis and NASH

PLN-1474 is a selective inhibitor of $\alpha v\beta 1$ integrin that we are developing for the treatment of stage F3/F4 liver fibrosis in patients with NASH. PLN-1474 is an orally bioavailable inhibitor that has shown anti-fibrotic activity in multiple animal models of liver fibrosis as well as in live human NASH fibrotic liver tissue. We are completing IND enabling studies on PLN-1474 and anticipate filing an IND with the FDA by the end of 2019.

Background on liver fibrosis and NASH

NASH is a severe form of NAFLD that is associated with the development of liver fibrosis and potentially life-threatening liver dysfunction. NAFLD is characterized by increased amounts of fat in the liver, or steatosis. NAFLD is believed to occur due to a combination of factors including high caloric diet, obesity and metabolic syndrome, type 2 diabetes mellitus and genetics. Early stages of the disease often have no symptoms other than slightly elevated or fluctuating levels of liver enzymes in some patients.

As excess fat builds up in the liver, it can eventually cause lipotoxicity, resulting in inflammation in the liver and leading to injury of hepatocytes, known as ballooning. It is this combination of steatosis, inflammation and hepatocellular ballooning that defines NASH. Over time, NASH can lead to fibrosis of the liver. Fibrosis can progress to cirrhosis, resulting in impaired liver function and increased risk of liver-related complications and mortality. In fact, liver fibrosis is an independent predictor of liver-related morbidity and all-cause mortality in NASH. There are currently no approved therapies for NASH, and to date investigational NASH therapies have only shown modest anti-fibrotic benefits in published clinical trials.

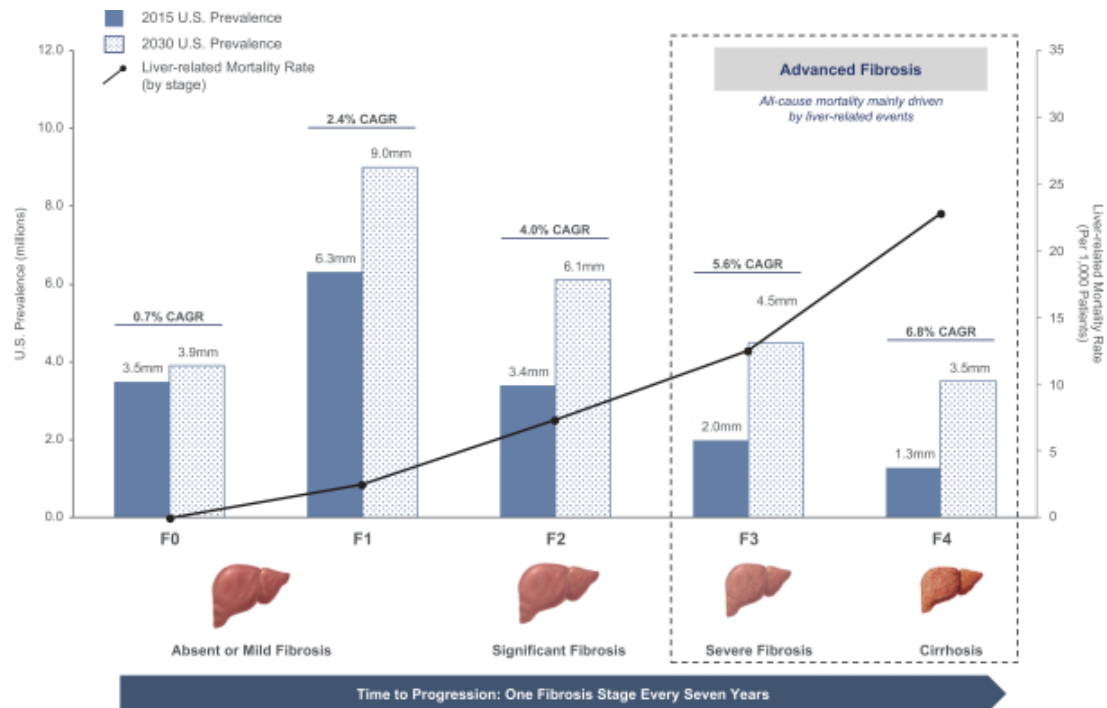
It is estimated that 30 to 40 percent of adults in the United States have NAFLD and approximately 30 percent of these patients, or up to 12 percent of adults, will develop NASH. NASH is already highly prevalent, affecting approximately 16.5 million adults in the United States with approximately 3.3 million at stage F3/F4 liver fibrosis. NASH is a growing problem with U.S. cases expected to top 27 million by 2030, with approximately eight million at stage F3/F4 liver fibrosis.

While NASH is becoming more common in the general population, identifying patients with increased risk of liver-related morbidity and mortality is important for clinical management. While steatosis, inflammation and

Table of Contents

hepatocellular ballooning are the measures used to diagnose NASH, to date, the presence and severity of liver fibrosis is the only proven independent predictor of poor clinical outcomes in NASH. Cirrhosis associated with NASH is the fastest growing indication for liver transplantation in the United States.

Approximately 10 to 15 percent of NASH patients will ultimately progress to cirrhosis over time. On average, these patients advance one fibrosis stage every seven years. NASH patients, regardless of stage of fibrosis, have an estimated annual mortality rate of 1.5 to 3.5 percent per year, mostly due to cardiovascular complications. However, when patients progress to stage F2 fibrosis or greater, liver-related complications become the highest risk for mortality. Each progressive stage of fibrosis correlates to a dramatic increase in liver-related mortality risk. Moreover, patients with F3 and F4 fibrosis carry liver-related mortality risk that is 17 times and 42 times greater, respectively, than NASH patients without fibrosis. We believe treatments with a potent anti-fibrotic effect would be more likely to have a meaningful impact on clinical outcomes for NASH patients with F3 to F4 fibrosis.



Stages of liver fibrosis

There are currently no therapies approved for the treatment of NAFLD or NASH. Lifestyle changes and exercise to reduce body weight and treatment of concomitant diabetes and dyslipidemia comprise the cornerstone of treatment but are not sustainable in the majority of patients. For patients with cirrhosis, liver transplantation is the only potential treatment option, but transplant livers are not widely available, and only a minority of these patients will be eligible for a transplant due to the risks, costs and complexities associated with the procedure. NASH is the second leading indication for liver transplantation in the United States, but is also the most rapidly growing indication and is expected to eventually overtake alcoholic liver disease as the largest driver of liver transplant.

There are many candidates in development for the treatment of NASH that target various aspects of the disease. A number of these candidates are directed at reducing the underlying causes of the disease such as

obesity and diabetes or addressing fat accumulation in the liver by altering lipid metabolism. Other candidates are focused on suppressing the inflammatory stage of NASH with the intent of preventing the progression of fibrosis. To date, only modest improvements in liver fibrosis stage or severity have been reported with investigational compounds evaluated in patients with NASH. Our approach is to directly target the fibrosis pathway with the goal of preventing progression or reversing advanced fibrosis (F3/F4). Given TGF- β 's central role to fibrosis pathophysiology, we believe that directly targeting the TGF- β activation pathway via $\alpha v\beta 1$ integrin inhibition holds the potential to provide a more clinically meaningful anti-fibrotic effect than current investigational therapies, and ultimately prevent disease progression to cirrhosis and liver related complications.

Our solution, PLN-1474

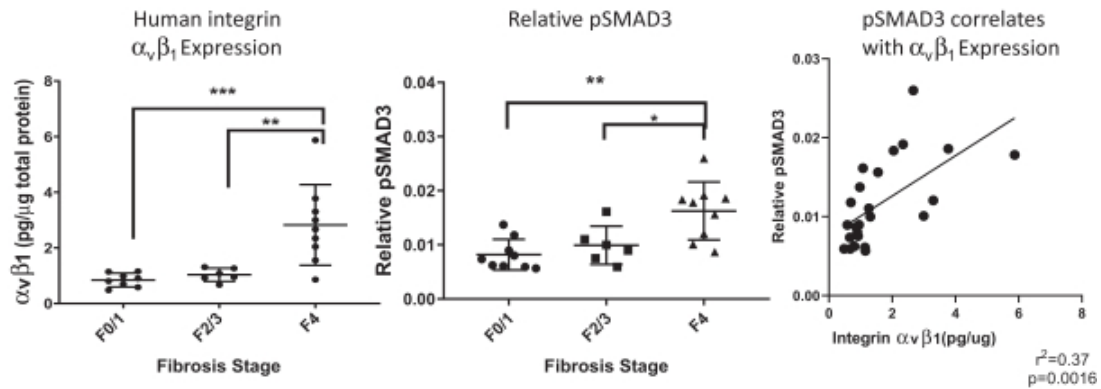
PLN-1474 is an orally bioavailable, small-molecule, selective inhibitor of $\alpha v\beta 1$ mediated TGF- β activation. We are developing PLN-1474 as an anti-fibrotic therapy for patients with F3/F4 stage liver fibrosis associated with NASH. We have shown that in human fibrotic liver tissue from patients with NASH that the levels of $\alpha v\beta 1$ are significantly elevated in tissue from patients with stage 4 fibrotic disease. Overexpression of $\alpha v\beta 1$ is correlated with TGF- β activation as measured by pSMAD3 levels. Therefore, we believe a single-selective inhibitor of $\alpha v\beta 1$ is a promising and differentiated approach to treating NASH related liver fibrosis. We are currently conducting IND-enabling studies and plan to submit an IND by the end of 2019.

Preclinical data

Summary of Preclinical Data in NASH	
Preclinical Findings	Observations
avβ1 and TGF-β activation are upregulated in human F4 NASH liver biopsies	<ul style="list-style-type: none"> Levels of avβ1 and pSMAD3 levels are both significantly elevated in tissues from patients with stage F4 liver fibrosis Levels of avβ1 and pSMAD3 levels are highly correlated in NASH liver biopsies
PLN-1474 is associated with anti-fibrotic activity in live human fibrotic NASH liver tissue	<ul style="list-style-type: none"> After two days incubation with PLN-1474 we observed a significant reduction in <i>COL1A1</i> gene expression in live liver samples from three NASH patients after transplant Gene expression of <i>TIMP1</i>, a strong predictor of mortality in patients with fibrosis, was also reduced after incubation
PLN-1474 resulted in a broad decrease in expression of pro-fibrotic genes in an abbreviated mouse model of NASH	<ul style="list-style-type: none"> In an abbreviated CDA-HFD mouse NASH model, after 3 weeks of treatment, mice treated with PLN-1474 showed decreased expression of a broad set of profibrotic genes relative to vehicle controls
PLN-1474 showed dose-dependent reduction of fibrosis in NASH and liver fibrosis mouse models	<ul style="list-style-type: none"> Six weeks of treatment with PLN-1474, resulted in a significant dose-dependent decrease in expression of <i>Col1a1</i> and <i>Col1a2</i> as well as hydroxyproline in a CDA-HFD NASH mouse model After one week of treatment with PLN-1474, we observed significant dose-dependent reductions in <i>Col1a1</i>, <i>Col1a2</i> and <i>Col3a1</i> in a CCL₄ liver fibrosis mouse model
PLN-1474 decreased collagen fiber density and characteristics via 2nd harmonic generation analysis in a NASH fibrosis model	<ul style="list-style-type: none"> Six weeks of treatment with PLN-1474 utilizing 2nd harmonic generation, resulted in a dose-dependent decrease in collagen fiber density and fibrosis composite score in a CDA-HFD NASH mouse model
PLN-1474 potently binds to all conformations of avβ1	<ul style="list-style-type: none"> PLN-1474 binds both bent-closed and extended-open conformations of avβ1 at concentrations below 1.1 nM

avβ1 and TGF-β activation are upregulated in human F4 NASH liver biopsies

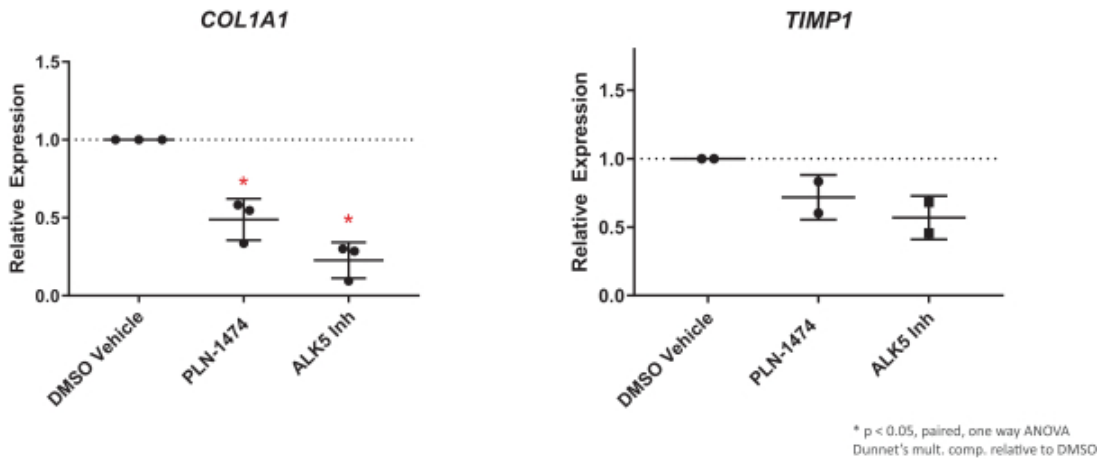
We measured avβ1 protein expression and pSMAD3 levels in a group of late-stage liver fibrosis biopsies. In F4 biopsies, avβ1 was significantly overexpressed relative to F0/F1 biopsies. Similarly, the pSMAD3 levels were also significantly elevated in F4 biopsies compared to F0/F1.



$\alpha_v\beta_1$ and pSMAD3 levels are both upregulated in F4 liver fibrosis

PLN-1474 is associated with anti-fibrotic activity in live human fibrotic NASH liver tissue

We assessed the anti-fibrotic activity of PLN-1474 in live human NASH liver tissue. Precision cut tissue slices from multiple F4 NASH livers treated with PLN-1474 exhibited a mean 50 percent reduction in the levels of *COL1A1* expression compared to vehicle treated controls. In the PLN-1474 treated tissue slices, we also saw a significant reduction in the gene expression of *TIMP1*, which encodes the tissue inhibitor of metalloproteinase, or TIMP-1. In a recent study, TIMP-1 was shown to be a strong predictor of all-cause mortality in patients with fibrosis. TIMP-1 is one of the three components of the Enhanced Liver Fibrosis, or ELF, score, a non-invasive clinical diagnostic test to assess the likelihood of having clinically significant fibrosis. These results suggest that selective inhibition of $\alpha_v\beta_1$ could have clinically meaningful anti-fibrotic activity in NASH patients with advanced fibrosis.

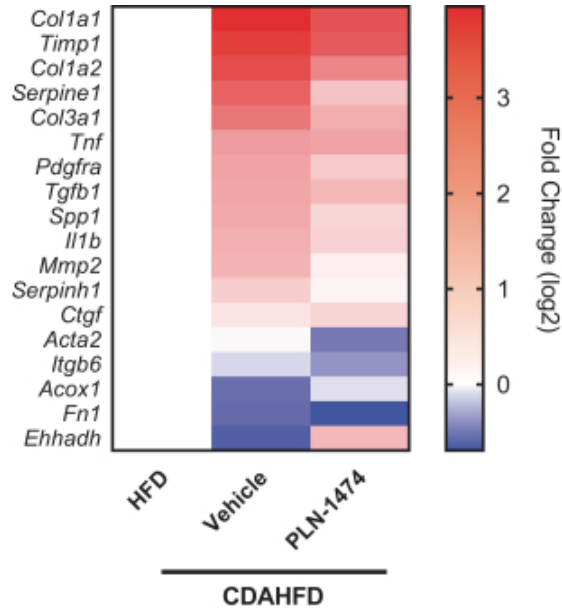


PLN-1474 significantly reduced *COL1A1* and *TIMP1* gene expression in human NASH liver tissue

PLN-1474 resulted in a decrease in expression levels of a broad panel of pro-fibrotic genes in an abbreviated mouse model of NASH

Mice were treated prophylactically with PLN-1474 for 3 weeks at 30mg/kg BID in an abbreviated CDA-HFD mouse NASH fibrosis model. A broad panel of profibrotic genes showed decreased expression in mice treated with PLN-1474 relative to mice that were treated with a vehicle control.

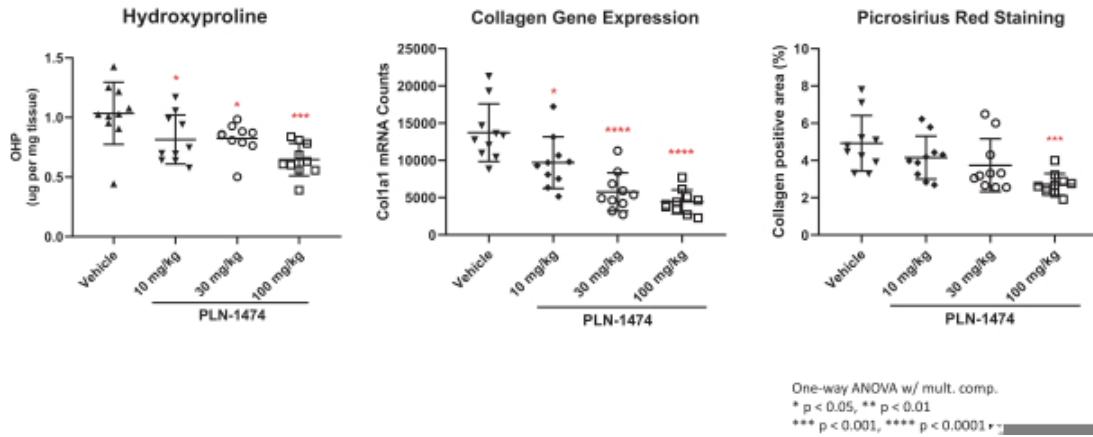
Profibrotic Gene Expression After Treatment with PLN-1474



Treatment with PLN-1474 resulted in decreased expression of a broad set of profibrotic genes in a CDA-HFD mouse NASH liver fibrosis model

PLN-1474 showed dose-dependent reduction of fibrosis in NASH and liver fibrosis mouse models

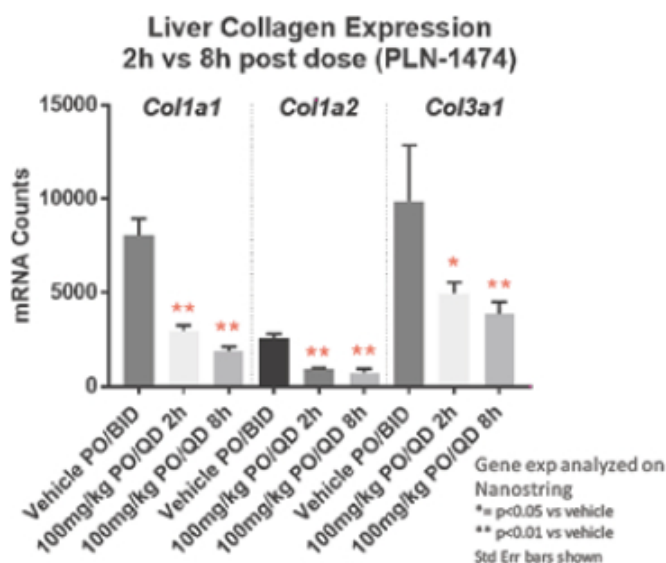
We tested the ability of PLN-1474 to inhibit fibrosis in a mouse model of NASH induced by a choline-deficient high fat diet. Treatment of these mice for six weeks, beginning at week five of the high fat diet, resulted in a dose-dependent reduction in collagen production as measured by hydroxyproline levels compared to vehicle-treated controls. Similar dose-dependent decreases in the expression of *Col1a1* genes and picrosirius red staining, a histologic marker for fibrosis, were observed after treatment with PLN-1474. Treatment with PLN-1474 also led to decreases in pSMAD3 levels indicating that PLN-1474 was able to block TGF- β activation.



PLN-1474 inhibits fibrosis in NASH fibrosis model

PLN-1474 also inhibited fibrosis in an acute CCL₄ model of liver fibrosis. In this model, liver fibrosis in mice is induced by two weeks of exposure to CCL₄. Treatment with PLN-1474 for one week reduced the expression of *Col1a1*, *Col1a2* and *Col3a1* compared to vehicle-treated controls. Treatment with PLN-1474 also reduced TGF- β signaling to baseline levels as measured by pSMAD3 levels.

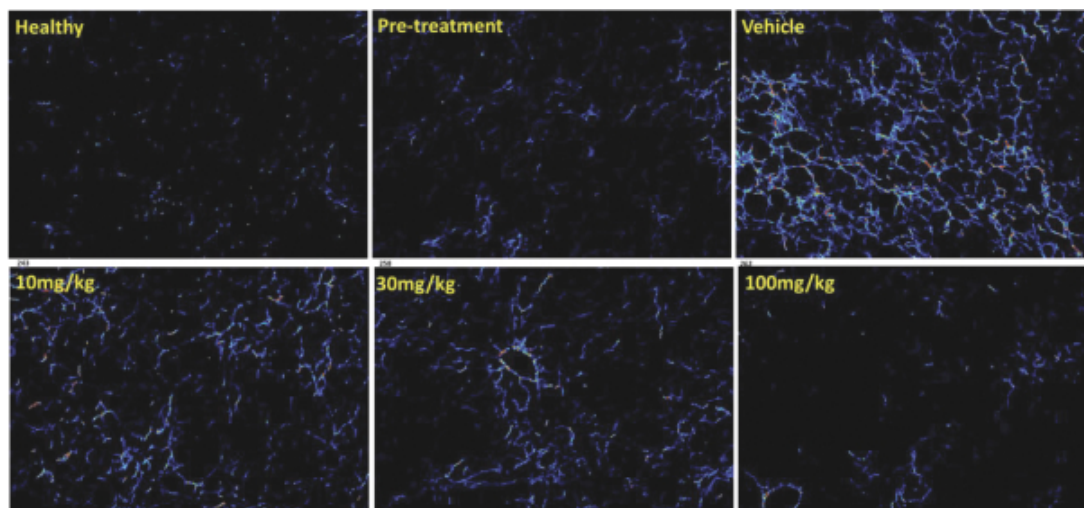
In the chronic version of the CCL₄ model, fibrosis is induced by 21 days of exposure to CCL₄. Treatment of these mice with PLN-1474 resulted in significant reductions in the expression of collagen genes beginning as soon as two hours after dosing. These results suggest that PLN-1474 has the potential to lead to significant and rapid changes in fibrosis even in livers containing extensive and established fibrotic lesions.



PLN-1474 inhibited collagen expression in a chronic CCL₄ liver fibrosis model

PLN-1474 decreased collagen fiber density and characteristics via second-harmonic generation analysis in a NASH fibrosis model

We evaluated three doses of PLN-1474 in a NASH fibrosis mouse model utilizing second-harmonic generation to evaluate the amount of new collagen formation ongoing post-treatment with PLN-1474. We evaluated 10mg/kg, 30mg/kg and 100mg/kg doses against placebo in a NASH fibrosis model and saw a dose-dependent reduction in collagen fiber density and fibrosis composite score.



PLN-1474 resulted in a dose-dependent decrease in collagen fiber density in a NASH fibrosis model as measured through second-harmonic generation

PLN-1474 potently binds to all conformations of $\alpha_v\beta_1$

Similar to our observations with PLN-74809, we have shown that PLN-1474 binds to both the higher-affinity, extended open conformation of integrin $\alpha_v\beta_1$ as well as the lower-affinity, bent closed conformation and thus has the potential to block integrin interactions regardless of the state of the receptor.

PLN-1474	Human Integrin	Conformation	Affinity, K_D (nM)
	$\alpha_v\beta_1$	Bent closed (Mg^{2+})	1.10
	Extended open (Mn^{2+})	0.33	

PLN-1474 binds to both the extended open and bent closed conformations of $\alpha_v\beta_1$

Planned clinical development of PLN-1474

We are completing IND-enabling studies for PLN-1474 and anticipate filing an IND by the end of 2019. Our initial clinical trials will be conducted in healthy volunteers where we intend to conduct dose-escalation and evaluate safety and tolerability and PK. Initial testing in NASH patients may also include assessment of $\alpha_v\beta_1$ expression in the liver using a specific PET ligand and to assess treatment effects via this method.

Applying our fibrosis expertise in developing additional products

We are pursuing potential uses of our existing product candidates, PLN-74809 and PLN-1474, in additional fibrotic indications. We use our precision cut human fibrotic tissue assays in addition to our animal model data to inform our clinical development programs and potentially select additional indications where we think our pipeline candidates could have an effect.

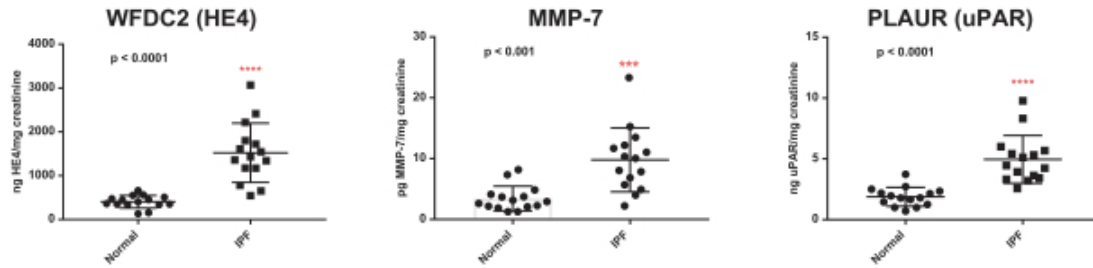
Our mission is to advance the understanding of fibrosis by building a biology-, chemistry- and screening-based engine to drive drug development across the spectrum of fibrotic diseases. While our initial focus is on

small-molecule integrin inhibitors in lung and liver fibrosis, we are actively pursuing additional treatment modalities across fibrosis indications in multiple different organs. We have identified other potential non-integrin targets related to TGF- β signaling as well as other pathways across multiple fibrosis indications, such as regulators of epithelial-to-mesenchymal transition, a critical process in fibrosis. In addition, while our initial focus is on small-molecule drug candidates, we are agnostic to treatment modalities in the development of our pipeline.

Our biomarker discovery engine

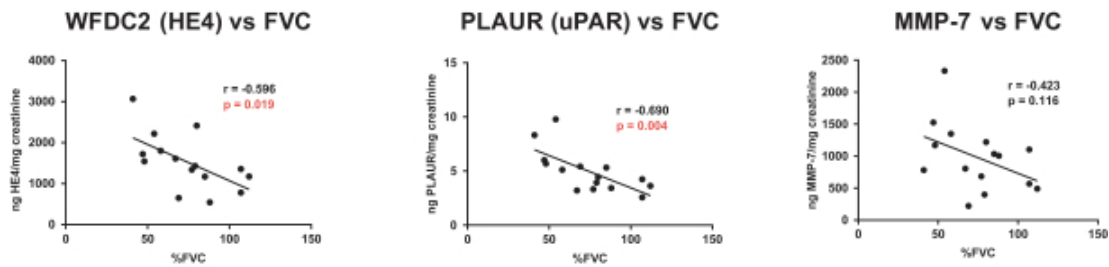
We are developing an extensive biomarker discovery and validation program. We are seeking to develop biomarkers in order to (i) identify patients at high risk of rapid disease progression, (ii) identify those more likely to respond to treatment and (iii) monitor early treatment responses. We are conducting clinical studies and other research with leading academic centers to track disease progression and collect biological samples such as blood, urine, and tissue biopsies which we can use to discover and validate novel biomarkers.

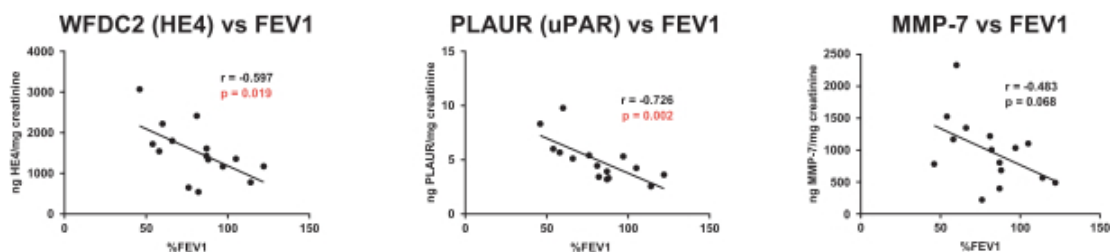
An example of our efforts is the discovery of potential biomarkers for IPF derived from urine and plasma samples. We discovered two novel biomarkers: WFDC2 and PLAUR. We compared these biomarkers to MMP-7, a widely recognized IPF biomarker. All three biomarkers were elevated in a set of urine samples from IPF patients compared to healthy controls.



Potential biomarkers identified in urine samples from IPF patients

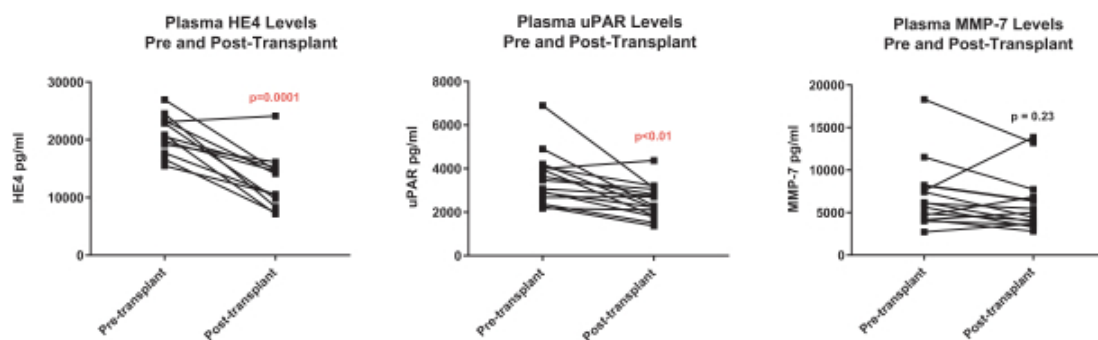
Further support for the potential importance of our novel biomarkers is that their expression levels were highly correlated with reduced lung function in IPF patients while MMP-7 was not. Patients with poor lung function as measured by forced expiratory volume, or FEV₁, or by FVC, have elevated levels of these biomarkers while patients with good lung function do not.





Urine biomarkers of IPF correlate with reduced pulmonary function

We also measured these three biomarkers in urine samples from a cohort of 15 IPF patients who underwent lung transplantation. Levels of our novel biomarkers were significantly reduced following transplant.



Plasma biomarkers of IPF pre- and post-transplant

This data indicates that our biomarkers may be effective in tracking treatment response. We plan to further validate these biomarkers, which will ultimately support our development programs.

Competition

The biotechnology and biopharmaceutical industries are characterized by rapidly advancing technologies, strong competition and an emphasis on proprietary products. While we believe that our technology, knowledge, experience and scientific personnel provide us with competitive advantages, we face substantial competition from many different sources, including larger pharmaceutical companies with greater resources. Smaller specialty biotechnology and biopharmaceutical companies, academic research institutions, governmental agencies, as well as public and private institutions are also potential sources of competitive products and technologies, including through collaborative arrangements with large and established biopharmaceutical companies. We also face competition in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and enrolling patients for clinical trials, and acquiring technologies complementary to, or necessary for, our programs. We believe that the key competitive factors affecting the success of any of our product candidates will include efficacy, safety profile, convenience, method of administration, cost, level of promotional activity and intellectual property protection.

There are currently a number of companies targeting the treatment of various fibrosis indications through inhibiting various parts of the TGF- β pathway, including Biogen Inc., AbbVie Inc., Gilead Sciences, Inc., Indalo Therapeutics, Inc., FibroGen Inc., Galapagos NV, Bristol Myers Squibb Co., or BMS, and Novartis AG. However, we know of no other companies currently in clinical development with an orally bioavailable small-molecule, selective integrin inhibitor.

[Table of Contents](#)

Although our novel approach is unique from most other existing or investigational therapies across the disease areas where we are focusing our development, we will need to compete with currently approved therapies, and potentially those in currently in development if they are approved. We are aware of several marketed and investigational products in our leading disease areas, including but not limited to:

- *IPF*: There are currently two approved products for the treatment of IPF; Esbriet, marketed by Roche Holding AG, and Ofev, marketed by Boehringer Ingelheim GmbH. Other companies currently developing product candidates in IPF include Biogen, AbbVie, Galapagos, Indalo, Kadmon Holdings, Inc., Prometic Life Sciences, Inc. and Promedior, Inc.
- *PSC*: There are currently no approved therapies for the treatment of PSC. Companies currently developing product candidates in PSC include Gilead, Allergan plc, NGM Biopharmaceuticals, Inc., or NGM, Intercept Pharmaceuticals, Inc. and CymaBay Therapeutics, Inc.
- *NASH*: There are currently no FDA approved therapies for the treatment of NASH. There are a number of companies developing product candidates for the treatment of NASH including Intercept, Pfizer Inc., Gilead, Allergan, Novartis, AstraZeneca plc, Eli Lilly & Company, GlaxoSmithKline plc, Amgen, Inc., BMS, Johnson & Johnson, Merck & Co., Inc., Roche, Sanofi S.A., Takeda Pharmaceuticals, Novo Nordisk, Genfit SA, Madrigal Pharmaceuticals, Inc., Viking Therapeutics, Inc., Cirius Therapeutics, Inc., NGM, Akero Therapeutics, Inc., Conatus Pharmaceuticals Inc., Metacrine, Inc. and CymaBay. Most of the drugs currently in development for NASH are focused on decreasing liver fat or improving liver inflammation as opposed to direct liver anti-fibrotic approaches.

The availability of reimbursement from government and other third-party payors will also significantly affect the pricing and competitiveness of our product candidates, if approved for marketing. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we do, which could result in our competitors establishing a strong market position before we are able to enter the market.

Research and Development Expenses

For the years ended December 31, 2017 and 2018, we had research and development expenses of \$14.5 million and \$24.4 million, respectively. For the three months ended March 31, 2018 and 2019, we had research and development expenses of \$5.0 million and \$11.7 million, respectively.

Intellectual Property

Overview

We strive to protect and enhance the proprietary technology, inventions, and improvements that are commercially important to the development of 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 field of fibrosis that may be important for the development of our business. We additionally may rely on regulatory protection afforded through data exclusivity, market exclusivity, and patent term extensions, where available.

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 licenses, patents, or trade secrets that cover these activities. In some cases, enforcement of these rights may depend on third party licensors. 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

[Table of Contents](#)

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.

As of May 1, 2019, we own or license nineteen pending patent applications, worldwide, including in the United States and corresponding foreign patent applications. At least four pending patent applications have been filed in the United States or corresponding foreign jurisdictions by or on behalf of the Regents of the University of California, which have granted us exclusive license rights to the technology. To date, two patents have issued to us or to our licensors. Our policy is to file patent applications to protect technology, inventions and improvements to inventions that are commercially important to the development of our business. We seek United States and foreign patent protection for a variety of technologies, including: research compounds and methods, candidate compounds and antibodies for modulating the activity of integrins, methods for treating diseases of interest, and methods for manufacturing our products. We also intend to seek patent protection or rely upon trade secret rights to protect other technologies that may be used to discover and validate targets and that may be used to identify and develop novel products. We seek protection, in part, through confidentiality and proprietary information agreements. We are a party to various other license agreements that give us rights to use specific technologies in our research and development.

Company Owned IP

We own multiple families of patent applications that are directed to small-molecule compositions capable of modulating integrins and methods for treating or preventing diseases associated with integrins. Certain applications in these families relate to our PLN-1474 and PLN-74809 small-molecule product candidates, backup compounds and structural analogs, various unit dosages, dosing regimens, and routes of administration. We are also pursuing innovative ways to modulate integrin function using antibodies, and have one pending patent application to that technology in the United States. Patents that may issue from these company owned applications are generally expected to expire between the years 2037 to 2040, subject to possible patent term adjustment and/or extension.

Licensed IP

We have obtained an exclusive license from the Regents of the University of California to two patent families, which are expected to expire in 2034 and 2036, respectively, subject to possible patent term adjustment and/or extension. Included in these families are two issued U.S. patents with claims directed to small-molecule integrin inhibitors and methods of using such inhibitors for treating fibrotic and other diseases, as well as related patent applications that are pending in Canada, Europe, and Hong Kong.

Trademark Protection

We have registered trademarks for use in connection with our products. We may pursue additional registrations for future products in markets of interest.

Trade Secret Protection

Finally, we may rely, in some circumstances, on trade secrets to protect our technology. 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.

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 development, 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.

License Agreements

Adimab Collaboration Agreement

In October 2018, we entered into a collaboration agreement, or the Adimab Agreement, with Adimab, LLC, or Adimab, for the discovery and optimization of proprietary antibodies as potential therapeutic product candidates. Under the Adimab Agreement, we have initially agreed with Adimab to collaborate on an initial research program. In addition, we may select up to three additional biological targets against which Adimab will use its technology to research and develop antibodies pursuant to a mutually agreed upon research plan.

During the ongoing research period and for a specified evaluation period thereafter, or the Evaluation Term, Adimab will grant us a worldwide, non-exclusive license to Adimab's technology to perform our responsibilities under the specified research plan and to evaluate the program antibodies to determine, at our election, how to proceed with any antibodies discovered as a result of such research program.

On a research program by research program basis, Adimab has granted to us an exclusive option to acquire the rights to up to a certain specified number of discovered antibodies for development and commercialization as biopharmaceutical products. We have also granted Adimab a non-exclusive, non-sublicensable license under our technology during each research program, and during the relevant Evaluation Term solely to perform Adimab's responsibilities under such research plan.

Upon execution of the Adimab Agreement we paid to Adimab a one-time, non-creditable non-refundable technology access fee in the low-five figures. For each agreed upon research program that is commenced, we are required to pay Adimab an agreed upon rate for its full-time employees during a given research program, a specified discovery delivery fee, and an optimization completion fee in the low-six figures.

If we choose to exercise our option with respect to a specific research program, we are required to pay Adimab a non-creditable, non-refundable high six-figure option exercise fee, payable in installments. If we exercise our option with respect to more than the specified number of antibodies resulting from such research program, we are obligated to make an additional specified payment for each additional optioned antibody. To date, we have not exercised any options under the Adimab Agreement.

We are required to make certain milestone payments to Adimab upon the achievement of certain clinical and regulatory milestone events in the development of therapeutic products and diagnostic products which use the antibodies we have obtained pursuant to our exclusive option. The milestone payments total approximately \$12 million for each therapeutic product. For any product that is commercialized pursuant to the Adimab Agreement, we are required to pay Adimab low single digit percentage tiered royalty payments based on annual aggregate worldwide net sales thresholds for such products, subject to reduction as specified in the Adimab Agreement. Royalty terms with respect to each product will expire on a country-by-country basis upon the later of (a) ten years after the first commercial sale of such product in such country and (b) the expiration of the last patent related to any antibody acquired by us pursuant to our option from a specified research program.

Under the Adimab Agreement, we are required to use commercially reasonable efforts to conduct certain research to discover and optimize antibodies directed against the targets that we select. The Adimab Agreement will expire unless earlier terminated (a) in the event that we do not exercise any option pursuant to a research program, upon the conclusion of the last to expire Evaluation Term, or (b) if we do exercise an option, on the expiration of the last royalty term for a product in a particular country. We have the right to terminate the Adimab Agreement at any time upon advance written notice to Adimab. In addition, subject to certain conditions, either we or Adimab may terminate the Adimab Agreement if the other party commits a material breach of the agreement and fails to cure such breach within a specified cure period after written notice is provided. Upon expiration or termination of the Adimab Agreement, all licenses granted to us on a product-by-product and country-by-country basis will continue on a non-exclusive, fully-paid, worldwide, royalty-free, irrevocable basis.

Manufacturing

Our product candidates, PLN-74809 and PLN-1474, are small molecule inhibitors amenable to standard oral formulation technologies. We have validated the synthetic process and manufactured large kilogram quantities similar to the campaigns that will be required to provide drug product for our anticipated Phase 2a clinical trials. The manufacturing process of the drug substance for such product candidates is robust and accessed from readily available starting materials. The synthetic route is amenable to large-scale production and does not require unusual equipment or handling during the manufacturing process. We have obtained an adequate supply chain of the drug substance for PLN-74809 and PLN-1474 from our first North American contract manufacturing organization, or CMO, to satisfy both our clinical and preclinical requirements in 2019. We rely on a sole supplier for the manufacture of PLN-74809. We are engaging secondary raw material suppliers in addition to North American and European CMOs to mitigate global supply chain risk and ensure continuity of supply of drug substance. To maximize flexibility, we have established relationships with non-overlapping vendors for manufacturing of not only raw materials but also drug substance.

We currently rely on third-party manufacturers for the GMP production of larger quantities of our drug product candidates for our clinical trials. Our internal personnel have extensive cGMP manufacturing experience in order to ensure seamless technology transfer and to manage the manufacturing and development processes conducted by third-party manufacturers. Our agreements with third-party manufacturers include confidentiality and intellectual property provisions as well as routine quality audits. In some instances, we have reserved resources from third-party manufacturers for the development and manufacture of our product candidates for near-term clinical programs.

We do not own or operate facilities for clinical drug manufacturing, storage, distribution or quality testing. Currently, all of our clinical manufacturing is outsourced to third-party manufacturers. As our development programs expand and we build new process efficiencies, we expect to continually evaluate this strategy with the objective of satisfying demand for our clinical trials and, if approved, the manufacture, sale and distribution of commercial products.

Government Regulation

The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements upon companies involved in the clinical development, manufacture, marketing and distribution of drugs, such as those we are developing. These agencies and other federal, state and local entities regulate, among other things, the research and development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling and export and import of our product candidates.

U.S. government regulation of drug products

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending New Drug Applications, or NDAs, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

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

- Completion of preclinical laboratory tests, animal studies and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulations;

Table of Contents

- Submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;
- Approval by an independent institutional review board, or IRB, at each clinical site before each trial may be initiated;
- Performance of adequate and well-controlled human clinical trials in accordance with good clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug product for each indication;
- Submission to the FDA of an NDA;
- Satisfactory completion of an FDA advisory committee review, if applicable;
- Satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with current good manufacturing practice, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity;
- Satisfactory completion of FDA audits of clinical trial sites to assure compliance with GCPs and the integrity of the clinical data;
- Payment of user fees and securing FDA approval of the NDA; and
- Compliance with any post-approval requirements, including the potential requirement to implement a Risk Evaluation and Mitigation Strategy, or REMS, and the potential requirement to conduct post-approval studies.

Preclinical studies

Preclinical studies include laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess potential safety and efficacy. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some preclinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to initiate.

Clinical trials

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it initiates at that institution. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on their www.clinicaltrials.gov website.

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

- Phase 1: The drug is initially introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness.

[Table of Contents](#)

- Phase 2: The drug is administered to 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 and optimal dosage.
- Phase 3: The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product, and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects 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 drug has been associated with unexpected serious harm to patients.

Marketing approval

Assuming successful completion of the required clinical testing, the results of the preclinical and clinical studies, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the product for one or more indications. In most cases, the submission of an NDA is subject to a substantial application user fee. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard NDA, for a new molecular entity to review and act on the submission. This review typically takes twelve months from the date the NDA is submitted to FDA because the FDA has approximately two months to make a "filing" decision.

In addition, under the Pediatric Research Equity Act of 2003, or PREA, as amended and reauthorized, certain NDAs or supplements to an NDA must contain data that are adequate to assess the safety and effectiveness of the drug 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, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. An Agreed Initial Pediatric Study Plan requesting a waiver from the requirement to conduct clinical studies has been submitted to the FDA.

The FDA also may require submission of a risk evaluation and mitigation strategy, or REMS, plan to ensure that the benefits of the drug outweigh its risks. The REMS plan could include medication guides, physician communication plans, assessment plans, and/or elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools.

The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also 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. The FDA reviews an NDA to determine, among other things, whether the drug is safe and effective and whether the facility in which it is manufactured, processed, packaged or held meets standards designed to assure the product's continued safety, quality and purity.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, which reviews, evaluates and

provides 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.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA may inspect one or more clinical trial sites to assure compliance with GCP requirements.

After evaluating the NDA and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or preclinical testing in order for FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution and use restrictions or other risk management mechanisms under a REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval.

Orphan drug designation and exclusivity

Under the Orphan Drug Act, the FDA may designate a drug product as an "orphan drug" if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting an NDA. If the request is granted, the FDA will disclose the identity of the therapeutic agent and its potential use. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product with orphan status receives the first FDA approval for the disease or condition for which it has such designation or for a select indication or use within the rare disease or condition for which it was designated, the product generally will be receiving orphan product exclusivity. Orphan product exclusivity means that the FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. If a drug or drug product designated as an orphan product ultimately receives marketing approval for an indication broader than what was designated in its orphan product application, it may not be entitled to exclusivity. Orphan exclusivity will not bar approval of another product under certain circumstances, including if a subsequent product with the same active ingredient for the same indication is shown to be clinically superior to the approved product on the basis of greater efficacy or safety, or providing a major contribution to patient care, or if the company with orphan drug exclusivity is not able to meet market demand. Further, the FDA may approve more than one product for the same orphan indication or disease as long as the

products contain different active ingredients. Moreover, competitors may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity.

U.S. marketing exclusivity

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

Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing regulatory exclusivity periods. This six-month exclusivity may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued “Written Request” for such a trial.

Post-approval requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There are continuing, annual user fee requirements for any marketed products and the establishments where such products are manufactured, as well as new application fees for supplemental applications with clinical data.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA. For example, the FDA may require post-marketing testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product’s safety and effectiveness after commercialization.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval of a drug or medical device is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- Restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- Fines, warning letters or holds on post-approval clinical trials;
- Refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product approvals;
- Product seizure or detention, or refusal to permit the import or export of products; and
- Injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs or devices may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. Furthermore, on May 10, 2019, the Centers for Medicare and Medicaid Services announced a new pricing transparency rule, which goes into effect on July 9, 2019. This final rule requires direct-to-consumer television advertisements for prescription drugs and biological products for which reimbursement is available, directly or indirectly, through or under Medicare or Medicaid to include the list price of that product, except for a prescription drug or biological product that has a list price of less than \$35 per month for a 30-day supply or typical course of treatment. The pricing transparency rule could have a negative effect on our business.

Other healthcare laws

Healthcare providers, physicians, and third party payors play a primary role in the recommendation and prescription of drug products for which we obtain marketing approval. Arrangements with third party payors, healthcare providers and physicians, in connection with the clinical research, sales, marketing and promotion of products, once approved, and related activities, may expose a pharmaceutical manufacturer to broadly applicable fraud and abuse and other healthcare laws and regulations. In the United States, these laws include, without limitation, state and federal anti-kickback, false claims, physician transparency, and patient data privacy and security laws and regulations, including but not limited to those described below:

- the federal Anti-Kickback Statute, or AKS, which makes it illegal for any person, including a prescription drug manufacturer (or a party acting on its behalf) to knowingly and willfully solicit, receive, offer or pay any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, that is intended to induce or reward, referrals including the purchase recommendation, order or prescription of a particular drug for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the federal civil and criminal false claims laws and civil monetary penalty laws, including the False Claims Act, which impose criminal and civil penalties, including through civil “qui tam” or “whistleblower” actions, against individuals or entities for, among other things, knowingly presenting, or

causing to be presented, claims for payment or approval from Medicare, Medicaid, or other federal health care programs that are false or fraudulent; knowingly making or causing a false statement material to a false or fraudulent claim or an obligation to pay money to the federal government; or knowingly concealing or knowingly and improperly avoiding or decreasing such an obligation. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of these statutes or specific intent to violate them in order to have committed a violation.

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act, created under Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the ACA, and its implementing regulations, which require manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the Centers for Medicare and Medicaid Services, or CMS, under the Open Payments Program, information related to payments or other transfers of value made to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- analogous state and foreign laws and regulations, such as state and foreign anti-kickback, false claims, consumer protection and unfair competition laws which may apply to pharmaceutical business practices, including but not limited to, research, distribution, sales and marketing arrangements as well as submitting claims involving healthcare 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 healthcare providers and other potential referral sources; state laws that require drug manufacturers to file reports with states regarding pricing and marketing information, such as the tracking and reporting of gifts, compensations and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of pharmaceutical sales representatives; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of a pharmaceutical manufacturer's business activities could be subject to challenge under one or more of such laws. Efforts to ensure that business arrangements comply with applicable healthcare laws involve substantial costs. It is possible that governmental and enforcement authorities will conclude that a pharmaceutical manufacturer's business practices do not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against a pharmaceutical manufacturer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition

of significant civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, integrity and oversight agreements to resolve allegations of non-compliance, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of operations, any of which could adversely affect a pharmaceutical manufacturer's ability to operate its business and the results of operations. In addition, commercialization of any drug product outside the United States will also likely be subject to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

Current and future healthcare reform legislation

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the health care system. In particular, in 2010 the ACA was enacted, which, among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program, extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations, subjected manufacturers to new annual fees and taxes for certain branded prescription drugs, and provided incentives to programs that increase the federal government's comparative effectiveness research.

There have been a number of significant changes to the ACA and its implementation. The Tax Cuts and Jobs Act of 2017, or Tax Act, includes a provision that repealed effective January 1, 2019 the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On October 13, 2017, President Trump signed an Executive Order terminating the cost-sharing subsidies that reimburse insurers under the ACA. Multiple state Attorneys General filed suit to stop the administration from terminating the subsidies, but their case was dismissed by a federal judge in California on July 18, 2018. Moreover, on January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the so called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. The Bipartisan Budget Act of 2018, also amended the ACA, effective January 1, 2019, by increasing the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and closing the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". Similarly, on April 9, 2018, CMS issued a final rule that will give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces by relaxing certain requirements for essential health benefits required under the ACA for plans sold through such marketplaces. Moreover, in July 2018, CMS published a final rule permitting further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. The Texas U.S. District Court Judge, as well as the Trump Administration and CMS have stated that the ruling will have no immediate effect pending appeal of the decision.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect in 2013,

[Table of Contents](#)

and, due to subsequent legislative amendments, will remain in effect through 2027 unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012 further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Legislative and regulatory proposals, and enactment of laws, at the foreign, federal and state levels, directed at containing or lowering the cost of healthcare, will continue into the future.

Rest of World Regulation

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

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

Additionally, to the extent that any of our product candidates, once approved, are sold in a foreign country, we may be subject to applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

Coverage and reimbursement

Successful commercialization of new drug products depends in part on the extent to which reimbursement for those drug products will be available from government health administration authorities, private health insurers, and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drug products they will pay for and establish reimbursement levels. The availability and extent of reimbursement by governmental and private payors is essential for most patients to be able to afford a drug product. Sales of drug products depend substantially, both domestically and abroad, on the extent to which the costs of drugs products are paid for by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors.

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular drug products. In many countries, the prices of drug products are subject to varying price control mechanisms as part of national health systems. In general, the prices of drug products under such systems are substantially lower than in the United States. Other countries allow companies to fix their own prices for drug products, but monitor and control company profits. Accordingly, in markets outside the United States, the reimbursement for drug products may be reduced compared with the United States.

In the United States, the principal decisions about reimbursement for new drug products are typically made by CMS, an agency within the HHS. CMS decides whether and to what extent a new drug product will be covered and reimbursed under Medicare, and private payors tend to follow CMS to a substantial degree. However, no uniform policy of coverage and reimbursement for drug products exists among third-party payors and coverage and reimbursement levels for drug products can differ significantly from payor to payor.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, established the Medicare Part D program to provide a voluntary prescription drug benefit to Medicare beneficiaries. Under

Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities that provide coverage of outpatient prescription drugs. While all Medicare drug plans must give at least a standard level of coverage set by Medicare, Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each Part D prescription drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Government payment for some of the costs of prescription drugs may increase demand for drugs for which we obtain marketing approval. Any negotiated prices for any of our products covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

For a drug product to receive federal reimbursement under the Medicaid or Medicare Part B programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the average manufacturer price, or AMP, and Medicaid rebate amounts reported by the manufacturer. As of 2010, the ACA expanded the types of entities eligible to receive discounted 340B pricing, although under the current state of the law these newly eligible entities (with the exception of children's hospitals) will not be eligible to receive discounted 340B pricing on orphan drugs. As 340B drug pricing is determined based on average manufacturer price, or AMP, and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase. 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. The plan for the research was published in 2012 by the Department of Health and Human Services, 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 are 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 our drug candidates, if any such drug or the condition that they are intended to treat are the subject of a trial. It is also possible that comparative effectiveness research demonstrating benefits in a competitor's drug could adversely affect the sales of our drug candidate. If third-party payors do not consider our drugs to be cost-effective compared to other available therapies, they may not cover our drugs after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our drugs on a profitable basis.

These laws, and future state and federal healthcare reform measures may be adopted in the future, any of which may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Outside of the United States, the pricing of pharmaceutical products and medical devices is subject to governmental control in many countries. For example, in the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost effectiveness of a particular therapy to currently available therapies or so-called health technology assessments, in order to obtain reimbursement or pricing approval. Other countries may allow companies to fix their own prices for products, but monitor and control product volumes and issue guidance to physicians to limit prescriptions. Efforts to control prices and utilization of pharmaceutical products and medical devices will likely continue as countries attempt to manage healthcare expenditures.

[Table of Contents](#)

Employees

As of March 31, 2019, we had 48 full-time employees, including 21 with Ph.D. or M.D. degrees and 37 are engaged in research and development activities. None of our employees are represented by labor unions or covered by collective bargaining agreements. We consider our relationship with our employees to be good.

Facilities

We lease a facility containing 32,974 square feet of laboratory and office space, which is located at 260 Littlefield Avenue, South San Francisco, California 94080. The lease expires on February 28, 2025. We believe that our current facilities are sufficient to meet our current and near-term needs and that, should it be needed, suitable additional space will be available.

Legal Proceedings

As of the date of this prospectus, we are not party to any material legal matters or claims. We may become party to legal matters and claims arising in the ordinary course of business. We cannot predict the outcome of any such legal matters or claims, and despite the potential outcomes, the existence thereof may have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information about our executive officers and directors, including their ages as of May 1, 2019.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Executive Officers:		
Bernard Coulie, M.D., Ph.D.	53	President, Chief Executive Officer and Director
Hans Hull	44	Chief Business Officer
Éric Lefebvre, M.D.	55	Chief Medical Officer
Keith Cummings, M.D., MBA	42	Chief Financial Officer
Barbara Howes	54	Chief Human Resource Officer
Non-Employee Directors:		
Hoyoung Huh, M.D., Ph.D.(3)	49	Lead Director
Suzanne Bruhn, Ph.D.(2)	55	Director
John Curnutte, M.D.(2)	67	Director
Neil Exter(2)	60	Director
Charles Homcy, M.D.(3)	70	Director
Kevin Raidy	50	Director
Smital Shah(1)	43	Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Executive Officers

Bernard Coulie, M.D., Ph.D., MBA, has served as our Chief Executive Officer and as a Director since February 2016. Prior to joining us, Dr. Coulie cofounded ActoGeniX N.V., a biopharmaceutical company, and held roles of increasing responsibility there, including as Vice President R&D, Chief Medical Officer and Chief Executive Officer, from September 2006 until February 2015, when it was acquired by Intrexon Corporation. Prior to cofounding ActoGeniX, Dr. Coulie held various positions with increasing responsibilities in drug discovery and clinical development at Johnson & Johnson Pharmaceutical Research and Development Europe. Dr. Coulie previously served as a director of ActoGeniX from April 2010 until February 2015, Biogazelle N.V. from July 2015 until November 2018, Myoscience from June 2016 until March 2019. Dr. Coulie is currently serving as a director and Chairman of Calypso BV. Dr. Coulie holds a M.D. and Ph.D. from the University of Leuven, Belgium and a MBA from the Vlerick Management School, Leuven, Belgium. We believe that Dr. Coulie is qualified to serve on our board of directors based on our review of his experience and expertise in operations management and executive leadership at various biopharmaceutical companies.

Hans Hull, J.D., has served as our Chief Business Officer since March 2016. Prior to joining us, Mr. Hull held roles of increasing responsibility at Avalanche Biotechnologies, Inc., a biopharmaceutical company, from March 2011 until December 2015, including as Vice President, Legal and Corporate Development, Senior Vice President, Business Operations and interim President and Chief Executive Officer. Prior to Avalanche, from May 2008 to December 2011, he served as a legal and business development consultant for life sciences companies, including Second Genome, Inc., a biotechnology company, and Aprelia Pharmaceuticals, a pharmaceutical company. Mr. Hull was also the Chief Executive Officer of Orthobond Corporation, a medical device startup from March 2005 to April 2008. Mr. Hull also had an earlier career as an intellectual property attorney at Heller Ehrman LLP and life science consultant at ZS Associates. He holds an A.B. in Chemistry from Princeton University and a J.D. from the University of California, Berkeley.

Éric Lefebvre, M.D., has served as our Chief Medical Officer since May 2018. Prior to joining us, Dr. Lefebvre served as the Vice President of Allergan plc, a global pharmaceutical company, from November 2016 until April 2018. Prior to Allergan, Dr. Lefebvre served as Chief Medical Officer of Tobira Therapeutics, Inc., a clinical-stage biopharmaceutical company, from January 2012 until November 2016. Dr. Lefebvre also led global clinical development and global medical affairs at Janssen Pharmaceuticals for 10 years prior to starting his pharmaceutical career at GlaxoSmithKline Canada. This was preceded by 15 years of providing primary care at Clinique Medicale L'Actuel in Montreal, Canada. He holds a B.S. in Health Sciences from Edouard-Montpetit College and a M.D. from the University of Montreal.

Keith Cummings, M.D., MBA, has served as our Chief Financial Officer since December 2018. Prior to joining us, Dr. Cummings served as Director in the Investment Banking Healthcare Group at Citigroup Global Markets from September 2014 until December 2018. Prior to joining Citigroup, Dr. Cummings worked at Lehman Brothers and subsequently, as the Vice President, Investment Banking Barclays Investment Bank from August 2009 to September 2014. He holds a B.S. in Biochemistry from North Carolina State University, a MBA from Duke University's Fuqua School of Business and a M.D. from Duke University School of Medicine.

Barbara Howes has served as our Chief Human Resource Officer since May 2019. Prior to joining us, Ms. Howes worked full time in consulting full-time in October 2014 where she served as the interim Head of Human Resources for several biotechnology companies, including Pliant prior to joining us full time. Ms. Howes has over 20 years' experience designing and delivering creative and impactful human resources, leadership development and change management solutions with a focus on optimizing organizational performance in the areas of innovation, collaboration, culture and strategy. Prior to founding her consulting practice in October 2014, Ms. Howes led the executive and organization development, career & learning, diversity, and workforce research teams at Genentech from June 2008 through October 2014. Prior to joining Genentech, Ms. Howes spent 12 years at The Walt Disney Company, where she held various development positions at The Disney Stores, Walt Disney Imagineering, and Corporate. She holds a B.A. in Liberal Arts from Mount Saint Mary's College and a MBA with an emphasis in Organizational Behavior from California Lutheran University.

Non-Employee Directors

Hoyoung Huh, M.D., Ph.D., has served as Lead Director of our board of directors since December 2017. He is the founder of pH Pharma and Healthcare & Humanity Foundation. Dr. Huh was a Managing Director of Konus Advisory Group, Inc. from January 2012 to September 2014. Prior to founding Konus Advisory Group, Inc., Dr. Huh was Chief Executive Officer and Chairman of the board of directors of BiPar Sciences, Inc. from February 2008 until December 2010. In addition, Dr. Huh has been involved in the formation, management and board positions of multiple biotechnology and innovation-based companies. He previously served as the Chairman of the board of directors of Geron Corporation from September 2011 to December 2018, and CytomX Therapeutics, Inc. from February 2012 to December 2018, a member of the board of directors of Rezolute, Inc. (f/k/a AntriaBio, Inc.) from 2013 to January 2019, the Chairman of the board of directors of Epizyme, Inc., and as a member of the board of directors of Facet Biotech Corporation, Nektar Therapeutics, Inc., Addex Therapeutics Ltd. and EOS, S.p.A (Milano, Italy). Earlier in his career, Dr. Huh was a partner at McKinsey & Company. He holds A.B. in Biochemistry from Dartmouth College, a M.D. from Cornell University Medical College and a Ph.D. in Cell Biology and Genetics from Cornell University Sloan Kettering Institute. We believe Dr. Huh is qualified to serve on our board of directors based on his significant leadership experience in and familiarity with the biopharmaceutical industry.

Suzanne Bruhn, Ph.D., has served as a member of our board of directors since July 2016. Dr. Bruhn currently serves as President and Chief Executive Officer of Tiaki Therapeutics, a preclinical biotechnology company, since May 2019. Prior to that, Dr. Bruhn served as President and Chief Executive Officer of Proclara Biosciences, Inc, a clinical-stage biotechnology company, from April 2017 until September 2018. Prior to Proclara, Dr. Bruhn served as President and Chief Executive Officer of Promedior, Inc., a private clinical-stage

[Table of Contents](#)

biotech company developing targeted therapies to treat diseases involving fibrosis, from May 2012 until November 2015. She currently also serves on the board of directors of Aeglea BioTherapeutics, Inc, a publicly traded biotherapeutics company, from February 2017 and Novelion Therapeutics, Inc, a publicly traded pharmaceutical company, from October 2017. She previously served as a member of the board of directors of Raptor Pharmaceuticals Corp., a publicly traded pharmaceutical company, from April 2011 until it was acquired by Horizon Pharma plc in October 2016. She holds a B.S. in Chemistry from Iowa State University and a Ph.D. in Chemistry from Massachusetts Institute of Technology and completed her postdoctoral fellowship in the department of human genetics at Harvard Medical School. We believe Dr. Bruhn is qualified to serve on our board of directors based on her expertise and experience in the biopharmaceutical industry, including her expertise in the development of treatments for rare diseases and diseases involving fibrosis.

John Curnutte, M.D., Ph.D., has served as a member of our board of directors since August 2017. Since February 2011, Dr. Curnutte has served as Executive Vice President of Research and Development at Portola Pharmaceuticals, Inc., a biopharmaceutical company developing product candidates for thrombosis and other hematologic diseases. Prior to that, Dr. Curnutte served as the Chief Executive Officer of 3-V Biosciences, Inc., a biotechnology company. Earlier in his career, he served as a President of Schering-Plough Biopharma and previously held several senior management positions at Genentech, Inc., a biotechnology company. Prior to Genentech, Dr. Curnutte was a tenured faculty member at The Scripps Research Institute, pursuing basic and clinical research in inflammation biochemistry and the molecular genetics of congenital immune deficiencies. He is currently an adjunct clinical professor of pediatrics at Stanford University School of Medicine and a member of the medical staff, where he continues to consult on patients with primary immunodeficiencies. He also currently serves as a member of the board of directors of diaDexus, Inc., a company focused on cardiovascular diagnostics, since February 2015. Dr. Curnutte holds a B.S. in Biochemistry and Molecular Biology from Harvard University and a M.D. and a Ph.D. in Biological Chemistry from Harvard Medical School. We believe Dr. Curnutte is qualified to serve on our board of directors based on his experience in the biopharmaceutical industry, including his operational experience in drug discovery and development.

Neil Exter, MBA, has served as a member of our board of directors since June 2015. He has been a partner at Third Rock Ventures since November 2007. Mr. Exter has more than 30 years of business development, strategy and operating management experience, across the spectrum of emerging and established biotech and technology companies. Mr. Exter is currently the interim chief business officer of Cedilla Therapeutics. Prior to joining Third Rock Ventures, Mr. Exter was CBO of Alantos Pharmaceuticals and led the sale of that company to Amgen. Previously, he served as Vice President of Business Development for Millennium Pharmaceuticals. Mr. Exter presently is a board member of Element Science, Goldfinch Bio, Pliant Therapeutics, Revolution Medicines, Celsius Therapeutics and Decibel Therapeutics. He is a member of the Research Committee of Children's Hospital Boston, the investment committee of the Innovation Research Fund at Partners Healthcare, and the board of directors of the New England Venture Capital Association. He holds an MBA as a Baker Scholar from Harvard Business School, an M.S. from Stanford University, and a B.S. from Cornell University. We believe that Mr. Exter's extensive experience in the life sciences industry as a venture capitalist and senior executive, as well as his service on the boards of directors of numerous biotechnology companies provide him with the qualifications to serve as a director of our company.

Charles Homcy, M.D. has served as a member of our board of directors since July 2015. In 2010, Dr. Homcy joined Third Rock Ventures, a venture capital firm, where he is currently a partner. In 2003, he co-founded Portola Pharmaceuticals, a clinical biotechnology company, and he served as their president and chief executive officer until 2010. Prior to that, Dr. Homcy served as the president of research and development at Millennium Pharmaceuticals, Inc. (currently, Takeda Oncology), a biopharmaceutical company, following its acquisition of COR Therapeutics, Inc. in 2002. He joined COR Therapeutics, Inc., a biopharmaceutical company, in 1995 as executive vice president of research and development, and he served as a director of the company from 1988 to 2002. Dr. Homcy was a clinical professor of medicine at the University of California, San Francisco Medical School, and attending physician at the San Francisco Veterans Affairs Hospital from 1997 to 2011. He was previously president of the medical research division of American Cyanamid-Lederle Laboratories,

[Table of Contents](#)

a division of Wyeth-Ayest Laboratories. He currently serves on the board of directors of BridgeBio Pharma LLC, a position he has held since November 2018, and of Global Blood Therapeutics, Inc., a position he has held since 2012. Dr. Homcy holds a B.A. and an M.D. from Johns Hopkins University and currently serves on its board of trustees. We believe Dr. Homcy is qualified to serve on our board of directors based on his significant experience building and leading successful biotechnology companies and his scientific expertise.

Kevin Raidy is the Portfolio Manager of Cowen Healthcare Investments. Until October 2017, Mr. Raidy served as Head of Investment Banking at Cowen and Company. He previously served as co-head of Cowen and Company's equity capital markets group, which is responsible for the origination and execution of all equity capital-raising transactions. Before that, he was a managing director at Ramius LLC, where he was portfolio manager for direct investments and convertible bonds, managing a portfolio in excess of \$1 billion. Mr. Raidy also was the founder of H4 Capital Management LLC. His sell-side experience includes ten years at Shipley Raidy Capital Partners LP, a boutique investment banking firm that he co-founded, where he was responsible for sourcing, evaluating, and structuring numerous debt and equity financings and also performed M&A advisory services. Prior to founding Shipley Raidy, Mr. Raidy was an associate at Philadelphia First Group. He started his career at Cantor Fitzgerald before moving to Merrill Lynch as an analyst in the municipal finance group. Mr. Raidy holds a BS in economics with a concentration in finance from the Wharton School of the University of Pennsylvania. We believe Mr. Raidy is qualified to serve on our board of directors based on his significant leadership experience in the investment banking industry.

Smital Shah, MBA, has served as a member of our board of directors since March 2019. Since October 2014, Ms. Shah has served in roles of increasing responsibility at ProQR Therapeutics NV, a rare disease company, including as Chief Financial Officer and most recently as Chief Business and Financial Officer. Previously, Ms. Shah managed the multi-billion-dollar debt, cash and investment portfolios of Gilead Sciences, Inc. Prior to Gilead, she was an investment banker at Leerink Partners and JP Morgan focused on capital raising and strategic transactions in the biotechnology space. Previously, Ms. Shah held various research and development roles at Johnson & Johnson Company. She holds a B.S. in Chemical Engineering from the University of Mumbai, a M.S. in Chemical Engineering from Virginia Tech and a MBA from the University of California, Berkeley Haas School of Business. We believe Ms. Shah is qualified to serve on our board of directors due to her extensive experience in the life sciences industry and her leadership experience as a senior financial executive.

Family Relationships

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

Composition of Our Board of Directors

Our board of directors consists of eight members, each of whom are members pursuant to the board composition provisions of our certificate of incorporation and agreements with our stockholders. These board composition provisions will terminate upon the completion of this offering. Upon the termination of these provisions, there will be no further contractual obligations regarding the election of our directors. Our nominating and corporate governance committee and our board of directors may consider a broad range of factors relating to the qualifications and background of nominees. Our nominating and corporate governance committee's and our board of directors' priority in selecting board members is to identify persons who will further the interests of our stockholders through his or her established record of professional accomplishments, the ability to contribute positively to the collaborative culture among board members, knowledge of our business, understanding of the competitive landscape, and professional and personal experiences and expertise relevant to our growth strategy. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal. Our amended and restated certificate of incorporation and amended and restated by-laws that will become effective immediately prior to the closing of this offering also provide that our directors may be removed only for cause by the affirmative vote of the holders of at least two-thirds 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.

Director Independence

Upon the completion of this offering, we expect that our common stock will be listed on the Nasdaq Global Market. Applicable Nasdaq rules require a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. In addition, the Nasdaq rules require that (i) on the date of the initial listing, at least one member of each of a listed company's audit, compensation and nominating and corporate governance committees be independent, (ii) within 90 days of the date of the initial listing, a majority of the members of such committees be independent and (iii) within one year of the date of the initial listing, all the members of such committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Under applicable Nasdaq rules, a director will only qualify as an "independent director" if, in the opinion of the listed company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has determined that all members of the board of directors, except Dr. Coulie, are independent directors, including for purposes of the rules of Nasdaq and the SEC. In making such independence determination, our board of directors considered the relationships that each non-employee director has with us 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. In considering the independence of the directors listed above, our board of directors considered the association of our directors with the holders of more than 5% of our common stock. Upon the completion of this offering, we expect that the composition and functioning of our board of directors and each of our committees will comply with all applicable requirements of Nasdaq and the rules and regulations of the SEC. Dr. Coulie is not an independent director under these rules because he is currently employed as the chief executive officer of our company.

Staggered Board

In accordance with the terms of our amended and restated certificate of incorporation and amended and restated by-laws that will become effective immediately prior to the closing of this offering, our board of directors will be divided into three staggered classes of directors and each will be assigned to one of the three classes. At each annual meeting of the stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2020 for Class I directors, 2021 for Class II directors and 2022 for Class III directors.

- Our Class I directors will be _____, _____, and _____.
- Our Class II directors will be _____, _____, and _____.
- Our Class III directors will be _____ and _____.

Our amended and restated certificate of incorporation and amended and restated by-laws that will become effective immediately prior to the closing of this offering will provide that the number of directors shall be fixed from time to time by a resolution of the majority of our board of directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our board of directors or a change in control.

Board Leadership Structure and Board’s Role in Risk Oversight

Hoyoung Huh, M.D., Ph.D. is our current lead director of the board and Bernard Coulie, M.D., Ph.D. is our current chief executive officer, hence the roles of lead director or chairman and the chief executive officer and president are separated. We plan to keep these roles separated following the completion of this offering. We believe that separating these positions allows our chief executive officer to focus on setting the overall strategic direction of the company, expanding the organization to deliver on our strategy and overseeing our day-to-day business, while allowing a lead director of the board to lead the board of directors in its fundamental role of providing strategic advice. Our board of directors recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our lead director, particularly as the board of directors’ oversight responsibilities continue to grow. While our amended and restated by-laws and corporate governance guidelines do not require that our lead director and chief executive officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to our financial condition, development and commercialization activities, operations, strategic direction and intellectual property as more fully discussed in the section entitled “Risk Factors” appearing elsewhere in this prospectus. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The role of the board of directors in overseeing the management of our risks is conducted primarily through committees of the board of directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. The full board of directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, their potential impact on us, and the steps we take to manage them. When a board committee is responsible for evaluating and overseeing the management of a particular risk or risks, the chairperson of the relevant committee reports on the discussion to the full board of directors during the committee reports portion of the next board meeting. This enables the board of directors and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Committees of Our Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will operate pursuant to a charter adopted by our board of directors and will be effective upon the effectiveness of the registration statement of which this prospectus is a part. Upon the effectiveness of the registration statement of which this prospectus is a part, the composition and functioning of all of our committees will comply with all applicable requirements of the Sarbanes-Oxley Act of 2002, and with Nasdaq and SEC rules and regulations.

Audit Committee

Effective upon the effectiveness of the registration statement of which this prospectus is a part, Smital Shah, _____ and _____ will serve on the audit committee, which will be chaired by Smital Shah. Our board of directors has determined that each of _____ are “independent” for audit committee purposes as that term is

[Table of Contents](#)

defined in the rules of the SEC and the applicable Nasdaq rules, and each has sufficient knowledge in financial and auditing matters to serve on the audit committee. Our board of directors has designated _____ as an “audit committee financial expert,” as defined under the applicable Nasdaq rules. The audit committee’s responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our 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;
- coordinating the oversight and 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 our independent registered public accounting firm whether our audited financial statements shall be included in our Annual Report on Form 10-K;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing quarterly earnings releases.

Compensation Committee

Effective upon the effectiveness of the registration statement of which this prospectus is a part, Suzanne Bruhn, Ph.D., John Curnutte, M.D. and Neil Exter will serve on the compensation committee, which will be chaired by Suzanne Bruhn, Ph.D. Our board of directors has determined that each member of the compensation committee is “independent” as defined in the applicable Nasdaq rules. The compensation committee’s responsibilities include:

- annually reviewing and recommending to the board of directors the corporate goals and objectives relevant to the compensation of our principal executive officer;
- evaluating the performance of our principal executive officer in light of such corporate goals and objectives and based on such evaluation: (i) determining cash compensation of our principal executive officer; and (ii) reviewing and approving grants and awards to our principal executive officer under equity-based plans;
- reviewing and approving or recommending to the board of directors the compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;

Table of Contents

- evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the applicable Nasdaq rules;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and recommending to the board of directors the compensation of our directors;
- preparing the compensation committee report required by SEC rules, if and when required, to be included in our annual proxy statement; and
- reviewing and approving the retention, termination or compensation of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

Nominating and Corporate Governance Committee

Effective upon the effectiveness of the registration statement of which this prospectus is a part, Hoyoung Huh, M.D., Ph.D. and Charles Homcy, M.D., will serve on the nominating and corporate governance committee, which will be chaired by Hoyoung Huh, M.D., Ph.D. Our board of directors has determined that each member of the nominating and corporate governance committee is “independent” as defined in the applicable Nasdaq rules. 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;
- reviewing the composition of the board of directors to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- 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 code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of our board of directors and management.

Our board of directors may from time to time establish other committees.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time during the prior three years been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Corporate Governance

We intend to adopt a written code of business conduct and ethics, effective upon the effectiveness of the registration statement of which this prospectus is a part, that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Following the effectiveness of the registration statement of which this prospectus is a part, a current copy of the code will be posted on the investor relations section of our website, which is located at <https://pliantrx.com>. The inclusion of our website address in this prospectus does not incorporate by reference the information on or accessible through our website into this prospectus. If we make

any substantive amendments to, or grant any waivers from, the code of business conduct and ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

Limitation on Liability and Indemnification Matters

Our amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Each of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective immediately prior to the completion of this offering, will provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our amended and restated bylaws will also obligate us to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these certificate of incorporation and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

EXECUTIVE COMPENSATION

Overview

The following discussion contains forward-looking statements that are based on our current plans and expectations regarding our future compensation programs. The actual amount and form of compensation that we pay and the compensation policies and practices that we adopt in the future may differ materially from the currently-planned programs that are summarized in this discussion.

The compensation provided to our named executive officers for the fiscal year ended December 31, 2018 is detailed in the 2018 Summary Compensation Table and accompanying footnotes and narrative that follow. Our named executive officers for the fiscal year ended December 31, 2018, which consists of our Chief Executive Officer and our two most highly-compensated individuals (other than our Chief Executive Officer) who were serving as executive officers on December 31, 2018 are:

- Bernard J. Coulie, M.D., Ph.D., our Chief Executive Officer;
- Éric Lefebvre, M.D., our Chief Medical Officer; and
- Hans Hull, J.D., our Chief Business Officer.

2018 Summary Compensation Table

The following table provides information regarding the total compensation awarded to, earned by, and paid to our named executive officers for services rendered to us in all capacities for the fiscal year ended December 31, 2018.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)(1)</u>	<u>Option Awards (\$)</u>	<u>Non-equity Incentive Plan Compensation (\$)(2)</u>	<u>All Other Compensation (\$)(3)</u>	<u>Total (\$)</u>
Bernard J. Coulie, M.D., Ph.D. <i>Chief Executive Officer</i>	2018	413,631		112,682		190,270	44,835	761,418
Éric Lefebvre, M.D. <i>Chief Medical Officer(4)</i>	2018	269,167	80,000(5)	342,938		83,067	7,600	782,772
Hans Hull, J.D. <i>Chief Business Officer</i>	2018	344,793		18,780		111,712	11,000	486,285

- (1) The amounts reported represent the aggregate grant date fair value of the restricted stock awards granted to our named executive officers during the 2018 fiscal year, calculated in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718. Such grant date fair values do not take into account any estimated forfeitures. The assumptions used in calculating the grant date fair value of the restricted stock awards reported in this column are set forth in note 11 of our financial statements included elsewhere in this prospectus. The amounts reported in this column reflect the accounting cost for these restricted stock awards and do not correspond to the actual economic value that may be received by our named executive officers upon the vesting of the restricted stock awards or any sale of the underlying shares of common stock. For Dr. Lefebvre, the grant date fair value of his performance-based restricted stock award is reported based on the probable outcome of the applicable performance metrics and the grant date fair value of the such performance-based restricted stock award, based on maximum level of achievement of the applicable performance metrics, is \$57,063.
- (2) Represents amounts earned by our named executive officers under our short-term incentive program, based on the Company's achievement of certain corporate performance goals and the named executive officers' individual performance during the 2018 fiscal year.
- (3) For the 2018 fiscal year, the amounts reported for Dr. Coulie represents—\$11,000 for matching contributions made by the Company under its 401(k) plan, \$20,000 for a travel allowance, and \$13,835 for tax gross-ups paid by the Company for such travel allowance and the amounts reported for Dr. Lefebvre and Mr. Hull represent matching contributions made by the Company under its 401(k) plan.
- (4) Dr. Lefebvre commenced employment with us in April 2018 and his annual base salary of \$380,000 and annual bonus amounts were pro-rated accordingly.
- (5) Represents a one-time lump sum sign-on bonus that Dr. Lefebvre received in connection with his commencement of employment with us.

Narrative to Summary Compensation Table

Base Salaries

From January 1, 2018 through February 15, 2018, the annual base salaries for Dr. Coulie and Mr. Hull were \$386,250 and \$334,750, respectively. Effective as of February 16, 2018, the annual base salaries for Dr. Coulie and Mr. Hull were increased to \$403,631 and \$344,793, respectively. Dr. Coulie's annual base salary was further increased to \$413,631, effective as of February 20, 2018.

Bonuses

Annual Bonuses

During the fiscal year ended December 31, 2018, our named executive officers were eligible to participate in the Company's short-term incentive program, pursuant to which each was eligible to earn an annual bonus based on the achievement of certain Company performance objectives and individual performance. From January 1, 2018 through February 7, 2018, the target annual bonuses for Drs. Coulie and Lefebvre and Mr. Hull were 35%, 30% and 25%, respectively, of the applicable named executive officer's annual base salary. Effective as of February 8, 2018, the target annual bonuses for Dr. Coulie and Mr. Hull were increased to 40% and 30%, respectively, of the applicable named executive officer's annual base salary.

Sign-on Bonus

In connection with Dr. Lefebvre's commencement of employment with us in April 2018, he received a one-time lump sum bonus equal to \$80,000.

Equity Compensation

During the fiscal year ended December 31, 2018, we granted restricted stock awards to each of our named executive officers, as described in more detail in the "Outstanding equity awards at fiscal 2018 year-end" table.

401(k) Plan

We maintain a tax-qualified 401(k) plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax-advantaged basis. Plan participants are able to defer eligible compensation subject to applicable annual Internal Revenue Code limits. We provide a safe harbor matching contribution equal to 100% on the first 3% of participant contributions and an additional 50% on the next 2% of participant contributions, which is 100% vested when contributed. We may also decide to make nonelective contributions, although we are not required to do so pursuant to the terms of the 401(k) plan. The 401(k) plan is intended to be qualified under Section 401(a) of the Internal Revenue Code with the 401(k) plan's related trust intended to be tax exempt under Section 501(a) of the Internal Revenue Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan.

Perquisites

We generally do not provide perquisites to our employees, other than a travel allowance and related tax gross ups to Dr. Coulie.

Executive Employment Arrangements

We initially entered into an offer letter with each of the named executive officers in connection with his employment with us, which set forth the terms and conditions of his employment. Each named executive officer also entered into our standard confidentiality and inventions assignment agreement.

Offer Letters in Place During the Fiscal Year Ended December 31, 2018 for Our Named Executive Officers

Bernard Coulie, M.D., Ph.D.

On October 12, 2015, we entered into an offer letter with Dr. Coulie, who currently serves as our Chief Executive Officer. The offer letter provided for Dr. Coulie's at-will employment and set forth his initial annual base salary, initial target annual bonus opportunity, a \$250,000 sign-on bonus, annual travel allowance of up to \$20,000, and an initial restricted stock grant for 2,759,780 shares of our common stock, as well as his eligibility to participate in our employee benefit plans generally. Dr. Coulie's initial restricted stock grant vests with respect to 25% of the shares subject thereto on the first anniversary of the vesting commencement date and 1/48th of the shares subject thereto each month thereafter, subject to Dr. Coulie's continued service to the Company through each applicable vesting date. In the event of a termination of his employment by the Company without "cause" (as defined in Dr. Coulie's offer letter) and other than for death or disability, subject to Dr. Coulie's execution of an effective release of claims in favor of the Company and his continued compliance with all legal and contractual obligations to the Company, Dr. Coulie will be entitled to a severance benefit in the form of a lump sum payment equal to six months of his then-base salary.

Éric Lefebvre, M.D.

On February 28, 2018, we entered into an offer letter with Dr. Lefebvre, who currently serves as our Chief Medical Officer. The offer letter provided for Dr. Lefebvre's at-will employment and set forth his initial annual base salary, initial target bonus opportunity, an \$80,000 sign-on bonus, an initial restricted stock grant for 1,069,927 shares of our common stock, or the Initial Lefebvre Grant, and an additional restricted stock grant for 178,321 shares of our common stock, or the Additional Lefebvre Grant, as well as his eligibility to participate in our employee benefit plans generally. The Initial Lefebvre Grant vests with respect to 25% of the shares subject thereto on the first anniversary of the vesting commencement date and 1/48th of the shares subject thereto each month thereafter, subject to Dr. Lefebvre's continued service to the Company on each applicable vesting date. The Additional Lefebvre Grant fully vests upon the successful completion of a Phase 1b study with a pharmacodynamic marker in 2019, subject to Dr. Lefebvre's continued service to the Company through such date. In the event of a termination of his employment by the Company without "cause" (as defined in Dr. Lefebvre's offer letter) and other than for death or disability, subject to Dr. Lefebvre's execution of an effective release of claims in favor of the Company and his continued compliance with all legal and contractual obligations to the Company, Dr. Lefebvre will be entitled to a severance benefit in the form of a lump sum payment equal to nine months of his then-base salary. If Dr. Lefebvre becomes re-employed by the Company within nine months of his termination, he must repay his severance amount less the number of months he was unemployed.

Hans Hull, J.D.

On February 10, 2016, we entered into an offer letter with Mr. Hull, who currently serves as our Chief Business Officer. The offer letter provided for Mr. Hull's at-will employment and set forth his initial annual base salary, initial target annual bonus opportunity, and an initial restricted stock grant for 927,000 shares of our common stock, as well as his eligibility to participate in our employee benefit plans generally. Mr. Hull's initial restricted stock grant vests with respect to 25% of the shares subject thereto on the first anniversary of the vesting commencement date and 1/48th of the shares subject thereto each month thereafter, subject to Mr. Hull's continued service to the Company through each applicable vesting date. In the event of a termination of his employment by the Company without "cause" (as defined in Mr. Hull's offer letter) and other than for death or disability, subject to Mr. Hull's execution of an effective release of claims in favor of the Company and his continued compliance with all legal and contractual obligations to the Company, Mr. Hull will be entitled to a severance benefit in the form of a lump sum payment equal to six months of his then-base salary.

Executive Severance Plan

In connection with this offering, our board of directors adopted an Executive Severance Plan, or the Severance Plan, subject to the effectiveness of this offering, in which our named executive officers, and certain other executives, will participate. The benefits provided in the Severance Plan will replace any severance for which our named executive officers may be eligible under their existing offer letters. The severance plan will provide that upon a (i) termination by us for any reason other than for “cause,” as defined in the Severance Plan, death or disability, in each case outside of the change in control period (i.e., the period of 12 months after a “change in control,” as defined in the Severance plan), an eligible participant will be entitled to receive, subject to the execution and delivery of an effective release of claims in favor of the Company, (i) 12 months of base salary for our Chief Executive Officer and nine months of base salary for the other named executive officers, plus a pro rata target annual bonus for the year of termination, and (ii) health benefits continuation for 12 months for our Chief Executive Officer and nine months for our other named executive officers.

The Severance Plan will also provide that upon a termination by us other than for “cause,” as defined in the Severance Plan, death or disability or a resignation for “good reason,” as defined in the Severance plan, in each case within the change in control period, an eligible participant will be entitled to receive, in lieu of the payments and benefits above and subject to the execution and delivery of an effective release of claims in favor of the Company, (i) 18 months of base salary plus target annual bonus for our Chief Executive Officer and 12 months of base salary plus target annual bonus for our other named executive officers (ii) health benefits continuation for 18 months for our Chief Executive Officer and 12 months for our other named executive officers, and (iii) full accelerated vesting of all outstanding and unvested equity awards held by such participant.

The payments and benefits provided under the Severance Plan in connection with a change in control may not be eligible for a federal income tax deduction by us pursuant to Section 280G of the Code. These payments and benefits may also subject an eligible participant, including the named executive officers, to an excise tax under Section 4999 of the Code. If the payments or benefits payable in connection with a change in control would be subject to the excise tax imposed under Section 4999 of the Code, then those payments or benefits will be reduced if such reduction would result in a higher net after-tax benefit to the recipient.

Outstanding Equity Awards at Fiscal 2018 Year-End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2018:

Name	Grant Date	Vesting Commencement Date	Stock Awards ⁽¹⁾			
			Number of Shares or Units of Stock that have Not Vested (#)	Market Value of Shares or Units of Stock that have Not Vested (\$) ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have Not Vested (\$) ⁽²⁾
Bernard Coulie	2/25/16	9/29/15	517,459	(3)	150,063	
	2/8/18	3/1/18	450,000	(3)	130,500	
Éric Lefebvre	5/17/18	5/1/18	1,069,927	(4)	310,279	
	5/17/18					178,321 ⁽⁵⁾
Hans Hull	4/7/16	3/9/16	289,688	(3)	84,010	
	2/8/18	3/1/18	75,000	(3)	21,750	

(1) Each equity award is subject to the terms of our 2015 Equity Incentive Plan, as amended from time to time, or the 2015 Plan.

(2) Based on the fair market value of a share of our common stock on 12/31/18, which was \$0.29.

(3) 25% of the shares vest on the first anniversary of the vesting commencement date and the remaining 75% vest in 36 equal monthly installments thereafter, subject to the named executive officer's continuous service relationship with the Company through each applicable vesting date. Notwithstanding the foregoing, the shares are subject to certain acceleration of vesting provisions upon the occurrence of certain events, provided that the named executive officer is in “good standing” (as defined in the applicable restricted stock award agreement) at the time of such event and subject to continued service to the Company through such event: (i) 25% upon the named

[Table of Contents](#)

executive officer's death; (ii) 12.5% upon a termination of employment by the Company; and (iii) 100% upon a termination in connection with a "sale event" (as defined in the applicable restricted stock award agreement).

- (4) 25% of the shares vest on the first anniversary of the vesting commencement date and the remaining 75% vest in 36 equal monthly installments thereafter, subject to the named executive officer's continuous service relationship with the Company through each applicable vesting date.
- (5) The restricted stock fully vests upon the successful completion of a Phase Ib study with a pharmacodynamic marker in 2019, subject to Dr. Lefebvre's continued service to the Company through such date. However, during 2019, we decided not to pursue the Phase Ib study and intend to repurchase such shares.

Employee Benefits and Equity Compensation Plans

2019 Stock Option and Incentive Plan

In connection with this offering, our board of directors plans to adopt a 2019 Stock Option and Incentive Plan, or the 2019 Plan. The 2019 Plan will become effective on the date immediately prior to the date on which the registration statement of which this prospectus is part is declared effective by the SEC. The 2019 Plan will replace our 2015 Plan, as our board of directors will not to make additional awards under the 2015 Plan following the closing of this offering. The 2019 Plan will provide flexibility to our compensation committee to use various equity-based incentive awards as compensation tools to motivate our workforce.

We will initially reserve _____ shares of our common stock, or the Initial Limit, for the issuance of awards under the 2019 Plan. The 2019 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2020, by _____ % of the outstanding number of shares of our common stock on the immediately preceding December 31, or such lesser number of shares as determined by our compensation committee. This is referred to herein as the Annual Increase. This number will be subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

The shares we issue under the 2019 Plan will be authorized but unissued shares or shares that we reacquire. The shares of common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without any issuance of stock, expire or are otherwise terminated (other than by exercise) under the 2019 Plan and the 2015 Plan will be added back to the shares of common stock available for issuance under the 2019 Plan.

The maximum aggregate number of shares that may be issued in the form of incentive stock options may not exceed the Initial Limit cumulatively increased on January 1, 2020, and on each January 1 thereafter by the lesser of (i) the Annual Increase for such year or (ii) _____ shares of common stock.

The grant date fair value of all awards made under our 2019 Plan and all other cash compensation paid by us to any non-employee director in any calendar year may not exceed \$ _____ for the first year of service and \$ _____ for each year of service thereafter.

The 2019 Plan will be administered by our compensation committee. Our compensation committee will have full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2019 Plan. Persons eligible to participate in the 2019 Plan will be those full or part-time employees, non-employee directors and consultants of the Company and its affiliates, as selected from time to time by our compensation committee in its discretion.

The 2019 Plan will permit the granting of both options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code and options that do not so qualify. The option exercise price of each option will be determined by our compensation committee but may not be less than 100% of the fair market value of our common stock on the date of grant. The term of each option will be fixed by our compensation committee and may not exceed ten years from the date of grant. Our compensation committee will determine at what time or times each option may be exercised.

[Table of Contents](#)

Our compensation committee will be able to award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights will entitle the recipient to shares of common stock or cash, equal to the value of the appreciation in our stock price over the exercise price. The exercise price of each stock appreciation right may not be less than 100% of the fair market value of the common stock on the date of grant. The term of each stock appreciation right will be fixed by our compensation committee and may not exceed ten years from the date of grant. Our compensation committee will determine at what time or times each stock appreciation right may be exercised.

Our compensation committee will be able to award restricted shares of common stock and restricted stock units to participants subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment or service relationship with us through a specified vesting period. Our compensation committee may also be permitted to grant shares of common stock that are free from any restrictions under the 2019 Stock Plan. Unrestricted stock may be granted to participants in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant.

Our compensation committee will be able to grant cash bonuses under the 2019 Stock Plan to participants, subject to the achievement of certain performance goals.

The 2019 Stock Plan will provide that upon the effectiveness of a “sale event,” as defined in the 2019 Stock Plan, an acquirer or successor entity may assume, continue or substitute outstanding awards under the 2019 Stock Plan. To the extent that awards granted under our 2019 Stock Plan are not assumed or continued or substituted by the successor entity, except as may be otherwise provided in the relevant award certificate, all awards with time-based vesting, conditions or restrictions will become fully vested and nonforfeitable as of the effective time of the sale event, and all awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in connection with a sale event in the compensation committee’s discretion or to the extent specified in the relevant award certificate. Upon the effective time of the sale event, all outstanding awards granted under the 2019 Stock Plan will terminate to the extent not assumed, continued or substituted for. In the event of such termination, individuals holding options and stock appreciation rights will be permitted to exercise such options and stock appreciation rights (to the extent exercisable) within a specified period of time prior to the sale event. In addition, in connection with the termination of the 2019 Stock Plan upon a sale event, we may make or provide for a payment, in cash or in kind, to participants holding vested and exercisable options and stock appreciation rights equal to the difference between the per share cash consideration payable to stockholders in the sale event and the exercise price of the options or stock appreciation rights and we may make or provide for a payment, in cash or in kind, to participants holding other vested awards.

Our board of directors will be able to amend or discontinue the 2019 Stock Plan and our compensation committee will be permitted, at any time, to amend or cancel outstanding awards for purposes of satisfying changes in law or any other lawful purpose but no such action may adversely affect rights under an award without the holder’s consent. The compensation committee is specifically authorized to exercise its discretion to reduce the exercise price of outstanding stock options or stock appreciation rights or effect the repricing of such awards through cancellation and re-grants. Certain amendments to the 2019 Stock Plan will require the approval of our stockholders.

No awards will be granted under the 2019 Stock Plan after the date that is 10 years from the date of stockholder approval. No awards under the 2019 Stock Plan will be made prior to the date of this prospectus.

2015 Equity Incentive Plan

Our board of directors adopted, and our stockholders approved, our 2015 Plan, on August 19, 2015. Our 2015 Plan was most recently amended on January 1, 2019. The 2015 Plan allowed for the grant of incentive stock options to employees, including employees of any parent or subsidiary, and for the grant of nonstatutory stock

[Table of Contents](#)

options, stock appreciation rights, restricted stock awards, restricted stock units and other stock awards to employees, directors, and consultants, including employees and consultants of our affiliates, subject in each case to compliance with applicable tax laws.

Our 2019 Stock Plan will become effective the day before the date that the registration statement of which this prospectus is part is declared effective by the SEC. As a result, we do not expect to grant any additional awards under the 2015 Plan following that date. Any awards granted under the 2015 Plan will remain subject to the terms of our 2015 Plan and applicable award agreements. As of December 31, 2018, options to purchase 809,200 shares of common stock and unexercised rights to purchase 32,600 shares of restricted stock were outstanding under the 2015 Plan.

The maximum number of shares of our common stock that may have been issued under our 2015 Plan was 21,150,000. The maximum number of shares of stock that may have been issued pursuant to the exercise of incentive stock options was three times such maximum number of shares. Shares subject to stock awards granted under our 2015 Plan that expire, are forfeited, are repurchased or otherwise terminate without all the shares covered by such stock awards having been issued, or are settled in cash, do not reduce the number of shares available for issuance under our 2015 Plan. Additionally, shares used to pay the exercise price or purchase price of a stock award or shares reacquired by the Company to satisfy the tax withholding obligations related to a stock award will return to the share reserve under the 2015 Plan. The shares issuable pursuant to stock awards granted under the 2015 Plan are authorized but unissued or reacquired shares, including shares repurchased by the Company on the open market or otherwise.

The Company's board of directors or a duly authorized committee of our board of directors administers our 2015 Plan and the stock awards granted under it, and has the power to interpret and administer our 2015 Plan and any agreement thereunder and to determine the terms of awards, including the recipients, the number of shares subject to each award, the exercise, purchase or strike price, if any, the vesting schedule applicable to the awards together with any vesting acceleration and the terms of the award agreement for use under our 2015 Plan. Under the 2015 Plan, the board of directors also generally has the authority to effect, with the consent of any adversely affected participant, the reduction of the exercise price of any outstanding option or stock appreciation right, the cancellation of any outstanding option or stock appreciation right and the grant in substitution therefore of other awards, cash, or other consideration, or any other action that is treated as a repricing under generally accepted accounting principles.

Pursuant to the 2015 Plan and subject to applicable law, the plan administrator may, in its discretion, delegate to one or more of our officers, the power to designate non-officer employees as recipients of options and/or stock appreciation rights and to determine the number of shares subject to such stock awards to be granted to such employees; provided, however, the plan administrator must specify the total number of shares that may be subject to the stock awards granted by such officer and such officer may not grant options to himself or herself. The board of directors may not delegate the authority to determine the fair market value of our common stock.

Our 2015 Plan provides that in the event of certain specified significant corporate transactions, generally including: (i) a sale of all or substantially all of our assets, (ii) the sale or disposition of at least 90% of our outstanding securities, (iii) the consummation of a merger or consolidation where we do not survive the transaction, and (iv) the consummation of a merger or consolidation where we do survive the transaction but the shares of common stock outstanding before such transaction are converted or exchanged into other property by virtue of the transaction, unless otherwise provided in an award agreement or other written agreement between us and the award holder, the administrator may take one or more of the following actions with respect to such stock awards: (A) arrange for the assumption, continuation or substitution of a stock award by a successor corporation, (B) arrange for the assignment of any reacquisition or repurchase rights held by us to a successor corporation, (C) accelerate the vesting, in whole or in part, of the stock award and provide for its termination before the transaction, (D) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us,

(E) cancel or arrange for the cancellation of the stock award before the transaction in exchange for a cash payment, if any, determined by the board of directors, or (F) make a payment, in the form determined by the board of directors, equal to the excess, if any, of the value of the property the participant would have received on exercise of the stock award before the transaction over any exercise price payable by the participant in connection with the exercise. The plan administrator is not obligated to treat all stock awards, even those that are of the same type, or all participants, in the same manner. In the event of a change in control, awards granted under the 2015 Plan will not receive automatic acceleration of vesting and exercisability, although the board of directors may provide for this treatment in an award agreement. Under the 2015 Plan, a change in control is defined to include (i) the acquisition by any person of more than 50% of the combined voting power of our then outstanding stock, (ii) a merger, consolidation, or similar transaction in which our stockholders immediately before the transaction do not own, directly or indirectly, more than 50% of the combined voting power of the surviving entity (or the parent of the surviving entity), or (iii) a sale, lease, exclusive license, or other disposition of all or substantially all of the assets to an entity that did not previously hold more than 50% of the voting power of our stock.

Under our 2015 Plan, the board of directors may provide for limitations on the transferability of awards, in its sole discretion. Option awards are generally not transferable other than by will or the laws of descent and distribution, except as otherwise provided under our 2015 Plan.

Our board of directors has the authority to amend, suspend, or terminate our 2015 Plan, although certain material amendments require the approval of our stockholders, and amendments that would impair the rights of any participant require the written consent of that participant.

Our board of directors has determined not to make any further awards under the 2015 Plan following the completion of this offering.

2019 Employee Stock Purchase Plan

In connection with this offering, our board of directors plans to adopt a 2019 Employee Stock Purchase Plan, or an ESPP, which will become effective on the date immediately prior to the date on which the registration statement of which this prospectus is part is declared effective by the SEC. The ESPP will initially reserve and authorize the issuance of up to a total of _____ shares of common stock to participating employees. The ESPP will provide that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2020, by the least of _____ shares of our common stock, _____ % of the outstanding number of shares of our common stock on the immediately preceding December 31, or such lesser number of shares as determined by our compensation committee. This number will be subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

All employees whose customary employment is for more than _____ hours per week and who have completed at least _____ days of employment will be eligible to participate in the ESPP. Any employee who owns 5% or more of the total combined voting power or value of all classes of stock will not be eligible to purchase shares under the ESPP.

We will make one or more offerings, consisting of one or more purchase periods, each year to our employees to purchase shares under the ESPP. Offerings will usually begin every six months and will continue for six-month periods, referred to as offering periods. Each eligible employee may elect to participate in any offering by submitting an enrollment form at least 15 business days before the relevant offering date.

Each employee who is a participant in the ESPP may purchase shares by authorizing contributions of between 1% and _____ % of his or her compensation during an offering period. Unless the participating employee has previously withdrawn from the offering, his or her accumulated contributions will be used to purchase shares on the last business day of the purchase period at a price equal to 85% of the fair market value of the shares on

[Table of Contents](#)

the first business day of the offering period or the last business day of the purchase period, whichever is lower, provided that no more than _____ shares of common stock (or a lesser number as established by the plan administrator in advance of the purchase period) may be purchased by any one employee during each purchase period. Under applicable tax rules, an employee may purchase no more than \$25,000 worth of shares of common stock, valued at the start of the offering period, under the ESPP for each calendar year in which a purchase right is outstanding.

The accumulated contributions of any employee who is not a participant on the last day of a purchase period will be refunded. An employee's rights under the ESPP terminate upon voluntary withdrawal from the plan or when the employee ceases employment with us for any reason.

The ESPP may be terminated or amended by our board of directors at any time, but will automatically terminate on the 10-year anniversary of this offering. An amendment that increases the number of shares of common stock that are authorized under the ESPP and certain other amendments will require the approval of our stockholders. The plan administrator may adopt subplans under the ESPP for employees of our non-U.S. subsidiaries.

Senior Executive Cash Incentive Bonus Plan

In connection with this offering, our board of directors plans to adopt a Senior Executive Cash Incentive Bonus Plan, or the Bonus Plan. The Bonus Plan will provide for cash bonus payments based upon the attainment of performance targets established by our compensation committee. The payment targets will be related to financial and operational measures or objectives with respect to our company, or corporate performance goals, as well as individual performance objectives.

Our compensation committee may select corporate performance goals from among the following: cash flow (including, but not limited to, operating cash flow and free cash flow); sales or revenue; corporate revenue; earnings before interest, taxes, depreciation and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization); changes in the market price of our common stock; economic value-added; development, clinical, regulatory or commercial milestones; acquisitions or strategic transactions, partnerships or joint ventures; operating income (loss); return on capital, assets, equity, or investment; stockholder returns; return on sales; gross or net profit levels; productivity; expense efficiency; margins; operating efficiency; customer satisfaction; working capital; earnings (loss) per share of our common stock; sales or market shares; number of customers; operating income and/or other strategic, financial or operational objectives, any of which may be measured in absolute terms, as compared to any incremental increase, in terms of growth, as compared to results of a peer group, against the market as a whole, compared to applicable market indices and/or measured on a pre-tax or post-tax basis.

Each executive officer who is selected to participate in the Bonus Plan will have a target bonus opportunity set for each performance period. The bonus formulas will be adopted in each performance period by the compensation committee and communicated to each executive. The corporate performance goals will be measured at the end of each performance period after our financial reports have been published or such other appropriate time as the compensation committee determines. If the corporate performance goals and individual performance objectives are met, payments will be made as soon as practicable following the end of each performance period, but not later than 74 days after the end of the fiscal year in which such performance period ends. Subject to the rights contained in any agreement between the executive officer and us, an executive officer must be employed by us on the bonus payment date to be eligible to receive a bonus payment. The Bonus Plan will also permits the compensation committee to approve additional bonuses to executive officers in its sole discretion.

DIRECTOR COMPENSATION**Non-Employee Director Compensation Program**

During the fiscal year ended December 31, 2018, we provided compensation to our non-employee directors for their services on our board of directors, other than those associated with Third Rock Ventures or Cowen, pursuant to our non-employee director compensation policies.

The non-employee director compensation policies generally provided for an annual \$25,000 cash retainer; however, Dr. Huh's non-employee director compensation policy did not provide for any cash retainers.

In addition, upon initial election to our board of directors, each such non-employee director was granted a certain number of shares of our restricted common stock (approximately 180,000 for Drs. Bruhn and Curnutte and 668,228 for Dr. Huh), or the Initial Pre-IPO Director Grant. The Initial Pre-IPO Director Grant vests on the last date of each calendar quarter after the non-employee director's commencement of his or her service to the Company, at a rate of approximately 11,250 shares for Drs. Bruhn and Curnutte and 41,768 for Dr. Huh, subject to continued service to the Company through each applicable vesting date. Upon a "sale event" (as defined in the non-employee director compensation policy), the Initial Pre-IPO Director Grants will vest in full.

On or following the first anniversary of the Initial Pre-IPO Director Grant, and each year thereafter, each continuing non-employee director was granted 29,350 shares of restricted stock, or the Annual Pre-IPO Director Grant. The Annual Pre-IPO Director Grant vests in equal quarterly installments over one year from the date of grant, subject to continued service to the Company through each applicable vesting date. Upon a sale event, the Annual Pre-IPO Director Grants will vest in full.

Employee directors received no additional compensation for their service as a director.

We reimbursed all reasonable out-of-pocket expenses incurred by directors for their attendance at meetings of our board of directors or any committee thereof.

We plan to adopt a new non-employee director compensation policy which will become effective immediately prior to the completion of this offering, pursuant to which our non-employee directors will be eligible to receive certain cash retainers (which will be prorated for partial years of service) and equity awards.

Non-Employee Director Compensation Table

The following table provides information regarding the total compensation that was earned by or paid to each of our non-employee directors during the fiscal year ended December 31, 2018. Dr. Coulie, who is our Chief Executive Officer, did not receive any additional compensation for his service as a director. The compensation received by Dr. Coulie, as a named executive officer of the Company, is presented in "Executive Compensation—2018 Summary Compensation Table" above.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)(1)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Suzanne Bruhn, Ph.D.(2)	25,000	8,818		33,818
John Curnutte, M.D.(3)	25,000	8,818		33,818
Neil Exter(4)				
Charles Homcy, M.D.(5)		40,025(6)		40,025
Hoyoung Huh, M.D.(7)			5,000(8)	5,000
Craig Muir(9)				
Kevin Raidy(10)				

[Table of Contents](#)

- (1) The amounts reported represent the aggregate grant date fair value of the restricted stock awards granted to the non-employee directors in the fiscal year ended December 31, 2018, calculated in accordance with FASB ASC Topic 718. Such grant date fair values do not take into account any estimated forfeitures. The assumptions used in calculating the grant date fair value of the restricted stock awards reported in this column are set forth in note 11 to our consolidated financial statements included elsewhere in this prospectus. The amounts reported in this column reflect the accounting cost for these restricted stock awards and do not correspond to the actual economic value that may be received by the non-employee directors upon the vesting of the restricted stock awards or any sale of the underlying shares of common stock.
- (2) As of December 31, 2018, Dr. Bruhn held 209,350 shares of restricted stock.
- (3) As of December 31, 2018, Dr. Curmutte held 209,350 shares of restricted stock.
- (4) As of December 31, 2018, Mr. Exter did not hold any outstanding equity awards.
- (5) As of December 31, 2018, Dr. Homcy held 500,000 shares of restricted stock.
- (6) Dr. Homcy provided us with technical consulting services and received a grant of 125,000 shares of restricted stock for such services.
- (7) As of December 31, 2018, Dr. Huh held 713,288 share of restricted stock, which he transferred to pH Pharma Co., Ltd. as of such date. For more information, see Certain Relationships and Related Party Transactions.
- (8) Amount represents consulting fees paid to Healthcare & Humanity Foundation on behalf of Dr. Huh for his advisory services to the Company on its strategy and corporate development relating to its business of developing therapeutics for fibrotic disease. Pursuant to a consulting agreement entered into between the Company and Dr. Huh, effective as of February 15, 2017, for his services, Healthcare & Humanity Foundation was paid \$5,000 per month on behalf of Dr. Huh and Dr. Huh was granted 45,000 shares of restricted stock that vests 25% for each quarter of continuous service. Dr. Huh's consulting relationship with the Company terminated in January 2018. For more information, see "Certain Relationships and Related Party Transactions."
- (9) Mr. Muir's service as a member of our board of directors ended in July 2018. As of December 31, 2018, Mr. Muir did not hold any outstanding equity awards.
- (10) Mr. Raidy was appointed a member of our board of directors in July 2018. As of December 31, 2018, Mr. Raidy did not hold any outstanding equity awards.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements, with our directors and executive officers, including those discussed in the sections entitled “Management” and “Executive and Director Compensation,” and the registration rights described in the section entitled “Description of Capital Stock—Registration Rights,” the following is a description of each transaction since January 1, 2016 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Private Placements of Securities***Series A redeemable convertible preferred stock financing***

From August 2015 through March 2018, we sold an aggregate of 56,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share, for an aggregate purchase price of \$56.0 million.

All purchasers of our Series A redeemable convertible preferred stock are entitled to specified registration rights. See the section entitled “Description of Capital Stock—Registration Rights” for more information regarding these registration rights.

The following table summarizes the Series A redeemable convertible preferred stock purchased by members of our board of directors or their affiliates and holders of more than 5% of our outstanding capital stock.

<u>Name of stockholder</u>	<u>Shares of Series A redeemable convertible preferred stock</u>	<u>Total purchase price</u>
Entities affiliated with Third Rock Ventures(1)	55,000,000	\$ 55,000,000
pH Pharma Co., Ltd.(2)	1,000,000	\$ 1,000,000

(1) Consists of 39,750,000 shares held by Third Rock Ventures III, L.P., or TRV III, and 15,250,000 shares held by Third Rock Ventures IV, L.P., or TRV IV.

(2) Hoyoung Huh, M.D., Ph.D., our lead director, has a majority ownership in pH Pharma Co. Ltd., or pH Pharma, and has voting power over the shares.

Series B redeemable convertible preferred stock financing

From July 2018 through November 2018, we sold an aggregate of 49,501,221 shares of our Series B redeemable convertible preferred stock at a purchase price of \$1.3767 per share, for an aggregate purchase price of approximately \$68.1 million.

All purchasers of our Series B redeemable convertible preferred stock are entitled to specified registration rights. See the section entitled “Description of Capital Stock—Registration Rights” for more information regarding these registration rights.

The following table summarizes the Series B redeemable convertible preferred stock purchased by members of our board of directors or their affiliates and holders of more than 5% of our outstanding capital stock.

[Table of Contents](#)

Name of stockholder	Shares of Series B redeemable convertible preferred stock	Total purchase price
Entities affiliated with Cowen Healthcare Investments(1)	10,895,619	\$ 14,999,999
Entities affiliated with Eventide Asset Management LLC(2)	10,895,619	\$ 14,999,999
Bernard Coulie and Barbara Leyman, as Trustees of The Coulie/Leyman Family Trust(3)	181,594	\$ 250,000
Hans Hull	36,319	\$ 50,000

- (1) Consists of (a) 10,154,302 shares of Series B convertible preferred stock held by Cowen Healthcare Investments II LP, or Cowen II and (b) 741,317 shares of Series B convertible preferred stock held by CHI EF II LP, or CHI EF II. Cowen Healthcare Investments II GP LLC is the sole general partner of Cowen II and CHI EF II.
- (2) Consists of (a) 7,263,746 shares of Series B convertible preferred stock held by Eventide Gilead Fund and (b) 3,631,873 shares of Series B convertible preferred stock held by Eventide Healthcare & Life Science Fund. Eventide Gilead Fund and Eventide Healthcare & Life Sciences Fund are registered investment companies for which Eventide Asset Management, LLC acts as investment advisor. Eventide Asset Management, LLC has voting and investment power with respect to the shares.
- (3) Consists of 181,594 shares of Series B convertible preferred stock held by Bernard Coulie and Barbara Leyman, as Trustees of The Coulie/Leyman Family Trust, or Coulie/Leyman Family Trust, of which Dr. Coulie and his spouse are the sole trustees.

Agreements with Stockholders

Investors' rights agreement

On July 10, 2018, we entered into an Amended and Restated Investors' Rights Agreement, as amended to date, which we refer to as our investors' rights agreement, with certain holders of our outstanding redeemable convertible preferred stock, including entities with which certain of our directors are affiliated. After the completion of this offering, the holders of shares of our common stock issuable in connection with the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into common stock, are entitled to rights with respect to the registration of their shares following this offering under the Securities Act. See the section entitled "Description of Capital Stock—Registration Rights" for more information regarding these registration rights.

Right of first refusal and co-sale agreement

On July 10, 2018, we entered into an Amended and Restated Right of First Refusal and Co-Sale Agreement, as amended to date, which we refer to as our right of first refusal and co-sale agreement, which imposes restrictions on the transfer of our capital stock. Upon the completion of this offering, the right of first refusal and co-sale agreement will terminate and the restrictions on the transfer of our capital stock set forth in this agreement will no longer apply.

Voting agreement

On July 10, 2018, we entered into an Amended and Restated Voting Agreement, as amended to date, which we refer to as our voting agreement, under which certain holders of our capital stock, including persons who hold more than 5% of our outstanding capital stock and entities with which certain of our directors are affiliated, have agreed to vote their shares on certain matters, including with respect to the election of directors. Upon the completion of this offering, the voting agreement will terminate and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors or the voting of our capital stock of the company.

Consulting or research agreements with related parties

Certain employees of Third Rock Ventures, one of our stockholders, provide consulting services to us. Consulting service expenses of \$132,000 and \$54,000 were recorded for the years ended December 31, 2017 and 2018, respectively. The consulting fees were paid in consideration for certain ordinary course business operations and management consulting services provided to us from time to time by individuals related to Third Rock Ventures. There is no written agreement for the services provided to us by Third Rock Ventures.

Charitable contributions

In 2018, we made charitable contributions to the University of California, San Francisco Foundation (“UCSF Foundation”), which were directed to support research performed in the laboratories of two of our scientific founders. Charitable contributions made to the UCSF Foundation during the year ended December 31, 2018 were \$0.5 million, which were directed to support research performed in the laboratories of two of our scientific founders.

Executive Officer and Director Compensation

See the sections entitled “Executive Compensation” and “Director Compensation” for information regarding compensation of our executive officers and directors.

Other Relationships

Other than as described above, since January 1, 2016, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest.

Indemnification Agreements

In connection with this offering, we intend to enter into new agreements to indemnify our directors and executive officers. These agreements and our amended and restated certificate of incorporation and amended and restated bylaws will, among other things, require us to indemnify these individuals for certain expenses (including attorneys’ fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of our company or that person’s status as a member of our board of directors to the maximum extent allowed under Delaware law.

Policies for Approval of Related Party Transactions

Prior to this offering, we have not had a formal policy regarding approval of transactions with related parties. Prior to the completion of this offering, we expect to adopt a written related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. The policy will become effective immediately upon the execution of the underwriting agreement for this offering. For purposes of our policy only, a related person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are, were, or will be participants and in which the amount involved exceeds \$120,000. Transactions involving compensation for services provided to us as an employee or director are not covered by this policy. A related person is any executive officer, director, or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to our audit committee, or, if audit committee approval would be inappropriate, to another independent body of our board of directors, for review, consideration, and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction, and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally. Under the policy, we will collect information that we deem reasonably necessary from each director, executive officer, and, to the extent feasible, significant stockholder to enable us to identify any existing or potential related person transactions and to effectuate the terms of the policy.

[Table of Contents](#)

In addition, under our Code of Conduct, which we intend to adopt in connection with this offering, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

In considering related person transactions, our audit committee, or other independent body of our board of directors, will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs, and benefits to us;
- the impact on a director's independence in the event that the related person is a director, immediate family member of a director, or an entity with which a director is affiliated;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify, or reject a related person transaction, our audit committee, or other independent body of our board of directors, must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our stockholders, as our audit committee, or other independent body of our board of directors, determines in the good faith exercise of its discretion. All of the transactions described above were entered into prior to the adoption of the written policy, but all were approved by our board of directors considering similar factors to those described above.

PRINCIPAL STOCKHOLDERS

The following table presents information concerning the beneficial ownership of the shares of our common stock as of June 10, 2019 by:

- each person we know to be the beneficial owner of 5% or more of our outstanding shares of our capital stock;
- each of our directors;
- each of our named executive officers; and
- all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with SEC rules. The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, a person is deemed to be a beneficial owner of our common stock if that person has a right to acquire ownership within 60 days by the exercise of options or the conversion of our redeemable convertible preferred stock. A person is also deemed to be a beneficial owner of our common stock if that person has or shares voting power, which includes the power to vote or direct the voting of our common stock, or investment power, which includes the power to dispose of or to direct the disposition of such capital stock. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder.

Percentage of beneficial ownership in the table below is based on 120,584,553 shares of common stock deemed to be outstanding as of June 10, 2019, assuming the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into common stock, immediately prior to the completion of this offering. The table below assumes that the underwriters do not exercise their option to purchase additional shares. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of June 10, 2019 are considered outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated below, the address of each individual listed below is c/o Pliant Therapeutics, Inc., 260 Littlefield Avenue, South San Francisco, California 94080.

<u>Name and address of beneficial owner</u>	<u>Number of shares beneficially owned</u>	<u>Percentage of shares beneficially owned before offering</u>	<u>Percentage of shares beneficially owned after offering</u>
5% or Greater Stockholders:			
Entities affiliated with Third Rock Ventures ⁽¹⁾	57,000,000	47.3%	%
Entities affiliated with Cowen Healthcare Investments ⁽²⁾	10,895,619	9.0%	%
Entities affiliated with Eventide Asset Management LLC ⁽³⁾	10,895,619	9.0%	%
Named Executive Officers and Directors:			
Bernard Coulie, M.D., Ph.D. ⁽⁴⁾	3,741,374	3.1%	%
Hans Hull ⁽⁵⁾	1,057,069	*	%
Éric Lefebvre, M.D. ⁽⁶⁾	1,304,498	1.1%	%
Hoyoung Huh, M.D., Ph.D. ⁽⁷⁾	1,713,288	1.4%	%
Suzanne Bruhn, Ph.D. ⁽⁸⁾	238,350	*	%
John Curnutte, M.D. ⁽⁹⁾	209,350	*	%
Neil Exter ⁽¹⁰⁾	—	—	%
Charles Homcy, M.D. ⁽¹¹⁾	500,000	*	%
Kevin Raidy ⁽²⁾	10,895,619	9.0	%
Smital Shah ⁽¹²⁾	22,500	*	%
All executive officers and directors as a group (12 persons) ⁽¹³⁾	19,832,048	16.4%	%

Table of Contents

- * Represents beneficial ownership of less than one percent.
- (1) Consists of (a) 2,000,000 shares of common stock held by TRV III, (b) 39,750,000 shares of common stock issuable upon conversion of Series A redeemable convertible preferred stock held by TRV III, (c) 15,250,000 shares of common stock issuable upon conversion of Series A redeemable convertible preferred stock held by TRV IV. The general partner of TRV III is Third Rock Ventures GP III, L.P., or TRV GP III LP. The general partner of TRV GP III LP is TRV GP III, LLC, or TRV GP III LLC. Mark Levin, Kevin Starr and Robert Tepper, M.D. are the managing members of TRV GP III LLC who collectively make voting and investment decisions with respect to shares held by TRV III. Each of TRV GP III LP, TRV GP III LLC, Mr. Levin, Mr. Starr and Dr. Tepper disclaims beneficial ownership of the shares held by TRV III, except to the extent of its or his proportionate pecuniary interest therein, if any. The general partner of TRV IV is Third Rock Ventures GP IV, L.P., or TRV GP IV LP. The general partner of TRV GP IV LP is TRV GP IV, LLC, or TRV GP IV LLC. Abbie Celniker, Ph.D., Dr. Tepper, Alexis Borisy, Craig Muir and Cary Pfeffer, M.D. are the managing members of TRV GP IV LLC who collectively make voting and investment decisions with respect to shares held by TRV IV. Each of TRV GP IV LP, TRV GP IV LLC, Dr. Celniker, Dr. Tepper, Mr. Borisy, Mr. Muir and Dr. Pfeffer disclaims beneficial ownership of the shares held by TRV IV, except to the extent of its, his or her proportionate pecuniary interest therein, if any. The address for TRV III and TRV IV is 29 Newbury Street, Suite 401, Boston, Massachusetts 02116.
 - (2) Consists of (a) 10,154,302 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by Cowen II and (b) 741,317 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by CHI EF II. Cowen Healthcare Investments II GP LLC is the sole general partner of Cowen II and CHI EF II. As managing partner of Cowen II and CHI EF II, Kevin J. Raidy exercises sole voting and investment power of the securities held by Cowen II and CHI EF II. Mr. Raidy disclaims beneficial ownership of the shares held by Cowen II and CHI EF II, except to the extent of any actual pecuniary interest. The address for Cowen II and CHI EF II is 599 Lexington Avenue, New York, New York 10022.
 - (3) Consists of (a) 7,263,746 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by Eventide Gilead Fund and (b) 3,631,873 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by Eventide Healthcare & Life Science Fund. Eventide Gilead Fund and Eventide Healthcare & Life Sciences Fund are registered investment companies for which Eventide Asset Management, LLC acts as investment advisor. Eventide Asset Management, LLC has voting and investment power with respect to the shares. The principal business address of each of Eventide Gilead Fund and Eventide Healthcare & Life Science Fund is One International Place, Suite #3510, Boston, MA 02110.
 - (4) Consists of (a) 181,594 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by Coulie/Leyman Family Trust, of which Dr. Coulie and his spouse are the sole trustees; (b) 3,209,780 shares of common stock held by Coulie/Leyman Family Trust, of which 539,357 shares are subject to repurchase by us at the original purchase price as of June 10, 2019; and (c) 350,000 shares of common stock underlying options held by Dr. Coulie exercisable within 60 days of June 10, 2019.
 - (5) Consists of (a) 36,319 shares of common stock issuable upon conversion of Series B redeemable convertible preferred stock held by Mr. Hull; (b) 1,002,000 shares of common stock held by Mr. Hull, of which 225,376 shares are subject to repurchase by us at the original purchase price as of June 10, 2019 and (c) 18,750 shares of common stock underlying options held by Mr. Hull exercisable within 60 days of June 10, 2019.
 - (6) Consists of (a) 1,248,248 shares of common stock held by Dr. Lefebvre, of which 958,477 shares are subject to repurchase by us at the original purchase price as of June 10, 2019; and (b) 56,250 shares of common stock underlying options held by Dr. Lefebvre exercisable within 60 days of June 10, 2019.
 - (7) Consists of (a) 1,000,000 shares of common stock issuable upon conversion of Series A redeemable convertible preferred stock held by pH Pharma Co., Ltd., or pH Pharma and (b) 713,288 shares of common stock held by pH Pharma, of which 417,680 shares are subject to repurchase by us at the original purchase price as of June 10, 2019. Dr. Huh has a majority ownership in pH Pharma and also has voting power over the shares. Dr. Huh disclaims beneficial ownership of the shares held by pH Pharma, except to the extent of his proportionate pecuniary interest therein. The address for pH Pharma is 9th Fl., The-K Twin Towers, Tower A 50 Jongro 1-gil, Jongno-gu, Seoul 03142, Korea.
 - (8) Consists of (a) 209,350 shares of common stock held by Dr. Bruhn, of which 56,250 shares are subject to repurchase by us at the original purchase price as of June 10, 2019; and (c) 29,000 shares of common stock underlying options held by Dr. Bruhn exercisable within 60 days of June 10, 2019.
 - (9) Consists of 209,350 shares of common stock held by Dr. Curnutte, of which 101,250 shares are subject to repurchase by us at the original purchase price as of June 10, 2019.

[Table of Contents](#)

- (10) Mr. Exter is a partner of Third Rock Ventures. Mr. Exter does not have voting or investment power over any of the shares directly held by TRV III and TRV IV referenced in footnote (1) above.
- (11) Consists of 500,000 shares of common stock held by Dr. Homcy, of which 78,125 shares are subject to repurchase by us at the original purchase price as of June 10, 2019. Dr. Homcy is a partner of Third Rock Ventures. Dr. Homcy does not have voting or investment power over any of the shares directly held by TRV III and TRV IV referenced in footnote (1) above.
- (12) Consists of 22,500 shares of common stock underlying options held by Ms. Shah exercisable within 60 days of June 10, 2019.
- (13) See notes 4 through 12 above; also includes Keith Cummings and Barbara Howes, who are executive officers but not named executive officers.

DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering, our authorized capital stock will consist of _____ shares of common stock, par value \$0.0001 per share, and _____ shares of preferred stock, par value \$0.0001 per share, all of which will be undesignated, and there will be _____ shares of common stock outstanding and no shares of preferred stock outstanding. As of May 1, 2019, we had approximately 77 record holders of our capital stock. All of our outstanding shares of redeemable convertible preferred stock will convert into shares of our common stock immediately prior to the completion of this offering. In addition, upon the completion of this offering, options to purchase _____ shares of our common stock will be outstanding and _____ shares of our common stock will be reserved for future grants under our equity incentive plans.

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and bylaws are summaries of material terms and provisions and are qualified by reference to our amended and restated certificate of incorporation and bylaws, copies of which have been filed with the SEC as exhibits to the registration statement of which this prospectus is a part. The descriptions of our common stock and preferred stock reflect amendments to our amended and restated certificate of incorporation and bylaws that will become effective immediately prior to the completion of this offering.

Common Stock

Upon the completion of this offering, we will be authorized to issue one class of common stock. Holders of our common stock are entitled to one vote for each share of common stock held of record for the election of directors and on all matters submitted to a vote of stockholders. Except as described under “Anti-takeover Effects of Delaware Law and Provisions of our Amended and Restated Certificate of Incorporation and Bylaws” below, a majority vote of the holders of common stock is generally required to take action under our amended and restated certificate of incorporation and bylaws. Holders of our common stock are entitled to receive dividends ratably, if any, as may be declared by our board of directors out of legally available funds, subject to any preferential dividend rights of any preferred stock then outstanding. Upon our dissolution, liquidation or winding up, holders of our common stock are entitled to share ratably in our net assets legally available after the payment of all our debts and other liabilities, subject to the preferential rights of any preferred stock then outstanding. Holders of our common stock have no preemptive, subscription, redemption or conversion rights and no sinking fund provisions are applicable to our common stock. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred stock

Immediately prior to completion of this offering, all outstanding shares of our redeemable convertible preferred stock will be converted into shares of our common stock. Upon the completion of this offering, our board of directors will be authorized, without action by the stockholders, to designate and issue up to an aggregate of _____ shares of preferred stock in one or more series. Our board of directors can designate the rights, preferences and privileges of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible future financings and acquisitions and other corporate purposes could, under certain circumstances, have the effect of restricting dividends on our common stock, diluting the voting power of our common stock, impairing the liquidation rights of our common stock, or delaying, deferring or preventing a change in control of our company, which might harm the market price of our common stock. See also “—Anti-takeover effects of Delaware Law and provisions of our amended and restated certificate of incorporation and bylaws—Provisions of our amended and restated certificate of incorporation and bylaws—Undesignated preferred stock” below.

[Table of Contents](#)

Our board of directors will make any determination to issue such shares based on its judgment as to our company's best interests and the best interests of our stockholders. Upon the completion of this offering, we will have no shares of preferred stock outstanding and we have no current plans to issue any shares of preferred stock following completion of this offering.

Options

As of June 20, 2019, we had outstanding options to purchase 9,134,572 shares of our common stock, with a per share weighted-average exercise price of \$0.39 under our 2015 Plan.

Registration Rights

Upon the completion of this offering, the holders of _____ shares of our common stock, including shares issuable upon the automatic conversion of our redeemable convertible preferred stock, or their permitted transferees, which we refer to as our registrable securities, are entitled to rights with respect to the registration of these securities under the Securities Act. These rights are provided under the terms of the investor rights agreement. The investor rights agreement includes demand registration rights, short-form registration rights and piggyback registration rights. All fees, costs and expenses incurred in connection with registrations under the investor rights agreement will be borne by us, and all selling expenses, including underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

Demand registration rights

Beginning 180 days after the effective date of this registration statement, the holders of our registrable securities are entitled to demand registration rights. Under the terms of our investor rights agreement, we will be required, upon the request of holders of at least a majority of our outstanding registrable securities, to file a registration statement and use commercially reasonable efforts to effect the registration of these shares for public resale. We are required to effect up to two registrations pursuant to this provision of the investor rights agreement.

Short form registration rights

Upon the completion of this offering, the holders of our registrable securities are also entitled to short form registration rights. Pursuant to our investor rights agreement, if we are eligible to file a registration statement on Form S-3, upon the request of holders of at least 20% of our outstanding registrable securities to sell registrable securities with an anticipated aggregate offering amount of at least \$5.0 million net of certain expenses related to the offering, we will be required to use our commercially reasonable efforts to effect a registration of such shares. We are required to effect up to two registrations in any twelve month period pursuant to this provision of the investor rights agreement.

Piggyback registration rights

The holders of our registrable securities are entitled to piggyback registration rights. If we register any of our securities either for our own account or for the account of other security holders, the holders of our outstanding registrable securities are entitled to include their shares in the registration. Subject to certain exceptions contained in the investor rights agreement, we and the underwriters may limit the number of shares included in the underwritten offering if the underwriters determine that marketing factors require a limitation of the number of shares to be underwritten.

Indemnification

Our investor rights agreement contains customary cross-indemnification provisions, under which we are obligated to indemnify holders of registrable securities in the event of material misstatements or omissions in the

registration statement attributable to us, and they are obligated to indemnify us for material misstatements or omissions attributable to them.

Expenses of registration

We will pay the registration expenses, subject to certain limited exceptions contained in the investor rights agreement, of the holders of the shares registered pursuant to the demand, short form and piggyback registration rights described above, including the expenses of one counsel for the selling holders.

Expiration of registration rights

The registration rights granted under the investor rights agreement will terminate upon the earlier of (i) a deemed liquidation event, as defined in our amended and restated certificate of incorporation (as in effect prior to the completion of this offering) or certain other events constituting a sale of the company, (ii) at such time after our initial public offering when all registrable securities could be sold under Rule 144 of the Securities Act or a similar exemption without limitation during a three-month period without registration or (iii) the fifth anniversary of our initial public offering.

Anti-Takeover Effects of Delaware Law and Provisions of Our Amended and Restated Certificate of Incorporation and Bylaws

Certain provisions of the Delaware General Corporation Law and of our amended and restated certificate of incorporation and bylaws that will become effective immediately prior to the completion of this offering could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and, as a consequence, they might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions are also designed in part to encourage anyone seeking to acquire control of us to first negotiate with our board of directors. These provisions might also have the effect of preventing changes in our board of directors or management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests. However, we believe that the advantages gained by protecting our ability to negotiate with any unsolicited and potentially unfriendly acquirer outweigh the disadvantages of discouraging such proposals, including those priced above the then-current market value of our common stock, because, among other reasons, the negotiation of such proposals could improve their terms.

Delaware takeover statute

Upon completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances, but not the outstanding voting stock owned by the interested stockholder; or

Table of Contents

- at or after the time the stockholder became interested, the business combination was approved by our board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge, exchange, mortgage or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Provisions of our amended and restated certificate of incorporation and bylaws

Our amended and restated certificate of incorporation and bylaws to be in effect immediately prior to completion of this offering will include a number of provisions that may have the effect of delaying, deferring or discouraging another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Board composition and filling vacancies. In accordance with our amended and restated certificate of incorporation, our board is divided into three classes serving staggered three-year terms, with one class being elected each year. Our amended and restated certificate of incorporation also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of two-thirds or more of the shares then entitled to vote at an election of directors. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

No written consent of stockholders. Our amended and restated certificate of incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting. This limit may lengthen the amount of time required to take stockholder actions and would prevent the amendment of our bylaws or removal of directors by our stockholder without holding a meeting of stockholders.

Meetings of stockholders. Our bylaws provide that only a majority of the members of our board of directors then in office may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our bylaws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

[Table of Contents](#)

Advance notice requirements. Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in our bylaws.

Amendment to certificate of incorporation and bylaws. As required by the Delaware General Corporation Law, any amendment of our amended and restated certificate of incorporation must first be approved by a majority of our board of directors, and if required by law or our amended and restated certificate of incorporation, must thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment, and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, directors, limitation of liability and the amendment of our amended and restated certificate of incorporation must be approved by not less than two-thirds of the outstanding shares entitled to vote on the amendment, and not less than two-thirds of the outstanding shares of each class entitled to vote thereon as a class. Our bylaws may be amended by the affirmative vote of a majority vote of the directors then in office, subject to any limitations set forth in the bylaws; and may also be amended by the affirmative vote of at least 75% of the outstanding shares entitled to vote on the amendment, or, if the board of directors recommends that the stockholders approve the amendment, by the affirmative vote of the majority of the outstanding shares entitled to vote on the amendment, in each case voting together as a single class.

Undesignated preferred stock. Our amended and restated certificate of incorporation provides for authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our amended and restated certificate of incorporation grants our board of directors' broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

Exclusive forum. Our bylaws provide that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on behalf of our company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to the company or our stockholders, (iii) any action asserting a claim against our company arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, (iv) any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws, or (v) any action asserting a claim against our company governed by the internal affairs doctrine. This exclusive forum provision will not apply to any causes of action arising under the Securities Act or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Although our bylaws contain the choice of forum provision described above, it is possible that a court could rule that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable.

[Table of Contents](#)

Transfer agent and registrar

The transfer agent and registrar for our common stock is . The transfer agent and registrar’s address is .

Listing

We intend to apply to list our common stock on The Nasdaq Global Market under the symbol “PLRX.”

Limitations of liability and indemnification matters

For a discussion of liability and indemnification, see the section entitled “Management — Limitation on Liability and Indemnification Matters.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Sale of Restricted Shares

Based on the number of shares of common stock outstanding as of May 1, 2019, upon completion of this offering, _____ shares of common stock will be outstanding, assuming no exercise by the underwriters of their option to purchase additional shares and no exercise of options. All of the shares sold in this offering will be freely tradable. The remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements as described below. Following the expiration of the lock-up period, all shares will be eligible for resale in compliance with Rule 144 or Rule 701 under the Securities Act. “Restricted securities” as defined under Rule 144 of the Securities Act were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered or qualified for an exemption from registration, such as under Rule 144 or Rule 701 under the Securities Act.

Rule 144

In general, a person who has beneficially owned restricted stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares then outstanding, which will equal approximately _____ shares immediately after this offering assuming no exercise of the underwriters’ option to purchase additional shares, based on the number of shares outstanding as of May 1, 2019; or
- the average weekly trading volume of our common stock on The Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Rule 701

Rule 701 under the Securities Act, or Rule 701, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers or directors who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under “Underwriting” included elsewhere in this prospectus and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

Lock-up Agreements

In connection with this offering, we, each of our directors and executive officers, and holders of substantially all of our securities have agreed with the underwriters that for a period of 180 days following the date of this prospectus, subject to certain exceptions, we and they will not offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock. The representatives of the underwriters may, in their sole discretion, at any time, release all or any portion of the shares from the restrictions in this agreement.

Rule 10b5-1 Trading Plans

Following the completion of this offering, certain of our officers, directors and significant stockholders may adopt written plans, known as Rule 10b5-1 trading plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis to diversify their assets and investments. Under these 10b5-1 trading plans, a broker may execute trades pursuant to parameters established by the officer, director or stockholder when entering into the plan, without further direction from such officer, director or stockholder. Such sales would not commence until the expiration of the applicable lock-up agreements entered into by such officer, director or stockholder in connection with this offering.

Registration Rights

We are party to an investor rights agreement which provides that holders holding shares of our common stock, including shares issuable upon the automatic conversion of our redeemable convertible preferred stock, have the right to demand that we file a registration statement or request that their shares of our common stock be covered by a registration statement that we are otherwise filing. See the section entitled “Description of Capital Stock — Registration Rights” in this prospectus. Except for shares purchased by affiliates, registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of the registration, subject to the expiration of the lock-up period described above and in the section entitled “Underwriting” in this prospectus, and to the extent such shares have been released from any repurchase option that we may hold.

Equity Incentive Plans

As soon as practicable after the completion of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock subject to options and other equity awards outstanding or reserved for issuance under our equity incentive plans. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates and any lock-up agreements. For a more complete discussion of our equity incentive plans, see “Executive and Compensation — Employee Benefits and Equity Compensation Plans.”

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax considerations applicable to non-U.S. holders (as defined below) with respect to their ownership and disposition of shares of our common stock issued pursuant to this offering. For purposes of this discussion, a non-U.S. holder means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation or any other foreign organization taxable as a corporation for U.S. federal income tax purposes; or
- a foreign estate or trust, the income of which is not subject to U.S. federal income tax on a net income basis.

This discussion does not address the tax treatment of partnerships or other entities that are pass-through entities for U.S. federal income tax purposes or persons that hold their common stock through partnerships or other pass-through entities. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its tax advisor regarding the tax consequences of holding and disposing of our common stock through a partnership or other pass-through entity, as applicable.

This discussion is based on current provisions of the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all as in effect as of the date of this prospectus and, all of which are subject to change or to differing interpretation, possibly with retroactive effect. Any such change or differing interpretation could alter the tax consequences to non-U.S. holders described in this prospectus. There can be no assurance that the Internal Revenue Service, which we refer to as the IRS, will not challenge one or more of the tax consequences described herein. We assume in this discussion that a non-U.S. holder holds shares of our common stock as a capital asset within the meaning of Section 1221 of the Code, generally property held for investment.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances including the alternative minimum tax, or the Medicare tax on net investment income, the rules regarding qualified small business stock within the meaning of Section 1202 of the Code and any election to apply Section 1400Z-2 of the Code to gains recognized with respect to shares of our common stock. This discussion also does not address any U.S. state, local or non-U.S. taxes or any other aspect of any U.S. federal tax other than the income tax. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies;
- tax-exempt or governmental organizations;
- financial institutions;
- brokers or dealers in securities;
- regulated investment companies;
- pension plans;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- "qualified foreign pension funds," or entities wholly owned by a "qualified foreign pension fund";
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and partners and investors therein);

[Table of Contents](#)

- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;
- persons who have elected to mark securities to market;
- persons who have a functional currency other than the U.S. dollar;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- certain U.S. expatriates; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the common stock being taken into account in an applicable financial statement under Section 451(b) of the Code.

This discussion is for general information only and is not tax advice. Accordingly, all prospective non-U.S. holders of our common stock should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock.

Distributions on our common stock

Distributions, if any, on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment, up to such holder's tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "Gain on sale or other taxable disposition of our common stock." Any such distributions will also be subject to the discussions below under the sections titled "Backup withholding and information reporting" and "Withholding and information reporting requirements—FATCA."

Subject to the discussion in the following two paragraphs in this section, dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence. If we or another withholding agent apply over-withholding or if a non-U.S. holder does not timely provide us with the required certification, the non-U.S. holder may be entitled to a refund or credit of any excess tax withheld by timely filing an appropriate claim with the IRS.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the United States, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to U.S. persons (as defined in the Code). Any U.S. effectively connected income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty between the United States and such holder's country of residence generally will be required to provide a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form) to the applicable withholding agent and satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty. A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing a U.S. tax return with the IRS.

Gain on sale or other taxable disposition of our common stock

Subject to the discussions below under “Backup withholding and information reporting” and “Withholding and information reporting requirements—FATCA,” a non-U.S. holder generally will not be subject to any U.S. federal income tax on any gain realized upon such holder’s sale or other taxable disposition of shares of our common stock unless:

- the gain is effectively connected with the non-U.S. holder’s conduct of a U.S. trade or business and, if an applicable income tax treaty so provides, is attributable to a permanent establishment or a fixed-base maintained by such non-U.S. holder in the United States, in which case the non-U.S. holder generally will be taxed on a net income basis at the graduated U.S. federal income tax rates applicable to United States persons (as defined in the Code) and, if the non-U.S. holder is a foreign corporation, the branch profits tax described above in “Distributions on Our Common Stock” also may apply;
- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax (or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder’s country of residence) on the net gain derived from the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder, if any (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses; or
- we are, or have been, at any time during the five-year period preceding such sale or other taxable disposition (or the non-U.S. holder’s holding period, if shorter) a “U.S. real property holding corporation,” unless our common stock is regularly traded on an established securities market and the non-U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, actually or constructively, during the shorter of the 5-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a U.S. real property holding corporation only if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a U.S. real property holding corporation, or that we are likely to become one in the future. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above.

Backup withholding and information reporting

We must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on our common stock paid to such holder and the tax withheld, if any, with respect to such distributions. Non-U.S. holders may have to comply with specific certification procedures to establish that the holder is not a U.S. person (as defined in the Code) in order to avoid backup withholding at the applicable rate with respect to dividends on our common stock. Dividends paid to non-U.S. holders subject to withholding of U.S. federal income tax, as described above in “Distributions on Our Common Stock,” generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them. Copies of

information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is filed with the IRS in a timely manner.

Withholding and information reporting requirements — FATCA

Provisions of the Code commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, generally imposes a U.S. federal withholding tax at a rate of 30% on payments of dividends on our common stock paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution," such foreign entity undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," such foreign entity identifies certain of its U.S. investors, if any, or (iii) the foreign entity is otherwise exempt under FATCA. Under applicable U.S. Treasury regulations, withholding under FATCA currently applies to payments of dividends on our common stock. Currently proposed U.S. Treasury Regulations provide that FATCA withholding does not apply to gross proceeds from the disposition of property of a type that can produce U.S. source dividends or interest; however, prior versions of the rules would have made such gross proceeds subject to FATCA withholding. Taxpayers (including withholding agents) can currently rely on the proposed Treasury Regulations. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of this withholding tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

UNDERWRITING

Citigroup Global Markets Inc., Cowen and Company, LLC and Piper Jaffray & Co. are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of shares of common stock set forth opposite the underwriter's name in the following table.

<u>Underwriters</u>	<u>Number of Shares</u>
Citigroup Global Markets Inc.	
Cowen and Company, LLC	
Piper Jaffray & Co.	
Needham & Company, LLC	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters' option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts.

If the underwriters sell more shares than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We, our officers, directors and holders of substantially all of our securities have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our common stock. The representatives, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot ensure however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.

[Table of Contents](#)

We intend to apply to have our shares listed on the Nasdaq Global Market under the symbol “PLRX”.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares.

	Paid by Pliant Therapeutics, Inc.	
	No Exercise	Full Exercise
Per share	\$	\$
Total	\$	\$

We estimate that our portion of the total expenses of this offering will be \$. We have also agreed to reimburse the underwriters for certain FINRA-related and other expenses incurred by them in connection with this offering in an amount up to \$.

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the option to purchase additional shares, and stabilizing purchases.

- Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.
- “Covered” short sales are sales of shares in an amount up to the number of shares represented by the underwriters’ option to purchase additional shares.
- “Naked” short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters’ option to purchase additional shares.
- Covering transactions involve purchases of shares either pursuant to the underwriters’ option to purchase additional shares or in the open market in order to cover short positions.
- To close a naked short position, the underwriters must purchase shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- To close a covered short position, the underwriters must purchase shares in the open market or must exercise the option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal

[Table of Contents](#)

investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

Affiliates of Cowen and Company, LLC purchased 10,895,619 shares of our Series B redeemable convertible preferred stock in our July 2018 Series B redeemable convertible preferred stock financing. Those shares of Series B redeemable convertible preferred stock will automatically convert into _____ shares of common stock immediately prior to and in connection with the completion of this offering.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, no offer of shares which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or
- iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares referred to in (i) to (iii) above shall result in a requirement for the company or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of shares is made or who receives any communication in respect of an offer of shares, or who initially acquires any shares will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and the company that (i) it is a “qualified investor” within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (ii) in the case of any shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or where shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

The company, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers

[Table of Contents](#)

of shares. Accordingly any person making or intending to make an offer in that Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the company or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the company nor the representatives have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the company or the representatives to publish a prospectus for such offer. For the purposes of this provision, the expression an “offer of shares to the public” in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a “relevant person”).

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) or to a restricted circle of investors (*cercle restreint d’investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1° -or-2° -or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l’épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to professional investors, as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under that Ordinance; or in other circumstances which do not result in the document being a prospectus, as defined in the Companies Ordinance (Cap. 32) of Hong Kong (“CO”) or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors, as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Notice to Prospective Investors in Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the initial purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever

described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, we have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the shares are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Australia

This prospectus is not a disclosure document for the purposes of Australia’s Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a “sophisticated investor” under section 708(8)(a) or (b) of the Corporations Act;
- a “sophisticated investor” under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant’s certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
- a person associated with the Company under Section 708(12) of the Corporations Act; or
- a “professional investor” within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Notice to Prospective Investors in Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

[Table of Contents](#)

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Goodwin Procter LLP, Redwood City, California. Certain legal matters in connection with our patents and intellectual property interests will be passed upon for us by Morrison Foerster LLP, San Francisco, California. Legal matters in connection with the offering will be passed upon for the underwriters by Cooley LLP, San Francisco, California.

EXPERTS

The financial statements as of and for the years ended December 31, 2018 and 2017, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph referring to the Company's ability to continue as a going concern as described in Note 2). Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock being offered by this prospectus, which constitutes a part of the registration statement. This prospectus does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available via the SEC's website at www.sec.gov. We also maintain a website at www.plianttrx.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. However, the information contained in or accessible through our website is not part of this prospectus or the registration statement of which this prospectus forms a part, and investors should not rely on such information in making a decision to purchase our common stock in this offering.

[Table of Contents](#)

Pliant Therapeutics, Inc.
Index to Financial Statements

	<u>Page(s)</u>
Audited Financial Statements as of and for the years ended December 31, 2017 and 2018	
Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets	F-3
Statements of Operations	F-4
Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit	F-5
Statements of Cash Flows	F-6
Notes to Financial Statements	F-7–F-30
	<u>Page(s)</u>
Unaudited Condensed Financial Statements as of and for the three months ended March 31, 2018 and 2019	
Condensed Balance Sheets	F-31
Condensed Statements of Operations and Comprehensive Loss	F-32
Condensed Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit	F-33
Condensed Statements of Cash Flows	F-34
Notes to Condensed Financial Statements	F-35–F-55

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Pliant Therapeutics, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Pliant Therapeutics, Inc. (the “Company”) as of December 31, 2017 and 2018, the related statements of operations, redeemable convertible preferred stock and stockholders’ deficit, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has forecasted cash needs in excess of current liquidity that raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

San Jose, CA
May 10, 2019

We have served as the Company’s auditor since 2018.

Pliant Therapeutics, Inc.
Balance Sheets

(In thousands, except share and per share amounts)

As of December 31,
2017 2018

Assets		
Current assets		
Cash and cash equivalents	\$ 4,251	\$ 60,949
Tax credit receivable	250	500
Prepaid expenses and other current assets	206	284
Total current assets	<u>4,707</u>	<u>61,733</u>
Property and equipment, net	1,846	4,260
Other non-current assets	—	536
Total assets	<u>\$ 6,553</u>	<u>\$ 66,529</u>
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 1,594	\$ 2,576
Accrued liabilities	1,594	2,508
Total current liabilities	<u>3,188</u>	<u>5,084</u>
Other long term liabilities	20	811
Total liabilities	<u>3,208</u>	<u>5,895</u>
Commitments and Contingencies (Note 13)		
Series A redeemable convertible preferred stock, \$0.0001 par value; 62,500,000 and 56,000,000 shares authorized at December 31, 2017 and 2018, respectively; 36,500,000 and 56,000,000 shares issued and outstanding, at December 31, 2017 and 2018, respectively; aggregate liquidation preference of \$39,910 and \$61,516 at December 31, 2017 and 2018, respectively	39,910	61,516
Series B redeemable convertible preferred stock, \$0.0001 par value; no shares and 58,109,973 shares authorized at December 31, 2017 and 2018, respectively; no shares and 49,501,221 shares issued and outstanding at December 31, 2017 and 2018, respectively; aggregate liquidation preference of \$0 and \$70,587 at December 31, 2017 and December 31, 2018, respectively	—	70,587
Stockholders' deficit:		
Common stock, \$0.0001 par value; 80,500,000 and 147,682,655 shares authorized at December 31, 2017 and 2018; and 7,171,605 and 9,745,453 shares issued and outstanding at December 31, 2017 and 2018, respectively	1	1
Additional paid-in capital	—	—
Accumulated deficit	<u>(36,566)</u>	<u>(71,470)</u>
Total stockholders' deficit	<u>(36,565)</u>	<u>(71,469)</u>
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	<u>\$ 6,553</u>	<u>\$ 66,529</u>

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

Pliant Therapeutics, Inc.
Statements of Operations

(In thousands, except share and per share amounts)	Years Ended December 31,	
	2017	2018
Operating expenses:		
Research and development	\$ 14,526	\$ 24,415
General and administrative	3,823	6,500
Total operating expenses	18,349	30,915
Loss from operations	(18,349)	(30,915)
Interest income	16	688
Other expense, net	—	(49)
Net loss	\$ (18,333)	\$ (30,276)
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	\$ (2,289)	\$ (4,876)
Net loss attributable to common stockholders	\$ (20,622)	\$ (35,152)
Net loss per share, attributable to common stockholders, basic and diluted	\$ (3.59)	\$ (4.22)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	5,745,000	8,333,000
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		\$
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		

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

Pliant Therapeutics, Inc.
Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit

(In thousands, except share amounts)	Redeemable Convertible Preferred Stock				Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Series A		Series B		Shares	Amount			
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2016	16,500,000	\$17,621	—	\$ —	4,512,336	\$ —	\$ —	\$ (15,998)	\$ (15,998)
Issuance of Series A redeemable preferred stock	20,000,000	20,000							
Vesting of founders' common stock and restricted stock awards	—	—	—	—	2,659,269	1	21	—	22
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock		2,289					(54)	(2,235)	(2,289)
Stock-based compensation expense							33		33
Net loss	—	—	—	—	—	—	—	(18,333)	(18,333)
Balance at December 31, 2017	36,500,000	39,910	—	—	7,171,605	1	—	(36,566)	(36,565)
Issuance of Series A redeemable preferred stock, net of issuance costs of \$16	19,500,000	19,484						—	—
Issuance of Series B redeemable preferred stock, net of issuance costs of \$315	—	—	49,501,221	67,833	—	—	—		—
Vesting of founders' common stock and restricted stock awards	—	—	—	—	2,573,848	—	20	—	20
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock		2,122	—	2,754			(248)	(4,628)	(4,876)
Stock-based compensation expense							228		228
Net loss	—	—	—	—	—	—	—	(30,276)	(30,276)
Balance at December 31, 2018	<u>56,000,000</u>	<u>\$61,516</u>	<u>49,501,221</u>	<u>\$70,587</u>	<u>9,745,453</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (71,470)</u>	<u>\$ (71,469)</u>

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

Pliant Therapeutics, Inc.
Statements of Cash Flows

(In thousands)	Years Ended December 31,	
	2017	2018
Cash flows from operating activities		
Net loss	\$ (18,333)	\$ (30,276)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	292	666
Stock-based compensation expense	33	228
Changes in operating assets and liabilities:		
Tax credit receivable	(250)	(250)
Prepaid expenses and other current assets	(131)	(78)
Other non-current assets	142	(505)
Accounts payable	441	760
Accrued liabilities	882	776
Deferred rent	—	351
Net cash used in operating activities	(16,924)	(28,328)
Cash flows from investing activities		
Purchase of property and equipment	(1,405)	(2,323)
Net cash used in investing activities	(1,405)	(2,323)
Cash flows from financing activities		
Proceeds from issuance of Series A preferred stock, net of issuance costs	20,000	19,484
Proceeds from issuance of Series B preferred stock, net of issuance costs	—	67,833
Proceeds from the issuance of restricted common stock	18	32
Repurchase of unvested common stock	(12)	—
Net cash provided by financing activities	20,006	87,349
Net increase in cash and cash equivalents	1,677	56,698
Cash and cash equivalents at beginning of period	2,574	4,251
Cash and cash equivalents at end of period	\$ 4,251	\$ 60,949
Supplemental disclosures of noncash investing and financing activities:		
Purchase of property and equipment in accounts payable and accrued liabilities	107	191
Reclassification of restricted stock awards from liabilities to common stock upon vesting	22	20
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	2,289	4,876
Tenant improvement paid for by the landlord	—	566
Deferred offering costs in accounts payable and accrued liabilities	—	31

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

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

1. Description of Business

Pliant Therapeutics, Inc. (the “Company”) is a clinical stage biopharmaceutical company focused on discovering and developing novel therapies for the treatment of fibrosis with an initial focus on treating fibrosis by inhibiting integrin-mediated activation of TGF- β . Fibrosis refers to the abnormal thickening and scarring of connective tissue due to the production and deposition of excess collagen in the extra-cellular matrix. Fibrosis can occur in many different tissues including lung, liver, kidney, muscle, skin and the GI tract, and often causes severe and debilitating disease leading to organ failure. The Company is located in South San Francisco, California, and was incorporated in the state of Delaware in June 2015.

2. Going Concern

The Company has devoted substantially all its efforts to organizing and staffing, business planning, raising capital and developing its technology and preclinical assets since its inception. The Company has funded its operations primarily with the net proceeds from the issuance of redeemable convertible preferred stock. The Company expects to continue to incur significant losses and require significant additional capital to advance its clinical and preclinical development programs, support its operations and business development efforts.

The Company has incurred net losses and negative cash flows from operations since inception and had an accumulated deficit of \$71.5 million as of December 31, 2018 and cash used in operations of \$28.3 million during the year ended December 31, 2018. As of December 31, 2018, the Company had cash and cash equivalents of \$60.9 million. Based on its current forecast the Company does not have sufficient cash and cash equivalents for at least the next year following the date that the financial statements are issued. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

Management plans to raise additional capital through a combination of preferred stock equity financing, public equity offerings and strategic transactions, however, there can be no assurance that the Company will be able to complete financing or equity offerings on acceptable terms, or in amounts required to support its operations, if at all, or identify and enter into any strategic transactions that will bring the capital that it will require.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business, and do not include any adjustments relating to recoverability and classification of recorded assets amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses as well as the disclosure of contingent assets and liabilities as of and during the reporting period. The Company bases its

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, useful lives assigned to property and equipment, the fair values of common and redeemable convertible preferred stock, stock-based compensation expense, accruals for research and development costs, income taxes and uncertain tax positions. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates.

Fair Value Measurements

Fair value accounting is applied for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The carrying amount of the Company's financial instruments, including cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their short-term maturities.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and short-term investments. The Company invests in money market funds, treasury bill and notes and government notes. The Company limits its credit risk associated with its cash and cash equivalents by placing them with banks and institutions it believes are highly credit worthy and in highly rated investments.

The Company's future results of operations involve several other risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of results of clinical trials and reaching milestones, uncertainty of regulatory approval of the Company's product candidates, uncertainty of market acceptance of the Company's product candidates, competition from substitute products, including those that may be developed or marketed by larger companies, securing and protecting intellectual property, strategic relationships and dependence on key individuals and sole source suppliers.

The Company's product candidates require approvals from the U.S Food and Drug Administration ("FDA") and comparable foreign regulatory agencies prior to commercial sales in their respective jurisdictions. There can be no assurance that any product candidates will receive the necessary approvals. If the Company was denied approval, approval was delayed or the Company was unable to maintain approval for any product candidate, it could have a materially adverse impact on the Company.

Segments

The Company operates and manages its business as one reportable and operating segment, which is the business of developing and commercializing novel therapies for fibrotic diseases. The Company's chief executive officer, who is the chief operating decision maker, reviews financial information on an aggregate basis for allocating and evaluating financial performance. All long-lived assets are maintained in the United States of America.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents consist primarily of amounts invested in treasury and government securities (collectively "money market funds") and are stated at fair value.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

Property and Equipment, Net

Property and equipment are recorded at cost net of accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment are as follows:

Laboratory equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

Upon retirement or sale of the assets, the cost and related accumulated depreciation and amortization are removed from the balance sheets and the resulting gain or loss is recorded to the statements of operations. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no impairment of long-lived assets during the years ended December 31, 2017 and 2018.

Redeemable Convertible Preferred Stock

The Company classifies redeemable convertible preferred stock outside of stockholders' deficit because, upon the occurrence of certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company's assets, holders of the redeemable convertible preferred stock can cause redemption for cash. At any time on or after July 10, 2023, the holders of a majority of the outstanding redeemable convertible preferred stock can also require the Company to redeem the redeemable convertible preferred stock by providing the Company a written notice requesting such redemption. The Company recognizes changes in the redemption value immediately as they occur, for example changes in fair value of preferred stock, and adjusts the carrying amount of the redeemable convertible preferred stock to equal the redemption value at the end of each reporting period. In the absence of retained earnings these accretion charges are recorded against additional paid in capital, if any, and then to accumulated deficit. The Company analyzed all embedded derivatives and beneficial conversion features for its issued redeemable convertible preferred stock and concluded that none requires bifurcation.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses consist primarily of personnel costs for the Company's research and product development employees. Also included are non-personnel costs such as fees paid to consultants and third parties for preclinical and clinical studies, research and development services, laboratory supplies and equipment maintenance costs, license costs, contract manufacturing costs and allocations of facilities related costs.

The Company estimates preclinical and clinical studies and research expenses based on the services performed, pursuant to contracts with research institutions that conduct and manage preclinical and clinical

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

studies and research services on its behalf. The Company estimates these expenses based on discussions with internal management personnel and external service providers as to the progress or stage of completion of services and the contracted fees to be paid for such services. If the actual timing of the performance of services or the level of effort varies from the original estimates, the Company will adjust the accrual accordingly. Payments made to third parties under these arrangements in advance of the performance of the related services are recorded as prepaid expenses and are expensed over the time when services are rendered.

Payments associated with licensing agreements to acquire exclusive licenses to develop, use, manufacture and commercialize products that have not reached technological feasibility and do not have alternate commercial use are expensed as incurred.

Tax Credit Receivable

The Company is eligible for federal and California research and development credits for its research and development activities performed within the United States and California, respectively. The credits are generally available to offset federal and California income tax liabilities. The Company has applied \$250,000 of federal research and development credits to offset its federal payroll tax expenses for the years ended December 31, 2017 and 2018 due to its small business status.

Stock-Based Compensation

The Company's stock-based equity awards include restricted stock awards and stock options that are granted to employees and consultants and accounted at fair value on the award grant date. Stock-based compensation expense is recognized over the awards' vesting period on a straight-line basis and recorded as either research and development or general and administrative expenses in the statements of operations based on the function to which the related services are provided. Forfeitures are accounted for as they occur.

The Company adopted the Accounting Standards Update ("ASU") No. 2018-07, "*Compensation—Stock Compensation ("Topic 718")*": *Improvements to Nonemployee Share-Based Payment Accounting*, as discussed below under "Recently Adopted Accounting Pronouncements," as of January 1, 2017. The measurement date for non-employee awards was generally the date when the services were completed, resulting in financial reporting period adjustments to stock-based compensation expense during the vesting term for changes in the fair value of the awards. After the adoption of ASU No. 2018-07, the measurement date for non-employee awards is the later of the adoption date of ASU No. 2018-07 or the grant date, without changes in the fair value of the award.

The Black-Scholes option-pricing model, used to estimate fair value of stock-based awards, requires the use of the following assumptions:

- *Expected term*—The expected term represents the period that the stock-based awards are expected to be outstanding. The expected term for the Company's stock options was calculated based on the weighted-average vesting term of the awards and the contract period, or simplified method.
- *Expected volatility*—Since the Company is not yet a public company and does not have any trading history for its common stock, the expected volatility was estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their size, stage in the life cycle or area of specialty. The Company will continue to apply this process until enough historical information regarding the volatility of its stock price becomes available.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

- *Risk-free interest rate*—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- *Expected dividend*—The Company has never paid dividends on the common stock and have no plans to pay dividends on the common stock. Therefore, the Company used an expected dividend yield of zero.

The fair value of the common stock has been determined using independent third-party valuations based on relevant valuation methodologies as outlined in the American Institute of Certified Public Accountants (AICPA) Practice Aid, “*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*”. The Company also considered the amount of time between the independent third-party valuation dates and the grant dates and used interpolation of the fair value between the two valuation dates to estimate common stock fair value at each grant date. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date.

Deferred Offering Costs

Deferred offering costs, consisting of direct legal, accounting, filing and other fees directly related to the Company’s proposed initial public offering (“IPO”) are capitalized. The deferred offering costs will be reclassified to additional paid in capital upon completion of the IPO. No amounts were deferred as of December 31, 2017. The Company deferred \$0.2 million as of December 31, 2018, which is recorded as other non-concurrent assets in the balance sheets. In the event the IPO is aborted, including postponement of 90 days or greater, all capitalized deferred offering costs will be expensed.

Leases and Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations, the Company records a deferred rent liability. Additionally, the receipt of any lease incentives is recorded as a deferred rent liability which is amortized over the lease term as a reduction of rent expense. Building improvements made with the lease incentives or tenant allowances are capitalized as leasehold improvements and included in property and equipment in the balance sheets.

Income Taxes

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

The Company accounts for uncertain tax positions in accordance with ASC No. 740-10, *Accounting for Uncertainty in Income Taxes*. The Company assesses all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position’s sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

The Company includes any penalties and interest expense related to income taxes as a component of income tax expense, as necessary.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' deficit that result from transactions and economic events other than those with stockholders. For the years ended December 31, 2017 and 2018 there was no difference between net loss and comprehensive loss in the accompanying financial statements.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributed to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed using the weighted-average number of shares of common stock outstanding during the period and, if dilutive, the weighted-average number of potential shares of common stock. Net loss per share attributable to common stockholders is calculated using the two-class method, which is based on an earnings allocation formula that determines net loss per share for the Company's common stockholders and holders of participating securities. The Company's redeemable convertible preferred stock contains participation rights in any dividend paid by the Company and is deemed to be a participating security. Net loss attributable to common stockholders and participating preferred shares are allocated to each share on an as-converted basis as if all the earnings for the period had been distributed. The participating securities do not include a contractual obligation to share in losses of the Company and are not included in the calculation of net loss per share in the periods in which a net loss is recorded.

Diluted net loss per share is computed using the more dilutive of (a) the two-class method or (b) the as-converted method. The Company allocates earnings first to redeemable convertible preferred shares stockholders based on dividend rights and then to common and preferred stockholders based on ownership interests. The weighted-average number of shares of common stock included in the computation of diluted net loss gives effect to all potentially dilutive common equivalent shares, including outstanding stock options and preferred stock.

Common stock equivalent shares are excluded from the computation of diluted net loss per share if their effect is antidilutive. In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is generally the same as basic net loss per share attributable to common stockholders since dilutive common shares are not assumed to have been issued if their effect is antidilutive. The Company reported a net loss attributable to common stockholders for the years ended December 31, 2017 and 2018.

Unaudited Pro Forma Information

Immediately prior to the completion of the Company's IPO resulting in net proceeds of at least \$45.0 million to the Company all outstanding shares of redeemable convertible preferred stock will automatically convert into common stock. The shares of common stock issuable and the proceeds expected to be received in the IPO are excluded from such pro forma financial information.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

The unaudited pro forma net loss per share for the year ended December 31, 2018 was computed using the weighted-average number of shares of common stock outstanding, including the pro forma effect of the conversion of all outstanding shares of redeemable convertible preferred stock, as if such conversion had occurred at the beginning of the period, or their issuance dates, if later. The unaudited pro forma net loss per share does not include the shares expected to be sold and related proceeds to be received from the IPO. Net loss attributable to common stockholders used in the unaudited pro forma net loss per share calculation was adjusted for the accretion of redeemable convertible preferred stock, as preferred stock is not considered outstanding prior to the closing of the IPO.

Recently Adopted Accounting Pronouncements

The Company is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”), and may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. The Company has elected to use the extended transition period for complying with new or revised accounting standards with certain exceptions that follow; and as a result of this election, its financial statements may not be comparable to companies that comply with public company effective dates.

In May 2014, the Financial Accounting Standards Board (“FASB”), issued ASU No. 2014-09, *Revenue from Contracts with Customers*. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective date*, which delayed the effective date of ASU No. 2014-09 by one year. The objective of this update is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. This standard update contains principles that the Company will apply to determine the measurement of revenue and timing of when it is recognized. ASU No. 2014-09, as amended, is effective for annual periods beginning after December 15, 2018 for public entities. Early adoption was permitted based on ASU No. 2014-09 original adoption date. The Company adopted ASU No. 2014-09 as amended on January 1, 2017. As the Company does not generate any revenues and does not have other agreements with customers, the new standard adoption did not have any impact on the Company’s financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies share-based payment accounting through a variety of amendments. The Company elected to record forfeitures as they occur for all periods presented. Adoption of ASU No. 2016-09 did not have a material impact on the Company’s financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (“Topic 805”): Clarifying the Definition of a Business*, which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is deemed to be a business. Determining whether a transferred set of assets and activities constitutes a business is important because the accounting for a business combination differs from that of an asset acquisition. The definition of a business also affects the accounting for dispositions. Under the new standard, when substantially all the fair value of assets acquired is concentrated in a single asset, or a group of similar assets, the assets acquired would not represent a business and business combination accounting would not be required. The new standard may result in more transactions being accounted for as asset acquisitions rather than business combinations. The standard is effective for public entities for interim and annual periods beginning after December 15, 2017 and shall be applied prospectively. Early adoption is permitted. The Company elected to early adopt ASU No. 2017-01 on January 1, 2017 and will apply the new guidance to applicable future transactions.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

In June 2018, the FASB issued ASU No. 2018-07, which amends and expands the scope of ASC 718, *Compensation—Stock Compensation*, (which currently only includes accounting guidance for share-based awards granted to employees) to include share-based awards issued to nonemployees for goods or services. Consequently, the accounting for share-based awards to nonemployees and employees will be substantially aligned. The ASU supersedes Subtopic 505-50, *Equity—Equity-Based Payments to Non-Employees*. This standard is effective for public companies for annual periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted if ASU No. 2014-09 has been adopted by an entity. The Company early adopted ASU No. 2018-07 as of January 1, 2017, which did not have a material impact on the Company's financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (“Topic 842”)*, which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. For public entities, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. The ASU will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, ASU No. 2016-02 is effective for the Company in the fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU No. 2016-02 on the Company's financial statements.

4. Fair Value Measurements

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets, as well as assets and liabilities measured at fair value on a non-recurring basis or disclosed at fair value, are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

- *Level 1*—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- *Level 2*—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
- *Level 3*—Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's cash equivalent money market funds are classified as Level 1 because they are valued using quoted market prices.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

The following table presents information about the Company's financial assets that are measured at fair value and indicates the fair value hierarchy of the valuation (in thousands):

	As of December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Money market funds	\$ 3,263	\$ —	\$ —	\$ 3,263
Total financial assets	<u>\$ 3,263</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,263</u>

	As of December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Money market funds	\$ 59,911	\$ —	\$ —	\$ 59,911
Total financial assets	<u>\$ 59,911</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 59,911</u>

There were no liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2018. There have been no transfers between fair value measurement levels during the years ended December 31, 2017 and 2018.

The Company records interest income and accretion income earned on money market funds to interest income in its statement of operations.

5. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	As of December 31,	
	2017	2018
Computer equipment and software	\$ —	\$ 6
Laboratory equipment	2,235	4,708
Leasehold improvements	20	621
Total property and equipment, gross	2,255	5,335
Less: Accumulated depreciation	(409)	(1,075)
Total property and equipment, net	<u>\$ 1,846</u>	<u>\$ 4,260</u>

Depreciation expense for the years ended December 31, 2017 and 2018 was \$0.3 million and \$0.7 million, respectively.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

6. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Accrued compensation and benefits	\$ 896	\$ 1,470
Accrued research and development expenses	538	633
Other	160	405
Total accrued liabilities	<u>\$ 1,594</u>	<u>\$ 2,508</u>

Accrued compensation and benefits consist primarily of accrued bonuses and accrued vacation.

7. License Agreement

In August 2015, the Company entered into an exclusive, worldwide license agreement (the "UC Agreement") with the Regents of the University of California (the "UC Regents") relating to the use of certain patents and technology relating to avb1 compound in fibrosis indications. Pursuant to the UC Agreement, the Company is obligated to (i) make a non-refundable upfront license fee payment of \$0.4 million and annual license maintenance fee payments of \$10,000 per year beginning on the first anniversary of the UC Agreement escalating to \$25,000 per year thereafter (ii) make royalty payments to the UC Regents of 3% of net sales of a therapeutic licensed product or 1% of net sales of a method of use licensed product, subject to an annual minimum of \$1.0 million, (iii) make milestone payments up to an aggregate of \$18.2 million to the UC Regents upon the occurrence of certain events, (iv) make a milestone payment based on the number of outstanding shares and a price per share as defined in the UC Agreement within 30 days of the closing of an IPO or change of control, and (v) reimburse the UC Regents for prosecution and maintenance expenses of the licensed patents without limitation. The Company will expense any payments for milestones to research and development expenses prior to receiving Federal Drug and Administration ("FDA") approval for any of its product candidates. These costs will be capitalized when FDA approval is obtained for any products being selected for commercialization and amortized over the remaining life of the patent. If the Company sublicenses its rights under the UC Agreement, it is obligated to pay the UC Regents a percentage of the total gross proceeds received in consideration of the grant of the sublicense, which total amount would be first reduced by the aggregate amount of certain research and development related expense incurred by the Company. The UC Regents have the right to purchase an amount equal to a low single-digit percent of any securities offered by the Company to investors other than to Third Rock Ventures III, L.P. ("TRV") or an affiliate of TRV. This participation right expires immediately before the completion of the IPO.

The UC Agreement can be terminated at any time upon the material breach of contract terms by either party to the agreement. The Company has the right to terminate the agreement at any time upon providing written notice to the UC Regents. Unless terminated early, the UC Agreement will remain in effect from the effective date until the later of (i) the expiration or abandonment of the patent rights licensed under the UC Agreement, or (ii) ten years from the date of the first commercial sale of the first licensed product under the agreement.

The Company recorded \$10,000 as research and development expenses related to the annual license maintenance fee for each of the years ended December 31, 2017 and 2018, respectively.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

8. Research Agreement

Adimab Development and Option Agreement

In October 2018, the Company and Adimab LLC (“Adimab”) entered into a development and option agreement (the “Adimab Agreement”) for the discovery and optimization of proprietary antibodies as potential therapeutic product candidates. Under the Adimab Agreement, the Company will select biological targets against which Adimab will use its proprietary platform technology to research and develop antibody proteins using a mutually agreed upon research plan.

Upon the Company’s selection of a target, the Company and Adimab will initiate a research plan and the discovery term begins. During the discovery term, Adimab will grant the Company a non-exclusive, non-sublicensable license under its technology with respect to the target, to research, design and preclinically develop and use antibodies that were modified or derived using Adimab technology, solely to evaluate such antibodies, perform the Company’s responsibilities under the research plan and use such antibodies for certain diagnostic purposes. The Company will also grant to Adimab a non-exclusive, non-sublicensable and non-transferable license with respect to the target under the Company’s technology that covers or relates to such target, solely to perform its responsibilities under the research plan during the discovery period. The Company is required to pay Adimab at an agreed upon rate for its full-time employees during the discovery period while Adimab performs research on each target under the applicable research plan.

Adimab granted the Company an exclusive option to obtain a worldwide, royalty-bearing, sublicensable license under Adimab platform patents and other Adimab technology to research, develop and commercialize up to twenty four antibodies selected by the Company (the “Program Antibodies”) against specific biological targets (the “Commercialization Option”). Upon the exercise of a Commercialization Option, and payment of the applicable option fee to Adimab, Adimab will assign the patents that cover the Program Antibodies to Company. The Company will be required to use commercially reasonable efforts to develop, seek market approval of, and commercialize at least one antibody against the target covered by the Commercialization Option in specified markets upon the exercise of a Commercialization Option.

Pursuant to the Adimab Agreement, the Company is obligated to (i) make a nonrefundable upfront license fee payment for access to Adimab’s technology; (ii) pay Adimab at an agreed upon rate for each full-time employee (“FTE”) during the research period; (iii) make additional payments upon the Company making other research related elections; (iv) pay up to a dollar amount in the low double digit millions for the achievement of certain research and development milestones for each research target program which can vary by target type; (v) make royalty payments to Adimab on Company net sales of its products covered under the Adimab Agreement, subject to varying royalty payments on certain product types. Currently, no product types have been selected by the Company.

During the year ended December 31, 2018, the Company recognized research and development expense under the Adimab Agreement of \$0.1 million related to the upfront license fee and FTE costs.

9. Redeemable Convertible Preferred Stock

Under the Company’s Amended and Restated Certificate of Incorporation (“Certificate of Incorporation”), the Company is authorized to issue two classes of shares: preferred and common stock. The preferred stock may be issued in series, and the Company’s board of directors is authorized to determine the rights, preferences, and

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

terms of each series. The following is a summary of the Company's redeemable convertible preferred stock (in thousands except share amounts):

Preferred stock consisted of the following as of December 31, 2017:

	<u>Preferred Shares Authorized</u>	<u>Shares Issued and Outstanding</u>	<u>Redemption Value/ Liquidation Preference</u>	<u>Carrying Value</u>
Series A	62,500,000	36,500,000	\$ 39,910	\$39,910
	<u>62,500,000</u>	<u>36,500,000</u>	<u>\$ 39,910</u>	<u>\$39,910</u>

Preferred stock consisted of the following as of December 31, 2018:

	<u>Preferred Shares Authorized</u>	<u>Shares Issued and Outstanding</u>	<u>Redemption Value/ Liquidation Preference</u>	<u>Carrying Value</u>
Series A	56,000,000	56,000,000	\$ 61,516	\$ 61,516
Series B	58,109,973	49,501,221	70,587	70,587
	<u>114,109,973</u>	<u>105,501,221</u>	<u>\$ 132,103</u>	<u>\$ 132,103</u>

Series A Preferred

In August 2015, the Company entered into a Series A Preferred Stock Purchase Agreement (the "Series A Purchase Agreement") pursuant to which it agreed to sell, and the purchasers agreed to purchase up to \$45.0 million of Series A Redeemable Convertible Preferred Stock ("Series A Preferred") in three anticipated tranches based on the achievement of defined performance milestones. The Series A Preferred stockholders may not assign the rights to purchase shares of Series A Preferred at any future milestone closing tranches separately without a transfer of already purchased shares. The Company determined that these future tranche obligations did not meet the definition of a freestanding financial instrument because, while separately exercisable, they were not legally detachable. Further, the Company determined that the embedded future tranche obligation did not require bifurcation for accounting purposes as it was clearly and closely related to the economic characteristics and risks of the Series A Preferred and would not meet the definition of a derivative on a standalone basis.

Under the Series A Purchase Agreement, as part of the initial closing, the Company issued 6.5 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$6.4 million and the conversion of convertible promissory notes in the amount of \$0.1 million representing outstanding principal and accrued interest.

In April 2016, the Company issued 5.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$5.0 million in an additional closing of the first tranche. The final closing of the first tranche occurred in September of 2016, when the Company issued 5.0 million additional shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$5.0 million.

In February 2017, the Company issued 8.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$8.0 million in a closing of the second tranche.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

In July 2017, the Company issued 12.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$12.0 million in an initial closing of the third tranche.

In January 2018, the Company issued 8.5 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$8.5 million in an additional closing of the third tranche.

In March 2018, based on the amendment to the Series A Purchase Agreement, the Company issued 11.0 million additional shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$11.0 million in the final closing of the third tranche.

Series B Preferred

In July 2018, the Company entered into a Series B Preferred Stock Purchase Agreement (the “Series B Purchase Agreement”) in which it agreed to sell, and the purchasers agreed to purchase, up to \$70.0 million of Series B Redeemable Convertible Preferred Stock (“Series B Preferred”). Under the Series B Purchase Agreement, the Company initially issued 45.1 million shares of Series B Preferred at \$1.3767 per share in exchange for cash proceeds of approximately \$62.1 million.

In November 2018, the Company issued 4.4 million additional shares of Series B Preferred at \$1.3767 per share in exchange for cash proceeds of approximately \$6.0 million.

The Series A Preferred and Series B Preferred (collectively, the “Preferred Stock”) have the following rights and privileges:

Voting

Each holder of shares of Series A Preferred and Series B Preferred is entitled to the number of votes equal to the number of shares of common stock into which such shares could be converted and has voting rights and powers equal to the voting rights and powers of the common stock, and except as provided by law or by other provisions of the Company’s Certificate of Incorporation, as amended, shall vote together with the common stock as a single class on an as-converted basis on all matters as to which holders of common stock have the right to vote.

The holders of Series A Preferred, voting separately as a single class, are entitled to elect two members of the Company’s board of directors. At any time when at least 12.5 million shares of Series B Preferred are outstanding, the holders of Series B Preferred are entitled to elect one member of the Company’s board of directors. The holders of shares of common stock, voting separately as a single class, are entitled to elect one member of the Company’s board of directors. All remaining members of the Company’s board of directors are elected by the holders of the common stock and Preferred Stock voting together as a single class.

Conversion

Shares of the Preferred Stock are convertible at any time at the option of the holder into such number of shares as is determined by dividing the original issuance price by the conversion price in effect at the time. The original conversion price is the original issuance price for each series of Preferred Stock, or \$1.00 for Series A Preferred and \$1.3767 for Series B Preferred, subject to certain adjustments. As of December 31, 2018, the Preferred Stock was convertible into shares of the Company’s common stock on a one-for-one basis.

All outstanding shares of Preferred Stock will automatically convert upon the completion of an IPO resulting in net proceeds to the Company of at least \$45.0 million or the vote or written consent of a requisite majority of holders of the then outstanding shares of Preferred Stock on an as-converted to common stock basis.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

Dividends

The holders of Series A Preferred were originally entitled to receive cumulative dividends from their respective dates of issuance at the rate of 8.0% on their original issue price. In July 2018, in conjunction with the execution of the Series B Purchase Agreement, the Series A Preferred accreted dividends were cancelled.

Under the Series B Purchase Agreement, the holders of both shares of Series A and Series B Preferred are entitled to receive cumulative dividends commencing on July 10, 2018, the issuance date of Series B Preferred, at an annual rate of 8.0% on their original issuance price. The Series A Preferred and Series B Preferred dividends accrue from day-to-day, whether declared or not, and are payable only when and if declared by the Company's board of directors. Since inception, the Company has never declared or paid any dividends.

Liquidation Preferences

Upon liquidation, dissolution, or winding up of the Company or a deemed liquidation event as defined in the Company's Certificate of Incorporation, the holders of shares of Preferred Stock will receive, in preference to any distribution to the holders of common stock, an amount per share equal to the greater of (i) the original issue price per share of the respective series of Preferred Stock, plus all dividends declared but unpaid on such shares, or (ii) the amount the holders would receive on an as-converted into common stock basis. Series B Preferred holders are entitled to receive their liquidation preference before any distributions are made to Series A Preferred holders and common stockholders. Series A Preferred holders are entitled to receive their liquidation preference before any distributions are made to common stock holders. After payments of the full liquidation preferences of the Series A and B Preferred described above, any remaining assets of the Company shall be distributed to the holders of the common stock in proportion to the number of shares of common stock that they hold.

Redemption

The Series A Preferred were redeemable at any time on or after five years from August 19, 2015, the original issuance date of the 6.5 million shares of Series A Preferred, upon receipt of a written notice from the holders of a majority of the shares of Series A Preferred. The initial redemption price was the greater of (i) the Series A Preferred original issuance price per share, plus any accrued and unpaid dividends, whether or not declared by the board of directors, and (ii) the fair market value of Series A Preferred as mutually agreed upon by the Company and the holders of a majority of the shares of Series A Preferred then outstanding.

In July 2018, in conjunction with the execution of the Series B Preferred Purchase Agreement, the Series A Preferred redemption provision was amended as follows:

All outstanding shares of Preferred Stock shall be redeemed by the Company at a price equal to the original issuance price per share, plus any accrued and unpaid dividends, whether or not declared, together with any other dividends declared but unpaid in three annual installments commencing not more than sixty (60) days after receipt by the Company at any time on or after five years from the Series B Preferred original issuance date, July 10, 2018, a written notice from the holders of a majority of the shares of Preferred Stock.

The Company accounted for the changes in Series A Preferred redemption provision as a modification as there was no significant difference in Series A Preferred fair value before and after the modification.

10. Common Stock

The voting, dividend, and liquidation rights of the holders of the common stock are subject to and qualified by the rights, powers, and preferences of the holders of the Preferred Stock. As of December 31, 2018, the

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

Company had 147,682,655 authorized shares of common stock at a par value of \$0.0001 per share. The common stock has the following rights and privileges:

Voting

The holders of shares of common stock are entitled to one vote for each share of common stock held at any meeting of stockholders and at the time of any written action in lieu of a meeting.

Dividends

The holders of shares of common stock are entitled to receive dividends, when declared by the Company's board of directors. Cash dividends may not be declared or paid to holders of shares of common stock until all unpaid dividends on the Preferred Stock have been paid in accordance with their terms. No dividends have been declared or paid by the Company since its inception.

Liquidation

After payment of the respective liquidation preferences to the holders of shares of Preferred Stock, the holders of shares of common stock are entitled to share ratably in the Company's remaining assets available for distribution to its stockholders in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon occurrence of a deemed liquidation event.

Shares reserved for future issuance

	As of December 31,	
	2017	2018
Conversion of redeemable convertible preferred stock	36,500,000	105,501,221
Exercises of outstanding stock option awards	—	809,200
Shares of common stock available for future grants under the 2015 Equity Incentive Plan, as amended	3,119,766	7,029,718
Total shares reserved for future issuance	<u>39,619,766</u>	<u>113,340,139</u>

Founders' Common Stock Awards

During 2015, the Company's board of directors granted common stock awards to the Company's founders in exchange for services provided to the Company. The purchase price of the common stock awards was the estimated fair value at the issuance date. The shares vest from one to four years and vesting could be accelerated upon a change in control. The vesting of certain performance-based restricted stock awards were contingent upon the filing of an Investigational New Drug Application by the Company with the FDA.

If the holder of founders' common stock award terminates their relationship with the Company during the vesting period, the Company may repurchase any unvested restricted common stock held by these individuals at their original purchase price. During the vesting term, holders of founders' common stock awards are deemed to be common stockholders and have dividend and voting rights. The Company issued 5,328,500 shares of founders' common stock during 2015. No founders' common stock awards were granted in subsequent years. Total compensation expense was \$25,000 for these founders' common stock awards, which are recorded to operating expenses in the statements of operations over their respective vesting period. As of December 31, 2018, 333,729 shares of founders' common stock awards were not vested and are expected to vest in 2019.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

11. 2015 Equity Incentive Plan and Stock-Based Compensation

In August 2015, the board of directors adopted the 2015 Equity Incentive Plan, as amended (the "Plan"), which provides for the grant of incentive stock options, nonqualified stock options or other awards including stock appreciation rights and restricted stock awards to the Company's employees, officers, directors, advisors, and consultants for the purchase of up to 11.0 million shares of the Company's common stock. In July 2018, the Plan was amended to increase the number of shares reserved thereunder by 7.2 million shares. As of December 31, 2018, 7.0 million shares remained available for issuance under the Plan.

Options under the Plan may be granted for periods of up to 10 years and at prices no less than 100.0% of the estimated fair value of the shares on the date of grant as determined by the board of directors, provided, however, that the exercise price of an incentive stock option granted to a 10.0% shareholder shall not be less than 110.0% of the estimated fair value of the shares on the date of grant and the option is not exercisable after the expiration of five years from the date of grant.

Restricted Common Stock Awards

The Company granted restricted stock awards under the Plan. The purchase price of the restricted common stock awards was the estimated fair value as determined by the board of directors at the issuance date. The shares vest from one to four years and vesting could be accelerated upon a change in control. A holder of an award may pay a total purchase price or a part of the purchase price for granted shares at any time during the vesting periods. Upon termination of employment, the Company has the right to repurchase any unvested restricted shares. The repurchase price for unvested shares of common stock will be the lower of (i) the fair market value on the date of repurchase or (ii) their original purchase price. During the vesting term, holders of restricted stock awards are deemed to be a common stockholders and have dividends and voting rights.

The Company accounted for restricted stock awards as early exercised options and recognized a liability in other liabilities when cash was received for the purchase of shares of restricted stock. As shares of restricted stock vested, the Company reclassified the liability to common stock and additional paid in capital. As of December 31, 2017, and 2018, the Company recorded a liability included in accrued expenses and other liabilities of \$42,000 and \$52,000, respectively.

The Company used Black-Scholes option pricing model to estimate stock-based compensation expense related to restricted stock awards with the following assumptions for the years ended December 31, 2017 and 2018:

	2017	2018
Expected volatility	75.15% - 80.90%	69.60% - 76.20%
Risk-free interest rate	1.05% - 1.79%	1.80% - 2.48%
Expected dividend	— %	— %
Expected term (in years)	0.55 - 2.15	0.92 - 2.16
Underlying common stock fair value	\$0.04 - \$0.22	\$0.26 - \$0.33

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

The following table summarizes restricted stock activity during the years ended December 31, 2017 and 2018:

	Number of Shares	Weighted- Average Grant Date fair value
Outstanding and unvested, as of December 31, 2016	6,285,967	\$ 0.01
Issued	1,624,288	\$ 0.16
Vested	(2,089,144)	\$ 0.01
Repurchased	(1,217,834)	\$ 0.01
Outstanding and unvested, as of December 31, 2017	4,603,277	\$ 0.06
Issued	2,428,248	\$ 0.29
Vested	(2,003,725)	\$ 0.05
Outstanding and unvested, as of December 31, 2018	5,027,800	\$ 0.17

Restricted stock awards of 32,600 shares with a weighted-average grant date fair value of \$0.03 per share, were not purchased by the award holders as of December 31, 2018. As these shares of the restricted common stock awards were not issued, they are not included in the table above.

The aggregate fair value of restricted stock awards vested during the years ended December 31, 2017 and 2018 was \$22,000 and \$0.1 million, respectively. Total intrinsic value of outstanding unvested restricted stock awards was \$3.6 million as of December 31, 2018.

Incentive Stock Options and Nonqualified Stock Options

Stock options issued under the Plan generally vest over a four-year period and expire ten years from the date of grant. Certain options provide for accelerated vesting if there is a change in control, as defined in the Plan. There were no stock options granted prior to 2018.

The Company used Black-Scholes option pricing model to estimate stock-based compensation expense for stock option awards with the following assumptions for the year ended December 31, 2018:

	2018
Expected volatility	81.80% - 82.50%
Risk-free interest rate	2.78% - 3.07%
Expected dividend	— %
Expected term (in years)	5.78 - 6.06
Underlying common stock fair value	\$0.39 - \$0.72

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

A summary of option activity under the Plan is as follows:

	Number of Options	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2017	—	\$ —	—	\$ —
Granted	809,200	\$ 0.29		
Outstanding as of December 31, 2018	<u>809,200</u>	\$ 0.29	9.77	\$ 348
Exercisable as of December 31, 2018	<u>5,625</u>	\$ 0.29	9.66	\$ 2
Vested and expected to vest as of December 31, 2018	<u>809,200</u>	\$ 0.29	9.77	\$ 348

Aggregate intrinsic value represents the difference between the fair value of the underlying common stock and the exercise price as of December 31, 2018. There were no option exercises in 2018. The weighted-average grant date fair value of options granted during the year ended December 31, 2018 was \$0.48 per share.

Stock-Based Compensation Expense

The following table presents the components and classification of stock-based compensation expense for the Company's stock-based awards for the years ended December 31, 2017 and 2018 (in thousands):

	Year Ended December 31,	
	2017	2018
Restricted stock awards and founders' common stock awards	\$ 33	\$ 207
Stock options	—	21
Total stock-based compensation expense	<u>\$ 33</u>	<u>\$ 228</u>
Research and development expenses	\$ 8	\$ 114
General and administrative expenses	\$ 25	\$ 114

As of December 31, 2018, there was \$0.7 million and \$0.4 million of unrecognized compensation costs that is expected to be recognized over the weighted-average periods of 2.2 years and 3.7 years related to restricted stock awards and stock options, respectively.

12. Income Taxes

No provision for income taxes was recorded for the years ended December 31, 2017 and December 31, 2018. The Company has incurred net operating losses only in the United States since its inception. The Company has not reflected any benefit of such net operating loss carryforwards in the financial statements.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,	
	2017	2018
Income tax computed at federal statutory rate	34.0%	21.0%
State taxes, net of federal tax benefit	7.1%	9.1%
General business credit—federal	1.3%	2.6%
Stock based compensation	(0.1%)	(0.2%)
Impact of federal rate change	(20.1%)	(0.0%)
Change in valuation allowance	(22.2%)	(32.5%)
Effective income tax rate	<u>— %</u>	<u>— %</u>

Net deferred tax assets and liabilities consisted of the following (in thousands):

	As of December 31,	
	2017	2018
Deferred tax assets:		
Asset basis	\$ 392	\$ 227
Net operating losses	8,437	16,684
Research and development credits	1,346	3,048
Accrued expenses	248	88
Other	3	147
Deferred rent	—	110
Stock based compensation	—	1
Total deferred tax assets	<u>10,426</u>	<u>20,304</u>
Deferred tax liabilities:		
Prepaid expenses	(18)	(65)
Total deferred tax liabilities	<u>(18)</u>	<u>(65)</u>
Valuation allowance	(10,408)	(20,240)
Net deferred taxes	<u>\$ —</u>	<u>\$ —</u>

Net operating losses and tax credit carryforwards were as follows (in thousands):

	As of December 31, 2018	Expiration Year
Net operating losses, federal (starting from January 1, 2018)	\$ 29,183	Does not expire
Net operating losses, federal (before January 1, 2018)	\$ 29,901	2035-2037
Net operating losses, state	\$ 59,571	2035-2038
Tax credits, federal	\$ 2,288	2036-2038
Tax credits, state	\$ 2,086	Does not expire

Utilization of the net operating loss carryforwards and research credit carryforwards may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code and

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

similar state provisions. Annual limitations may result in the expiration of the net operating losses and tax credit carryforwards before they are utilized. The Company does not expect any previous ownership changes to result in a limitation that will reduce the total amount of net operating loss and tax credit carryforwards disclosed that can be utilized. Subsequent ownership changes may affect the limitation in future years.

During the years ended December 31, 2017 and 2018, the Company recorded a full valuation allowance on federal and state deferred balances since management does not forecast the Company to be in a profitable position in the near future. Changes in the valuation allowance for deferred tax assets during the years ended December 31, 2017 and 2018 related primarily to the increases in net operating loss carryforwards and research and development tax credit carryforwards and were as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Valuation allowance at the beginning of the year	\$ 6,335	\$ 10,408
Increases recorded to income tax provision	4,073	9,832
Valuation allowance at the end of the year	<u>\$ 10,408</u>	<u>\$ 20,240</u>

The Company's U.S. federal and state income tax returns are generally subject to tax examinations for the tax years ended December 31, 2015 through December 31, 2018. There are currently no pending income tax examinations. 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 and state tax authorities to the extent utilized in a future period. The Company's policy is to record interest and penalties related to income taxes as part of its income tax provision.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation through the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering the U.S. corporate income tax rates and implementing a modified territorial tax system. The corporate tax rate was reduced from 34.0% to 21.0% for tax years beginning after December 31, 2017. Changes in tax law are accounted for in the period of enactment. As such, the Company's financial statements as of December 31, 2017 reflect the impact of the Tax Act, which consisted of remeasuring the Company's deferred tax assets, deferred tax liabilities and valuation allowance using the newly enacted U.S. corporate tax rate. This rate change resulted in a \$3.7 million reduction in the Company's net deferred tax assets with a corresponding offset to the valuation allowance. Under the Tax Act, net operating losses arising after December 31, 2017 do not expire and cannot be carried back. However, the Tax Act limits the amount of net operating losses that can be used annually to 80.0% of taxable income for periods beginning after December 31, 2017. Existing net operating losses arising in years ending on or before December 31, 2017 are not affected by these provisions.

The entire amount of the unrecognized tax benefits would not impact the Company's effective tax rate if recognized. The Company has elected to include interest and penalties as a component of tax expense. During the years ended December 31, 2017 and 2018, the Company did not recognize accrued interest and penalties related to unrecognized tax benefits. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease during the next 12 months.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,	
	2017	2018
January 1	\$ 169	\$ 403
Additions based on tax positions related to current year	234	452
December 31	<u>\$ 403</u>	<u>\$ 855</u>

13. Commitments and Contingencies

Purchase Commitments

The Company has contractual arrangements with research and development organizations and suppliers; however, these contracts are generally cancelable on 30 days' notice and the obligations under these contracts are largely based on services performed.

License and Collaboration Agreements

Potential payments related to the Company's license and research agreements, including milestone and royalty payments, are detailed in Notes 7 and 8.

Leases

In 2017 and 2018, the Company leased approximately 18,000 square feet of corporate offices and research facilities in Redwood City, California. Rent expense, including common area maintenance expense, was approximately \$0.1 million per month. This lease expired on June 28, 2018.

In February 2018, the Company entered into a non-cancelable lease agreement (the "Lease") for premises consisting of approximately 32,974 square feet located in South San Francisco, California (the "Premises"). The Company moved into the Premises in July 2018. The Premises is being used for the Company's corporate headquarters and principal operating facility. The term of the Lease is eighty-four months, which commenced on July 1, 2018. Base rent was abated for the first two months of the lease term and thereafter is \$0.2 million per month during the first year of the lease term, with specified annual increases thereafter. The Company paid a refundable security deposit of approximately \$0.4 million, which is included in long term assets in the balance sheet at December 31, 2018. The Company has the right to extend the lease term by seven years upon written notice not more than twelve months nor less than nine months prior to the expiration of the original lease term, with monthly payments equal to the "fair rental value" as defined in the Lease.

During the years ended December 31, 2017 and 2018, rent expense, including common area maintenance expense, was \$1.3 million and \$1.8 million, respectively.

Future minimum lease payments under the Lease as of December 31, 2018 were as follows (in thousands):

Year ending December 31:	Operating Lease
2019	\$ 1,892
2020	1,959
2021	2,027
2022	2,098
2023 and beyond	5,562
Total	<u>\$ 13,538</u>

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

Legal Proceedings

The Company, from time to time, may be party to litigation arising in the ordinary course of business. The Company was not subject to any material legal proceedings during the years ended December 31, 2017 and 2018, and, to the best of its knowledge, no material legal proceedings are currently pending or threatened.

Indemnification

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

14. Related Party Transactions

Certain employees of Third Rock Ventures, a stockholder of the Company, provided consulting services to the Company. Consulting service expenses of \$132,000 and \$54,000 were recorded for the years ended December 31, 2017 and 2018, respectively.

In 2018, the Company made charitable contributions to the University of California, San Francisco Foundation (the "UCSF Foundation"), which were directed to support research performed in the laboratories of two of the Company's scientific founders. Charitable contributions made to the UCSF Foundation during the year ended December 31, 2018 was \$0.5 million.

In February 2017, the Company entered into a consulting agreement with the founder of Healthcare & Humanity Foundation (the "Director") pursuant to which the Director provided consulting services to the Company at a rate of \$5,000 per month in 2017 and 2018 years. In addition, the Company granted the Director 45,000 shares of restricted stock at a purchase price of \$0.01 per share with quarterly vesting over a one-year period contingent upon the Director providing consulting services during the vesting period. The Director became a director of the Company in December 2017. In February 2018, the agreement with the Director terminated pursuant to its terms. General and administrative services provided while the Director was a director of the Company amounted to \$5,000 during the year ended December 31, 2018.

In March 2018, the Company sold 1.0 million shares of Series A Preferred to pH Pharma Co. Ltd. ("pH Pharma"), an entity in which the Director has a majority ownership, for \$1.0 million. These shares of Series A Preferred represent 1.0% of the Company's outstanding equity on a fully diluted basis as of December 31, 2018. In May 2018, the Company entered into a research services agreement with pH Pharma. In the year ended December 31, 2018, the Company was reimbursed \$51,000 for services performed in connection with the research services agreement, which were recorded as a credit to research and development expenses in the statements of operations. As of December 31, 2018, all services were completed under this agreement.

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

15. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time U.S. employees. Employee contributions are voluntary and are determined on an individual basis subject to the maximum allowable under federal tax regulations. The Company made contributions to the plan of \$0.1 million and \$0.2 million for the years ended December 31, 2017 and 2018, respectively.

16. Net Loss Per Share Attributable to Common Stockholders

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been antidilutive:

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Redeemable convertible preferred stock (on an as-converted basis)	36,500,000	105,501,221
Options to purchase common stock	—	809,200
Restricted stock awards granted and not purchased	30,000	32,600
Unvested restricted shares	4,603,275	5,027,800
Unvested shares of founders' common stock	1,403,855	333,729
Total	<u>42,537,130</u>	<u>111,704,548</u>

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net loss per share attributable to common stockholders is as follows (in thousands, except share and per share amounts):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Net loss per share:		
<i>Numerator</i>		
Net loss and comprehensive loss	\$ (18,333)	\$ (30,276)
Add: accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	<u>(2,289)</u>	<u>(4,876)</u>
Net loss attributable to common stockholders	<u>\$ (20,622)</u>	<u>\$ (35,152)</u>
<i>Denominator</i>		
Weighted-average common shares outstanding used to calculate net loss per share attributable to common stockholders, basic and diluted	<u>5,745</u>	<u>8,333</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (3.59)</u>	<u>\$ (4.22)</u>

Pliant Therapeutics, Inc.
Notes to Financial Statements
December 31, 2017 and 2018

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data) assuming the automatic conversion of the redeemable convertible preferred stock based on the mid-point of the IPO price range of \$ _____, upon consummation of an IPO as if such event had occurred as of the beginning of the respective period:

	<u>Year Ended</u> <u>December 31,</u> <u>2018</u> <u>(unaudited)</u>
Unaudited Pro Forma Net Loss Per Share	
Net loss	\$
Pro forma adjustment to accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	_____
Pro forma net loss attributable to common stockholders, basic and diluted	=====
Weighted-average shares used to calculate net loss per share attributable to common stockholders, basic and diluted	
Pro forma adjustment to reflect assumed conversion of all redeemable convertible preferred stock	_____
Weighted-average shares used to calculate pro forma net loss per share attributable to common stockholders, basic and diluted	=====
Pro forma net loss per share attributable to common stockholders, basic and diluted	\$ _____

17. Subsequent Events

In January 2019, the Company's board of directors and shareholders voted to increase the number of shares reserved for issuance under the 2015 Equity Incentive Plan by 3.0 million shares.

In January 2019 and March 2019, the Company granted stock options to purchase an aggregate of 6.7 million shares of common stock.

The Company has evaluated subsequent events for financial statement purposes occurring through May 10, 2019, the date these financial statements were issued, and determined that no additional subsequent events had occurred that would require recognition in these financial statements and that all subsequent events that required disclosure have been disclosed.

Pliant Therapeutics, Inc.
Condensed Balance Sheets
(Unaudited)

(In thousands, except share and per share amounts)	As of December 31, 2018	As of March 31, 2019	Pro Forma as of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	\$ 60,949	\$ 22,558	\$
Short-term investments	—	27,162	
Tax credit receivable	500	563	
Prepaid expenses and other current assets	284	521	
Total current assets	61,733	50,804	
Property and equipment, net	4,260	4,423	
Other non-current assets	536	751	
Total assets	<u>\$ 66,529</u>	<u>\$ 55,978</u>	
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' (Deficit)/Equity			
Current liabilities			
Accounts payable	\$ 2,576	\$ 4,474	
Accrued liabilities	2,508	3,726	
Total current liabilities	5,084	8,200	
Other long term liabilities	811	844	
Total liabilities	<u>5,895</u>	<u>9,044</u>	
Commitments and Contingencies (Note 13)			
Series A redeemable convertible preferred stock, \$0.0001 par value; 56,000,000 and 56,000,000 shares authorized at December 31, 2018 and March 31, 2019, respectively; 56,000,000 and 56,000,000 shares issued and outstanding, at December 31, 2018 and March 31, 2019, respectively; aggregate liquidation preference of \$61,516 and \$61,516 at December 31, 2018 and March 31, 2019, respectively; shares issued and outstanding pro forma	61,516	61,516	
Series B redeemable convertible preferred stock, \$0.0001 par value; 58,109,973 shares and 58,109,973 shares authorized at December 31, 2018 and March 31, 2019, respectively; 49,501,221 shares and 49,501,221 shares issued and outstanding at December 31, 2018 and March 31, 2019, respectively; aggregate liquidation preference of \$70,587 and \$71,931 at December 31, 2018 and March 31, 2019, respectively; shares issued and outstanding pro forma	70,587	71,931	
Stockholders' (deficit)/equity			
Common stock, \$0.0001 par value; 147,682,655 and 147,682,655 shares authorized at December 31, 2018 and March 31, 2019; and 9,745,453 and 10,646,759 shares issued and outstanding at December 31, 2018 and March 31, 2019, respectively; shares issued and outstanding, pro forma	1	1	
Additional paid-in capital	—	—	
Accumulated (deficit)/equity	(71,470)	(86,517)	
Accumulated other comprehensive gain	—	3	
Total stockholders' (deficit)/equity	<u>(71,469)</u>	<u>(86,513)</u>	
Total liabilities, redeemable convertible preferred stock and stockholders' (deficit)/equity	<u>\$ 66,529</u>	<u>\$ 55,978</u>	

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

Pliant Therapeutics, Inc.
Condensed Statements of Operations and Comprehensive Loss
(Unaudited)

(In thousands, except share and per share amounts)	Three Months Ended	
	March 31,	
	2018	2019
Operating expenses:		
Research and development	\$ 5,018	\$ 11,749
General and administrative	1,210	2,601
Total operating expenses	<u>6,228</u>	<u>14,350</u>
Loss from operations	(6,228)	(14,350)
Interest income	16	313
Other expense, net	(10)	14
Net loss	<u>\$ (6,222)</u>	<u>\$ (14,023)</u>
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	(882)	(1,344)
Net loss attributable to common stockholders	<u>\$ (7,104)</u>	<u>\$ (15,367)</u>
Net loss per share, attributable to common stockholders, basic and diluted	<u>\$ (0.96)</u>	<u>\$ (1.52)</u>
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>7,387,889</u>	<u>10,079,336</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted		<u>\$</u>
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted		<u></u>
Comprehensive Loss:		
Net loss	\$ (6,222)	\$ (14,023)
Changes in unrealized gains on short-term investments	\$ —	\$ 3
Total other comprehensive gain	—	3
Comprehensive loss	<u>\$ (6,222)</u>	<u>\$ (14,020)</u>

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

Pliant Therapeutics, Inc.
Condensed Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit
(Unaudited)

(In thousands, except share amounts)	Redeemable Convertible Preferred Stock				Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Series A		Series B		Shares	Amount				
	Shares	Amount	Shares	Amount						
Balance at December 31, 2017	36,500,000	\$39,910	—	\$ —	7,171,605	\$ 1	\$ —	\$ —	\$ (36,566)	\$ (36,565)
Issuance of Series A redeemable preferred stock, net of issuance costs of \$16	19,500,000	19,484	—	—	—	—	—	—	—	—
Vesting of founders' common stock and restricted stock awards	—	—	—	—	578,536	—	4	—	—	4
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	—	882	—	—	—	—	(31)	—	(851)	(882)
Stock-based compensation expense	—	—	—	—	—	—	27	—	—	27
Net loss	—	—	—	—	—	—	—	—	(6,222)	(6,222)
Balance at March 31, 2018	<u>56,000,000</u>	<u>\$60,276</u>	<u>—</u>	<u>\$ —</u>	<u>7,750,141</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>—</u>	<u>\$ (43,639)</u>	<u>\$ (43,638)</u>
(In thousands, except share amounts)	Redeemable Convertible Preferred Stock				Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Series A		Series B		Shares	Amount				
	Shares	Amount	Shares	Amount						
Balance at December 31, 2018	56,000,000	\$61,516	49,501,221	\$70,587	9,745,453	\$ 1	\$ —	\$ —	\$ (71,470)	\$ (71,469)
Vesting of founders' common stock and restricted stock awards	—	—	—	—	901,306	—	8	—	—	8
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	—	—	—	1,344	—	—	(320)	—	(1,024)	(1,344)
Stock-based compensation expense	—	—	—	—	—	—	312	—	—	312
Unrealized gains on short-term investments	—	—	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	—	—	(14,023)	(14,023)
Balance at March 31, 2019	<u>56,000,000</u>	<u>\$61,516</u>	<u>49,501,221</u>	<u>\$71,931</u>	<u>10,646,759</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>3</u>	<u>\$ (86,517)</u>	<u>\$ (86,513)</u>

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

Pliant Therapeutics, Inc.
Condensed Statements of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended March 31,	
	2018	2019
Cash flows from operating activities		
Net loss	\$ (6,222)	\$ (14,023)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	118	256
Stock-based compensation expense	27	312
Changes in operating assets and liabilities:		
Tax credit receivable	(63)	(63)
Prepaid expenses and other current assets	(142)	(237)
Other non-current assets	(381)	—
Accounts payable	(534)	1,768
Accrued liabilities	(390)	1,119
Deferred rent	—	21
Net cash used in operating activities	<u>(7,587)</u>	<u>(10,847)</u>
Cash flows from investing activities		
Purchase of short-term investments	—	(27,159)
Purchase of property and equipment	(890)	(258)
Net cash used in investing activities	<u>(890)</u>	<u>(27,417)</u>
Cash flows from financing activities		
Proceeds from issuance of Series A preferred stock, net of issuance costs	19,484	—
Payment of deferred offering costs	—	(127)
Net cash provided by (used in) financing activities	<u>19,484</u>	<u>(127)</u>
Net increase (decrease) in cash and cash equivalents	11,007	(38,391)
Cash and cash equivalents at beginning of period	4,251	60,949
Cash and cash equivalents at end of period	<u>\$ 15,258</u>	<u>\$ 22,558</u>
Supplemental disclosures of noncash investing and financing activities:		
Purchase of property and equipment in accounts payable and accrued liabilities	219	352
Reclassification of restricted stock awards from liabilities to common stock upon vesting	4	8
Accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	882	1,344
Deferred offering costs	—	119

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

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

1. Description of Business

Pliant Therapeutics, Inc. (the “Company”) is a clinical stage biopharmaceutical company focused on discovering and developing novel therapies for the treatment of fibrosis with an initial focus on treating fibrosis by inhibiting integrin-mediated activation of TGF- β . Fibrosis refers to the abnormal thickening and scarring of connective tissue due to the production and deposition of excess collagen in the extra-cellular matrix. Fibrosis can occur in many different tissues including lung, liver, kidney, muscle, skin and the GI tract, and often causes severe and debilitating disease leading to organ failure. The Company is located in South San Francisco, California, and was incorporated in the state of Delaware in June 2015.

2. Going Concern

The Company has devoted substantially all its efforts to organizing and staffing, business planning, raising capital and developing its technology and preclinical assets since its inception. The Company has funded its operations primarily with the net proceeds from the issuance of redeemable convertible preferred stock. The Company expects to continue to incur significant losses and require significant additional capital to advance its clinical and preclinical development programs, support its operations and business development efforts.

The Company has incurred net losses and negative cash flows from operations since inception and had an accumulated deficit of \$86.5 million as of March 31, 2019 and cash used in operations of \$10.8 million during the three months ended March 31, 2019. As of March 31, 2019, the Company had cash and cash equivalents of \$22.6 million and short-term investments of \$27.2 million. Based on its current forecast the Company does not have sufficient cash and cash equivalents for at least the next year following the date that the financial statements are issued. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

Management plans to raise additional capital through a combination of preferred stock equity financing, public equity offerings and strategic transactions, however, there can be no assurance that the Company will be able to complete financing or equity offerings on acceptable terms, or in amounts required to support its operations, if at all, or identify and enter into any strategic transactions that will bring the capital that it will require.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business, and do not include any adjustments relating to recoverability and classification of recorded assets amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The accompanying condensed balance sheet as of March 31, 2019, condensed statements of operations and comprehensive loss, condensed statements of cash flows, and the condensed statements of convertible preferred shares and shareholders’ deficit for the three months ended March 31, 2018 and 2019, are unaudited. The condensed balance sheet as of December 31, 2018 was derived from audited financial statements as of and for the year ended December 31, 2018. The unaudited interim condensed financial statements have been prepared on the same basis as the audited annual financial statements as of and for the year ended December 31, 2018, and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company’s financial position as of March 31, 2019, and the results of its operations and

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

its cash flows for the three months ended March 31, 2018 and 2019. The financial data and other information disclosed in these notes related to the three months ended March 31, 2018 and 2019, are also unaudited.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses as well as the disclosure of contingent assets and liabilities as of and during the reporting period. The Company bases its estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, useful lives assigned to property and equipment, the fair values of common and redeemable convertible preferred stock, stock-based compensation expense, accruals for research and development costs, income taxes and uncertain tax positions. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates.

Fair Value Measurements

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which to transact and the market-based risk. Fair value accounting is applied for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis and at least annually. The carrying amount of the Company's financial instruments, including cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their short-term maturities.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and short-term investments. The Company invests in money market funds, treasury bill and notes and government notes. The Company limits its credit risk associated with its cash and cash equivalents by placing them with banks and institutions it believes are highly credit worthy and in highly rated investments.

The Company's future results of operations involve several other risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of results of clinical trials and reaching milestones, uncertainty of regulatory approval of the Company's product candidates, uncertainty of market acceptance of the Company's product candidates, competition from substitute products, including those that may be developed or marketed by larger companies, securing and protecting intellectual property, strategic relationships and dependence on key individuals and sole source suppliers.

The Company's product candidates require approvals from the U.S Food and Drug Administration ("FDA") and comparable foreign regulatory agencies prior to commercial sales in their respective jurisdictions. There can be no assurance that any product candidates will receive the necessary approvals. If the Company was denied approval, approval was delayed or the Company was unable to maintain approval for any product candidate, it could have a materially adverse impact on the Company.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Segments

The Company operates and manages its business as one reportable and operating segment, which is the business of developing and commercializing novel therapies for fibrotic diseases. The Company's chief executive officer, who is the chief operating decision maker, reviews financial information on an aggregate basis for allocating and evaluating financial performance. All long-lived assets are maintained in the United States of America.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents consist primarily of amounts invested in treasury and government securities (collectively "money market funds") and are stated at fair value.

Short-Term Investments

The Company's short-term investments consist of United States ("U.S.") Treasury securities and U.S. government agency securities with remaining maturities beyond three months at the date of purchase and one year or less from the balance sheet date. As of March 31, 2019, all of the Company's short-term investments were classified as available-for-sale and were carried at fair market value. The unrealized gains on the Company's available-for-sale securities are recorded in "accumulated other comprehensive income" ("OCI") in the statements of operations and comprehensive loss. See Note 4 for further details.

Short-term investments are considered impaired when a decline in fair value is judged to be other-than-temporary. The Company consults with its investment managers and considers available quantitative and qualitative evidence in evaluating potential impairment of its short-term investments on a quarterly basis. If the cost of an individual investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost and its intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge will be recorded to other expense, net, in the statement of operations and comprehensive loss and a new cost basis in the short-term investment will be established.

Property and Equipment, Net

Property and equipment are recorded at cost net of accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment are as follows:

Laboratory equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

Upon retirement or sale of the assets, the cost and related accumulated depreciation and amortization are removed from the balance sheets and the resulting gain or loss is recorded to the statements of operations and comprehensive loss. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no impairment of long-lived assets during the three months ended March 31, 2018 and 2019.

Redeemable Convertible Preferred Stock

The Company classifies redeemable convertible preferred stock outside of stockholders' deficit because, upon the occurrence of certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company's assets, holders of the redeemable convertible preferred stock can cause redemption for cash. At any time on or after July 10, 2023, the holders of a majority of the outstanding redeemable convertible preferred stock can also require the Company to redeem the redeemable convertible preferred stock by providing the Company a written notice requesting such redemption. The Company recognizes changes in the redemption value immediately as they occur, for example changes in fair value of preferred stock, and adjusts the carrying amount of the redeemable convertible preferred stock to equal the redemption value at the end of each reporting period. In the absence of retained earnings these accretion charges are recorded against additional paid in capital, if any, and then to accumulated deficit. The Company analyzed all embedded derivatives and beneficial conversion features for its redeemable convertible preferred stock and concluded that none requires bifurcation.

Research and Development Expenses

Research and development costs are expensed as incurred. Research and development expenses consist primarily of personnel costs for the Company's research and product development employees. Also included are non-personnel costs such as fees paid to consultants and third parties for preclinical and clinical studies, research and development services, laboratory supplies and equipment maintenance costs, license costs, contract manufacturing costs and allocations of facilities related costs.

The Company estimates preclinical and clinical studies and research expenses based on the services performed, pursuant to contracts with research institutions that conduct and manage preclinical and clinical studies and research services on its behalf. The Company estimates these expenses based on discussions with internal management personnel and external service providers as to the progress or stage of completion of services and the contracted fees to be paid for such services. If the actual timing of the performance of services or the level of effort varies from the original estimates, the Company will adjust the accrual accordingly. Payments made to third parties under these arrangements in advance of the performance of the related services are recorded as prepaid expenses and are expensed over the time when services are rendered.

Payments associated with licensing agreements to acquire exclusive licenses to develop, use, manufacture and commercialize products that have not reached technological feasibility and do not have alternate commercial use are expensed as incurred.

Tax Credit Receivable

The Company is eligible for federal and California research and development credits for its research and development activities performed within the United States and California, respectively. The credits are generally available to offset federal and California income tax liabilities. The Company has applied \$62,500 of federal research and development credits to offset its federal payroll tax expenses for the three months ended March 31, 2018 and 2019 due to its small business status.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Stock-Based Compensation

The Company's stock-based equity awards include restricted stock awards and stock options that are granted to employees and consultants and accounted at fair value on the award grant date. Stock-based compensation expense is recognized over the awards' vesting period on a straight-line basis and recorded as either research and development or general and administrative expenses in the statements of operations and comprehensive loss based on the function to which the related services are provided. Forfeitures are accounted for as they occur.

The Black-Scholes option-pricing model, used to estimate fair value of stock-based awards, requires the use of the following assumptions:

- *Expected term*—The expected term represents the period that the stock-based awards are expected to be outstanding. The expected term for the Company's stock options was calculated based on the weighted-average vesting term of the awards and the contract period, or simplified method.
- *Expected volatility*—Since the Company is not yet a public company and does not have any trading history for its common stock, the expected volatility was estimated based on the average historical volatilities of common stock of comparable publicly traded entities over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their size, stage in the life cycle or area of specialty. The Company will continue to apply this process until enough historical information regarding the volatility of its stock price becomes available.
- *Risk-free interest rate*—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- *Expected dividend*—The Company has never paid dividends on the common stock and have no plans to pay dividends on the common stock. Therefore, the Company used an expected dividend yield of zero.

The fair value of the common stock has been determined using independent third-party valuations based on relevant valuation methodologies as outlined in the American Institute of Certified Public Accountants (AICPA) Practice Aid, "*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*". The Company also considered the amount of time between the independent third-party valuation dates and the grant dates and used interpolation of the fair value between the two valuation dates to estimate common stock fair value at each grant date. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date.

Deferred Offering Costs

Deferred offering costs, consisting of direct legal, accounting, filing and other fees directly related to the Company's proposed initial public offering ("IPO") are capitalized. The deferred offering costs will be reclassified to additional paid in capital upon completion of the IPO. The Company deferred \$0.2 million and \$0.3 million as of December 31, 2018 and March 31, 2019, respectively, which is recorded as other non-concurrent assets in the balance sheets. In the event the IPO is aborted, including postponement of 90 days or greater, all capitalized deferred offering costs will be expensed.

Leases and Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations, the Company records a deferred rent liability. Additionally, the

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

receipt of any lease incentives is recorded as a deferred rent liability which is amortized over the lease term as a reduction of rent expense. Building improvements made with the lease incentives or tenant allowances are capitalized as leasehold improvements and included in property and equipment in the balance sheets.

Income Taxes

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

The Company accounts for uncertain tax positions in accordance with ASC No. 740-10, *Accounting for Uncertainty in Income Taxes*. The Company assesses all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

The Company includes any penalties and interest expense related to income taxes as a component of income tax expense, as necessary.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' deficit that result from transactions and economic events other than those with stockholders. For the three months ended March 31, 2019, the Company had a \$3,000 unrealized gain on short-term investments.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributed to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed using the weighted-average number of shares of common stock outstanding during the period and, if dilutive, the weighted-average number of potential shares of common stock. Net loss per share attributable to common stockholders is calculated using the two-class method, which is based on an earnings allocation formula that determines net loss per share for the Company's common stockholders and holders of participating securities. The Company's redeemable convertible preferred stock contains participation rights in any dividend paid by the Company and is deemed to be a participating security. Net loss attributable to common stockholders and participating preferred shares are allocated to each share on an as-converted basis as if all the earnings for the period had been distributed. The participating securities do not include a contractual obligation to share in losses of the Company and are not included in the calculation of net loss per share in the periods in which a net loss is recorded.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Diluted net loss per share is computed using the more dilutive of (a) the two-class method or (b) the as-converted method. The Company allocates earnings first to redeemable convertible preferred shares stockholders based on dividend rights and then to common and preferred stockholders based on ownership interests. The weighted-average number of shares of common stock included in the computation of diluted net loss gives effect to all potentially dilutive common equivalent shares, including outstanding stock options and preferred stock.

Common stock equivalent shares are excluded from the computation of diluted net loss per share if their effect is antidilutive. In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is generally the same as basic net loss per share attributable to common stockholders since dilutive common shares are not assumed to have been issued if their effect is antidilutive. The Company reported a net loss attributable to common stockholders for the three months ended March 31, 2018 and 2019.

Pro Forma Information

Immediately prior to the completion of the Company's IPO resulting in net proceeds of at least \$45.0 million to the Company all outstanding shares of redeemable convertible preferred stock will automatically convert into common stock. Unaudited pro forma balance sheet information as of March 31, 2019, assumes the conversion of all outstanding redeemable convertible preferred stock into shares of common stock. The shares of common stock issuable and the proceeds expected to be received in the IPO are excluded from such pro forma financial information.

The unaudited pro forma net loss per share for the three months ended March 31, 2019, was computed using the weighted-average number of shares of common stock outstanding, including the pro forma effect of the conversion of all outstanding shares of redeemable convertible preferred stock, as if such conversion had occurred at the beginning of the period, or their issuance dates, if later. The unaudited pro forma net loss per share does not include the shares expected to be sold and related proceeds to be received from the IPO. Net loss attributable to common stockholders used in the unaudited pro forma net loss per share calculation was adjusted for the accretion of redeemable convertible preferred stock, as preferred stock is not considered outstanding prior to the closing of the IPO.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, *Leases* ("Topic 842"), which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. For public entities, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. The ASU will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, ASU No. 2016-02 is effective for the Company in the fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU No. 2016-02 on the Company's financial statements.

4. Financial Instruments

The Company's short-term investments in U.S. Treasury and U.S. government agency securities have been classified and accounted for as available-for-sale. The Company classifies its U.S. Treasury and U.S. government

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

agency securities as short-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on U.S. Treasury and U.S. government agency securities classified as available-for-sale are recognized in other comprehensive income (loss).

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets and assets and liabilities measured at fair value on a non-recurring basis or disclosed at fair value, are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

- *Level 1*—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- *Level 2*—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
- *Level 3*—Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's cash equivalent money market funds are classified as Level 1 because they are valued using quoted market prices. The fair value of the Company's short-term investments are classified as Level 2 because they are valued using observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency and include U.S. government agency securities and U.S. Treasury securities. These Level 2 instruments require more management judgment and subjectivity compared to Level 1 instruments which include determining which instruments are most similar to the instrument being priced, determining whether the market is active and determining which model-derived valuations are to be used when calculating fair value. The Company performs its analysis with the assistance of investment advisors.

The following tables show the Company's cash, money market funds and short-term investments by significant investment category as of December 31, 2018 and March 31, 2019 (in thousands):

	<u>As of December 31, 2018</u>			<u>Market Value</u>
	<u>Adjusted Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Level 1:				
Money market funds included in cash and cash equivalents	59,911	—	—	59,911
Total financial assets	<u>\$59,911</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$59,911</u>

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

	As of March 31, 2019			Market Value
	Adjusted Cost	Unrealized Gains	Unrealized Losses	
Level 1:				
Money market funds included in cash and cash equivalents	12,969	—	—	12,969
Level 2:				
U.S. Treasury securities	8,979	—	—	8,979
U.S. government agency securities	26,175	3	—	26,178
Total financial assets	<u>\$48,123</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$48,126</u>

The Company may sell certain of its short-term securities prior to their stated maturities for reasons including, but not limited to, managing liquidity, credit risk, duration and asset allocation.

There were no liabilities measured at fair value on a recurring basis as of December 31, 2018 and March 31, 2019. There have been no transfers between fair value measurement levels during the three months ended March 31, 2018 and 2019.

The Company records interest income and accretion income earned on money market funds and U.S. Treasury and U.S. government agency securities to interest income in its statement of operations and comprehensive loss.

5. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	As of December 31, 2018	As of March 31, 2019
Computer equipment and software	\$ 6	\$ 6
Laboratory equipment	4,708	5,127
Leasehold improvements	621	621
Total property and equipment, gross	5,335	5,754
Less: Accumulated depreciation	(1,075)	(1,331)
Total property and equipment, net	<u>\$ 4,260</u>	<u>\$ 4,423</u>

Depreciation expense for the three months ended March 31, 2018 and 2019 was \$0.1 million and \$0.3 million, respectively.

6. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	As of December 31, 2018	As of March 31, 2019
Accrued compensation and benefits	\$ 1,470	\$ 875
Accrued research and development expenses	633	2,410
Other	405	441
Total accrued liabilities	<u>\$ 2,508</u>	<u>\$ 3,726</u>

Accrued compensation and benefits consist primarily of accrued bonuses and accrued vacation.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

7. License Agreement

In August 2015, the Company entered into an exclusive, worldwide license agreement (the “UC Agreement”) with the Regents of the University of California (the “UC Regents”) relating to the use of certain patents and technology relating to avβ1 compound in fibrosis indications. Pursuant to the UC Agreement, the Company is obligated to (i) make a non-refundable upfront license fee payment of \$0.4 million and annual license maintenance fee payments of \$10,000 per year beginning on the first anniversary of the UC Agreement escalating to \$25,000 per year thereafter (ii) make royalty payments to the UC Regents of 3% of net sales of a therapeutic licensed product or 1% of net sales of a method of use licensed product, subject to an annual minimum of \$1.0 million, (iii) make milestone payments up to an aggregate of \$18.2 million to the UC Regents upon the occurrence of certain events, (iv) make a milestone payment based on the number of outstanding shares and a price per share as defined in the UC Agreement within 30 days of the closing of an IPO or change of control, and (v) reimburse the UC Regents for prosecution and maintenance expenses of the licensed patents without limitation. The Company will expense any payments for milestones to research and development expenses prior to receiving Federal Drug and Administration (“FDA”) approval for any of its product candidates. These costs will be capitalized when FDA approval is obtained for any products being selected for commercialization and amortized over the remaining life of the patent. If the Company sublicenses its rights under the UC Agreement, it is obligated to pay the UC Regents a percentage of the total gross proceeds received in consideration of the grant of the sublicense, which total amount would be first reduced by the aggregate amount of certain research and development related expense incurred by the Company. The UC Regents have the right to purchase an amount equal to a low single-digit percent of any securities offered by the Company to investors other than to Third Rock Ventures III, L.P. (“TRV”) or an affiliate of TRV. This participation right expires immediately before the completion of the IPO.

The UC Agreement can be terminated at any time upon the material breach of contract terms by either party to the agreement. The Company has the right to terminate the agreement at any time upon providing written notice to the UC Regents. Unless terminated early, the UC Agreement will remain in effect from the effective date until the later of (i) the expiration or abandonment of the patent rights licensed under the UC Agreement, or (ii) ten years from the date of the first commercial sale of the first licensed product under the agreement.

The Company recorded \$3,000 as research and development expenses related to the annual license maintenance fee for each of the three months ended March 31, 2018 and 2019, respectively.

8. Research Agreement

Adimab Development and Option Agreement

In October 2018, the Company and Adimab LLC (“Adimab”) entered into a development and option agreement (the “Adimab Agreement”) for the discovery and optimization of proprietary antibodies as potential therapeutic product candidates. Under the Adimab Agreement, the Company will select biological targets against which Adimab will use its proprietary platform technology to research and develop antibody proteins using a mutually agreed upon research plan.

Upon the Company’s selection of a target, the Company and Adimab will initiate a research plan and the discovery term begins. During the discovery term, Adimab will grant the Company a non-exclusive, non-sublicensable license under its technology with respect to the target, to research, design and preclinically develop and use antibodies that were modified or derived using Adimab technology, solely to evaluate such antibodies, perform the Company’s responsibilities under the research plan and use such antibodies for certain

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

diagnostic purposes. The Company will also grant to Adimab a non-exclusive, non-sublicensable and non-transferable license with respect to the target under the Company's technology that covers or relates to such target, solely to perform its responsibilities under the research plan during the discovery period. The Company is required to pay Adimab at an agreed upon rate for its full-time employees during the discovery period while Adimab performs research on each target under the applicable research plan.

Adimab granted the Company an exclusive option to obtain a worldwide, royalty-bearing, sublicensable license under Adimab platform patents and other Adimab technology to research, develop and commercialize up to twenty four antibodies selected by the Company (the "Program Antibodies") against specific biological targets (the "Commercialization Option"). Upon the exercise of a Commercialization Option, and payment of the applicable option fee to Adimab, Adimab will assign the patents that cover the Program Antibodies to Company. The Company will be required to use commercially reasonable efforts to develop, seek market approval of, and commercialize at least one antibody against the target covered by the Commercialization Option in specified markets upon the exercise of a Commercialization Option.

Pursuant to the Adimab Agreement, the Company is obligated to (i) make a nonrefundable upfront license fee payment for access to Adimab's technology; (ii) pay Adimab at an agreed upon rate for each full-time employee ("FTE") during the research period; (iii) make additional payments upon the Company making other research related elections; (iv) pay up to a dollar amount in the low double digit millions for the achievement of certain research and development milestones for each research target program which can vary by target type; (v) make royalty payments to Adimab on Company net sales of its products covered under the Adimab Agreement, subject to varying royalty payments on certain product types. Currently, no product types have been selected by the Company.

During the three months ended March 31, 2019, the Company recognized research and development expense under the Adimab Agreement of \$0.1 million related to the FTE costs.

9. Redeemable Convertible Preferred Stock

Under the Company's Amended and Restated Certificate of Incorporation ("Certificate of Incorporation"), the Company is authorized to issue two classes of shares: preferred and common stock. The preferred stock may be issued in series, and the Company's board of directors is authorized to determine the rights, preferences, and terms of each series. The following is a summary of the Company's redeemable convertible preferred stock (in thousands except share amounts):

Preferred stock consisted of the following as of March 31, 2019:

	Preferred Shares Authorized	Shares Issued and Outstanding	Redemption Value/ Liquidation Preference	Carrying Value
Series A	56,000,000	56,000,000	\$ 61,516	\$ 61,516
Series B	58,109,973	49,501,221	71,931	71,931
	114,109,973	105,501,221	\$ 133,447	\$ 133,447

Series A Preferred

In August 2015, the Company entered into a Series A Preferred Stock Purchase Agreement (the "Series A Purchase Agreement") pursuant to which it agreed to sell, and the purchasers agreed to purchase up to

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

\$45.0 million of Series A Redeemable Convertible Preferred Stock (“Series A Preferred”) in three anticipated tranches based on the achievement of defined performance milestones. The Series A Preferred stockholders may not assign the rights to purchase shares of Series A Preferred at any future milestone closing tranches separately without a transfer of already purchased shares. The Company determined that these future tranche obligations did not meet the definition of a freestanding financial instrument because, while separately exercisable, they were not legally detachable. Further, the Company determined that the embedded future tranche obligation did not require bifurcation for accounting purposes as it was clearly and closely related to the economic characteristics and risks of the Series A Preferred and would not meet the definition of a derivative on a standalone basis.

Under the Series A Purchase Agreement, as part of the initial closing, the Company issued 6.5 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$6.4 million and the conversion of convertible promissory notes in the amount of \$0.1 million representing outstanding principal and accrued interest.

In April 2016, the Company issued 5.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$5.0 million in an additional closing of the first tranche. The final closing of the first tranche occurred in September of 2016, when the Company issued 5.0 million additional shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$5.0 million.

In February 2017, the Company issued 8.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$8.0 million in a closing of the second tranche.

In July 2017, the Company issued 12.0 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$12.0 million in an initial closing of the third tranche.

In January 2018, the Company issued 8.5 million shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$8.5 million in an additional closing of the third tranche.

In March 2018, based on the amendment to the Series A Purchase Agreement, the Company issued 11.0 million additional shares of Series A Preferred at \$1.00 per share in exchange for cash proceeds of \$11.0 million in the final closing of the third tranche.

Series B Preferred

In July 2018, the Company entered into a Series B Preferred Stock Purchase Agreement (the “Series B Purchase Agreement”) in which it agreed to sell, and the purchasers agreed to purchase, up to \$70.0 million of Series B Redeemable Convertible Preferred Stock (“Series B Preferred”). Under the Series B Purchase Agreement, the Company initially issued 45.1 million shares of Series B Preferred at \$1.3767 per share in exchange for cash proceeds of approximately \$62.1 million.

In November 2018, the Company issued 4.4 million additional shares of Series B Preferred at \$1.3767 per share in exchange for cash proceeds of approximately \$6.0 million.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

The Series A Preferred and Series B Preferred (collectively, the “Preferred Stock”) have the following rights and privileges:

Voting

Each holder of shares of Series A Preferred and Series B Preferred is entitled to the number of votes equal to the number of shares of common stock into which such shares could be converted and has voting rights and powers equal to the voting rights and powers of the common stock, and except as provided by law or by other provisions of the Company’s Certificate of Incorporation, as amended, shall vote together with the common stock as a single class on an as-converted basis on all matters as to which holders of common stock have the right to vote.

The holders of Series A Preferred, voting separately as a single class, are entitled to elect two members of the Company’s board of directors. At any time when at least 12.5 million shares of Series B Preferred are outstanding, the holders of Series B Preferred are entitled to elect one member of the Company’s board of directors. The holders of shares of common stock, voting separately as a single class, are entitled to elect one member of the Company’s board of directors. All remaining members of the Company’s board of directors are elected by the holders of the common stock and Preferred Stock voting together as a single class.

Conversion

Shares of the Preferred Stock are convertible at any time at the option of the holder into such number of shares as is determined by dividing the original issuance price by the conversion price in effect at the time. The original conversion price is the original issuance price for each series of Preferred Stock, or \$1.00 for Series A Preferred and \$1.3767 for Series B Preferred, subject to certain adjustments. As of March 31, 2019, the Preferred Stock was convertible into shares of the Company’s common stock on a one-for-one basis.

All outstanding shares of Preferred Stock will automatically convert upon the completion of an IPO resulting in net proceeds to the Company of at least \$45.0 million or the vote or written consent of a requisite majority of holders of the then outstanding shares of Preferred Stock on an as-converted to common stock basis.

Dividends

The holders of Series A Preferred were originally entitled to receive cumulative dividends from their respective dates of issuance at the rate of 8.0% on their original issue price. In July 2018, in conjunction with the execution of the Series B Purchase Agreement, the Series A Preferred accreted dividends were cancelled.

Under the Series B Purchase Agreement, the holders of both shares of Series A and Series B Preferred are entitled to receive cumulative dividends commencing on July 10, 2018, the issuance date of Series B Preferred, at an annual rate of 8.0% on their original issuance price. The Series A Preferred and Series B Preferred dividends accrue from day-to-day, whether declared or not, and are payable only when and if declared by the Company’s board of directors. Since inception, the Company has never declared or paid any dividends.

Liquidation Preferences

Upon liquidation, dissolution, or winding up of the Company or a deemed liquidation event as defined in the Company’s Certificate of Incorporation, the holders of shares of Preferred Stock will receive, in preference to any distribution to the holders of common stock, an amount per share equal to the greater of (i) the original issue

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

price per share of the respective series of Preferred Stock, plus all dividends declared but unpaid on such shares, or (ii) the amount the holders would receive on an as-converted into common stock basis. Series B Preferred holders are entitled to receive their liquidation preference before any distributions are made to Series A Preferred holders and common stockholders. Series A Preferred holders are entitled to receive their liquidation preference before any distributions are made to common stock holders. After payments of the full liquidation preferences of the Series A and B Preferred described above, any remaining assets of the Company shall be distributed to the holders of the common stock in proportion to the number of shares of common stock that they hold.

Redemption

The Series A Preferred were redeemable at any time on or after five years from August 19, 2015, the original issuance date of the 6.5 million shares of Series A Preferred, upon receipt of a written notice from the holders of a majority of the shares of Series A Preferred. The initial redemption price was the greater of (i) the Series A Preferred original issuance price per share, plus any accrued and unpaid dividends, whether or not declared by the board of directors, and (ii) the fair market value of Series A Preferred as mutually agreed upon by the Company and the holders of a majority of the shares of Series A Preferred then outstanding.

In July 2018, in conjunction with the execution of the Series B Preferred Purchase Agreement, the Series A Preferred redemption provision was amended as follows:

All outstanding shares of Preferred Stock shall be redeemed by the Company at a price equal to the original issuance price per share, plus any accrued and unpaid dividends, whether or not declared, together with any other dividends declared but unpaid in three annual installments commencing not more than sixty (60) days after receipt by the Company at any time on or after five years from the Series B Preferred original issuance date, July 10, 2018, a written notice from the holders of a majority of the shares of Preferred Stock.

The Company accounted for the changes in Series A Preferred redemption provision as a modification as there was no significant difference in Series A Preferred fair value before and after the modification.

10. Common Stock

The voting, dividend, and liquidation rights of the holders of the common stock are subject to and qualified by the rights, powers, and preferences of the holders of the Preferred Stock. As of March 31, 2019, the Company had 147,682,655 authorized shares of common stock at a par value of \$0.0001 per share. The common stock has the following rights and privileges:

Voting

The holders of shares of common stock are entitled to one vote for each share of common stock held at any meeting of stockholders and at the time of any written action in lieu of a meeting.

Dividends

The holders of shares of common stock are entitled to receive dividends, when declared by the Company's board of directors. Cash dividends may not be declared or paid to holders of shares of common stock until all unpaid dividends on the Preferred Stock have been paid in accordance with their terms. No dividends have been declared or paid by the Company since its inception.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Liquidation

After payment of the respective liquidation preferences to the holders of shares of Preferred Stock, the holders of shares of common stock are entitled to share ratably in the Company's remaining assets available for distribution to its stockholders in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon occurrence of a deemed liquidation event.

Shares reserved for future issuance

	As of December 31, 2018	As of March 31, 2019
Conversion of redeemable convertible preferred stock	105,501,221	105,501,221
Exercises of outstanding stock option awards	809,200	7,527,947
Shares of common stock available for future grants under the 2015 Equity Incentive Plan, as amended	7,029,718	3,310,971
Total shares reserved for future issuance	<u>113,340,139</u>	<u>116,340,139</u>

Founders' Common Stock Awards

During 2015, the Company's board of directors granted common stock awards to the Company's founders in exchange for services provided to the Company. The purchase price of the common stock awards was the estimated fair value at the issuance date. The shares vest from one to four years and vesting could be accelerated upon a change in control. The vesting of certain performance-based grants of restricted stock awards were contingent upon the filing of an Investigational New Drug Application by the Company with the FDA.

If the holder of founders' common stock award terminates their relationship with the Company during the vesting period, the Company may repurchase any unvested restricted common stock held by these individuals at their original purchase price. During the vesting term, holders of founders' common stock awards are deemed to be common stockholders and have dividend and voting rights. The Company issued 5,328,500 shares of founders' common stock during 2015. No founders' common stock awards were granted in subsequent years. Total compensation expense was \$25,000 for these founders' common stock awards, which are recorded to operating expenses in the statements of operations over their respective vesting period. In January 2019, the Company's board of directors and shareholders voted to increase the number of shares reserved for issuance under the 2015 Equity Incentive Plan by 3.0 million shares. As of March 31, 2019, 191,200 shares of founders' common stock awards were not vested and are expected to vest in 2019.

11. 2015 Equity Incentive Plan and Stock-Based Compensation

In August 2015, the board of directors adopted the 2015 Equity Incentive Plan, as amended (the "Plan"), which provides for the grant of incentive stock options, nonqualified stock options or other awards including stock appreciation rights and restricted stock awards to the Company's employees, officers, directors, advisors, and consultants for the purchase of up to 11.0 million shares of the Company's common stock. In July 2018, the Plan was amended to increase the number of shares reserved thereunder by 7.2 million shares. As of March 31, 2019, 3.3 million shares remained available for issuance under the Plan.

Options under the Plan may be granted for periods of up to 10 years and at prices no less than 100.0% of the estimated fair value of the shares on the date of grant as determined by the board of directors, provided, however,

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

that the exercise price of an incentive stock option granted to a 10.0% shareholder shall not be less than 110.0% of the estimated fair value of the shares on the date of grant and the option is not exercisable after the expiration of five years from the date of grant.

Restricted Common Stock Awards

The Company granted restricted stock awards under the Plan. The purchase price of the restricted common stock awards was the estimated fair value as determined by the board of directors at the issuance date. The shares vest from one to four years and vesting could be accelerated upon a change in control. A holder of an award may pay a total purchase price or a part of the purchase price for granted shares at any time during the vesting periods. Upon termination of employment, the Company has the right to repurchase any unvested restricted shares. The repurchase price for unvested shares of common stock will be the lower of (i) the fair market value on the date of repurchase or (ii) their original purchase price. During the vesting term, holders of restricted stock awards are deemed to be a common stock shareholder and have dividends and voting rights.

The Company accounted for restricted stock awards as early exercised options and recognized a liability in other liabilities when cash was received for the purchase of shares of restricted stock. As shares of restricted stock vested, the Company reclassified the liability to common stock and additional paid in capital. As of December 31, 2018, and March 31, 2019, the Company recorded a liability included in accrued expenses and other liabilities of \$52,000 and \$43,000, respectively.

The Company used Black-Scholes option pricing model to estimate stock-based compensation expense related to restricted stock awards with the following assumptions for the three months ended March 31, 2018:

	<u>2018</u>
Expected volatility	76.08% - 76.20%
Risk-free interest rate	1.80% - 1.81%
Expected dividend	—
Expected term (in years)	2.06 - 2.16
Underlying common stock fair value	\$0.26

The following table summarizes restricted stock activity during the three months ended March 31, 2019:

	<u>Number of Shares</u>	<u>Weighted- Average Grant Date fair value</u>
Outstanding and unvested, as of December 31, 2018	5,027,800	\$ 0.17
Issued	—	\$ —
Vested	(758,774)	\$ 0.13
Outstanding and unvested, as of March 31, 2019	<u>4,269,026</u>	\$ 0.17

Restricted stock awards of 32,600 shares with a weighted-average grant date fair value of \$0.03 per share, were not purchased by the award holders as of March 31, 2019. As these shares of the restricted common stock awards were not issued, they are not included in the table above.

The aggregate fair value of restricted stock awards vested during the three months ended March 31, 2018 and 2019 was \$12,000 and \$96,000, respectively. Total intrinsic value of outstanding unvested restricted stock awards was \$3.7 million as of March 31, 2019.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Incentive Stock Options and Nonqualified Stock Options

Stock options issued under the Plan generally vest over a four-year period and expire ten years from the date of grant. Certain options provide for accelerated vesting if there is a change in control, as defined in the Plan.

The Company used Black-Scholes option pricing model to estimate stock-based compensation expense for stock option awards with the following assumptions for the three months ended March 31, 2019:

	2019
Expected volatility	78.50% - 82.55%
Risk-free interest rate	2.44% -2.59%
Expected dividend	—
Expected term (in years)	5.00 - 6.05
Underlying common stock fair value	\$0.72 - \$0.87

The Company did not grant any stock options during the three months ended March 31, 2018.

A summary of option activity under the Plan is as follows:

	Number of Options	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	809,200	\$ 0.29	9.77	\$ 348
Granted	6,718,747	\$ 0.29		
Outstanding as of March 31, 2019	<u>7,527,947</u>	\$ 0.29	9.79	\$ 4,366
Exercisable as of March 31, 2019	<u>229,093</u>	\$ 0.29	9.83	\$ 133
Vested and expected to vest as of March 31, 2019	<u>7,527,947</u>	\$ 0.29	9.79	\$ 4,366

Aggregate intrinsic value represents the difference between the fair value of the underlying common stock and the exercise price as of March 31, 2019. The weighted-average grant date fair value of options granted during the three months ended March 31, 2019, was \$0.60 per share.

Stock-Based Compensation Expense

The following table presents the components and classification of stock-based compensation expense for the Company's stock-based awards for the three months ended March 31, 2018 and 2019 (in thousands):

	Three Months Ended March 31,	
	2018	2019
Restricted stock awards and founders' common stock awards	\$ 27	\$ 76
Stock options	—	236
Total stock-based compensation expense	<u>\$ 27</u>	<u>\$ 312</u>
Research and development expenses	\$ 9	\$ 89
General and administrative expenses	\$ 18	\$ 223

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

As of March 31, 2019, there was \$0.6 million of unrecognized compensation costs that is expected to be recognized over the weighted-average periods of 2.17 years related to restricted stock awards. As of March 31, 2019, there was \$4.2 million of unrecognized compensation costs that is expected to be recognized over the weighted-average periods of 3.67 years related to stock options.

12. Income Taxes

For the three months ended March 31, 2018 and 2019, the Company did not record an income tax provision. All losses before income taxes arose in the U. S. The Company has provided a valuation allowance against its U.S. net operating losses and U.S. net deferred tax assets due to uncertainties regarding the Company's ability to realize these assets.

13. Commitments and Contingencies

Purchase Commitments

The Company has contractual arrangements with research and development organizations and suppliers; however, these contracts are generally cancelable on 30 days' notice and the obligations under these contracts are largely based on services performed.

License and Collaboration Agreements

Potential payments related to the Company's license and research agreements, including milestone and royalty payments, are detailed in Notes 7 and 8.

Leases

In 2017 and 2018, the Company leased approximately 18,000 square feet of corporate offices and research facilities in Redwood City, California. Rent expense, including common area maintenance expense, was approximately \$0.1 million per month. This lease expired on June 28, 2018.

In February 2018, the Company entered into a non-cancelable lease agreement (the "Lease") for premises consisting of approximately 32,974 square feet located in South San Francisco, California (the "Premises"). The Company moved into the Premises in July 2018. The Premises is being used for the Company's corporate headquarters and principal operating facility. The term of the Lease is eighty-four months, which commenced on July 1, 2018. Base rent was abated for the first two months of the lease term and thereafter is \$0.2 million per month during the first year of the lease term, with specified annual increases thereafter. The Company paid a refundable security deposit of approximately \$0.4 million, which is included in long term assets in the balance sheet at December 31, 2018. The Company has the right to extend the lease term by seven years upon written notice not more than twelve months nor less than nine months prior to the expiration of the original lease term, with monthly payments equal to the "fair rental value" as defined in the Lease.

During the three months ended March 31, 2018 and 2019, rent expense, including common area maintenance expense, was \$0.3 million and \$0.6 million, respectively.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Future minimum lease payments under the Lease as of March 31, 2019 were as follows (in thousands):

<u>Year ending December 31:</u>	<u>Operating Lease</u>
2019	\$ 1,427
2020	1,959
2021	2,027
2022	2,098
2023 and beyond	5,562
Total	<u>\$ 13,073</u>

Legal Proceedings

The Company, from time to time, may be party to litigation arising in the ordinary course of business. The Company was not subject to any material legal proceedings during the three months ended March 31, 2018 and 2019, and, to the best of its knowledge, no material legal proceedings are currently pending or threatened.

Indemnification

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

14. Related Party Transactions

Certain employees of Third Rock Ventures, a stockholder of the Company, provided consulting services to the Company. Consulting service expenses of \$15,000 and \$12,000 were recorded for the three months ended March 31, 2018 and 2019, respectively.

In 2019, the Company made charitable contributions to the University of California, San Francisco Foundation (the "UCSF Foundation"), which were directed to support research performed in the laboratories of two of the Company's scientific founders. A charitable contribution was made to the UCSF Foundation during the three months ended March 31, 2019 of \$0.4 million. The Company did not make a charitable contribution to UCSF in the three months ended March 31, 2018.

In February 2017, the Company entered into a consulting agreement with the founder of Healthcare & Humanity Foundation (the "Director") pursuant to which the Director provided consulting services to the Company at a rate of \$5,000 per month in 2017 and 2018 years. In addition, the Company granted the Director 45,000 shares of restricted stock at a purchase price of \$0.01 per share with quarterly vesting over a one-year period contingent upon the Director providing consulting services during the vesting period. The Director became a director of the Company in December 2017. In February 2018, the agreement with the Director terminated.

Pliant Therapeutics, Inc.
Notes to Condensed Financial Statements
(Unaudited)

pursuant to its terms. General and administrative services provided while the Director was a director of the Company amounted to \$5,000 and \$0, respectively during the three months ended March 31, 2018 and 2019.

In March 2018, the Company sold 1.0 million shares of Series A Preferred to pH Pharma Co. Ltd. (“pH Pharma”), an entity in which the Director has a majority ownership, for \$1.0 million. These shares of Series A Preferred represent 1.0% of the Company’s outstanding equity on a fully diluted basis as of March 31, 2019. In May 2018, the Company entered into a research services agreement with pH Pharma. During the three months ended March 31, 2018 and 2019, no research services were performed by the Company in connection with this agreement. As of December 31, 2018, all services were completed under this agreement.

15. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time U.S. employees. Employee contributions are voluntary and are determined on an individual basis subject to the maximum allowable under federal tax regulations. The Company made contributions to the plan of \$0.1 million and \$0.1 million for the three months ended March 31, 2018 and 2019, respectively.

16. Net Loss Per Share Attributable to Common Stockholders

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been antidilutive:

	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2019</u>
Redeemable convertible preferred stock (on an as-converted basis)	56,000,000	105,501,221
Options to purchase common stock	—	7,527,947
Restricted stock awards granted and not purchased	1,573,288	32,600
Unvested restricted shares	4,987,270	4,269,026
Unvested shares of founders’ common stock	761,324	191,200
Total	<u>63,321,882</u>	<u>117,521,994</u>

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net loss per share attributable to common stockholders is as follows (in thousands, except share and per share amounts):

	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2019</u>
Net loss per share:		
<i>Numerator</i>		
Net loss	\$ (6,222)	\$ (14,023)
Add: accretion to redemption value and cumulative dividends on redeemable convertible preferred stock	(882)	(1,344)
Net loss attributable to common stockholders	<u>\$ (7,104)</u>	<u>\$ (15,367)</u>
<i>Denominator</i>		
Weighted-average common shares outstanding used to calculate net loss per share attributable to common stockholders, basic and diluted	<u>7,387,889</u>	<u>10,079,336</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.96)</u>	<u>\$ (1.52)</u>

Shares

Pliant Therapeutics, Inc.

Common Stock



PRELIMINARY PROSPECTUS

, 2019

Joint Book-Running Managers

**Citigroup
Cowen
Piper Jaffray**

Lead Manager

Needham & Company

Through and including _____, 2019 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Part II

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the fees and expenses, other than underwriting discounts and commissions, payable in connection with the registration of the common stock hereunder. All amounts are estimates except the SEC registration fee, the FINRA filing fee and the Nasdaq Global Market listing fee.

	Amount Paid or to Be Paid
SEC registration fee	\$ *
FINRA filing fee	*
Nasdaq Global Market listing fee	*
Printing and mailing	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
Total	\$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law, or the DGCL, authorizes a corporation to indemnify its directors and officers against liabilities arising out of actions, suits and proceedings to which they are made or threatened to be made a party by reason of the fact that they have served or are currently serving as a director or officer to a corporation. The indemnity may cover expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by the director or officer in connection with any such action, suit or proceeding. Section 145 permits corporations to pay expenses (including attorneys' fees) incurred by directors and officers in advance of the final disposition of such action, suit or proceeding. In addition, Section 145 provides that a corporation has the power to purchase and maintain insurance on behalf of its directors and officers against any liability asserted against them and incurred by them in their capacity as a director or officer, or arising out of their status as such, whether or not the corporation would have the power to indemnify the director or officer against such liability under Section 145.

We have adopted provisions in our amended and restated certificate of incorporation and amended and restated bylaws to be in effect immediately prior to the completion of this offering that limit or eliminate the personal liability of our directors to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders; any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; any unlawful payments related to dividends or unlawful stock purchases, redemptions or other distributions; or any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our bylaws provide that:

- we will indemnify our directors, officers and, in the discretion of our board of directors, certain employees to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended; and

[Table of Contents](#)

- we will advance reasonable expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, to our officers and certain employees, in connection with legal proceedings relating to their service for or on behalf of us, subject to limited exceptions.

We intend to enter into indemnification agreements with each of our directors and executive officers. These agreements will provide that we will indemnify each of our directors, certain of our executive officers and, at times, their affiliates to the fullest extent permitted by Delaware law. We will advance expenses, including attorneys' fees (but excluding judgments, fines and settlement amounts), to each indemnified director, executive officer or affiliate in connection with any proceeding in which indemnification is available and we will indemnify our directors and officers for any action or proceeding arising out of that person's services as a director or officer brought on behalf of us or in furtherance of our rights. Additionally, certain of our directors or officers may have certain rights to indemnification, advancement of expenses or insurance provided by their affiliates or other third parties, which indemnification relates to and might apply to the same proceedings arising out of such director's or officer's services as a director referenced herein. Nonetheless, we will agree in the indemnification agreements that our obligations to those same directors or officers are primary and any obligation of such affiliates or other third parties to advance expenses or to provide indemnification for the expenses or liabilities incurred by those directors are secondary.

We will maintain general liability insurance which covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act of 1933, as amended, or the Securities Act.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification of us and our directors and officers by the underwriters against certain liabilities under the Securities Act and the Securities Exchange Act of 1934.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act. No underwriters were involved in the sales and the certificates representing the securities sold and issued contain legends restricting transfer of the securities without registration under the Securities Act or an applicable exemption from registration.

(a) Issuances of Capital Stock

In April 2016, we sold an aggregate of 5,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$5.0 million.

In September 2016, we sold an aggregate of 5,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$5.0 million.

In February 2017, we sold an aggregate of 8,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$8.0 million.

In July 2017, we sold an aggregate of 12,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$12.0 million.

In January 2018, we sold an aggregate of 8,500,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$8.5 million.

In March 2018, we sold an aggregate of 11,000,000 shares of our Series A redeemable convertible preferred stock at a purchase price of \$1.00 per share for an aggregate purchase price of approximately \$11.0 million.

Table of Contents

In July 2018, we sold an aggregate of 45,142,960 shares of our Series B redeemable convertible preferred stock at a purchase price of \$1.3767 per share for an aggregate purchase price of approximately \$62 million.

In November 2018, we sold an aggregate of 4,358,261 shares of our Series B redeemable convertible preferred stock at a purchase price of \$1.3767 per share for an aggregate purchase price of approximately \$6 million.

The offers and sales of the securities described above were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as transactions by an issuer not involving a public offering. All of the purchasers in these transactions represented to us in connection with their purchase that they were acquiring the securities for investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. Such 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 or an available exemption from such registration. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

(b) Grants and Exercises of Stock Options and Restricted Stock

Since January 1, 2016, we granted stock options to purchase 9,134,572 shares of our common stock to our employees, directors and consultants at a weighted average exercise price of \$0.39 per share under the 2015 Plan. We also granted the right to purchase an aggregate of 11,653,916 shares of restricted stock to our employees, directors and consultants at a purchase price of \$0.01 per share under the 2015 Plan.

The issuances of the securities described above were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act or Rule 701 promulgated under the Securities Act as transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such securities were the registrant's employees, consultants or directors and received the securities under the registrant's 2015 Equity Incentive Plan. The shares of common stock issued upon the exercise of options are deemed to be restricted securities for purposes of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
1.1*	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation, as amended, of the Registrant, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect immediately prior to completion of the offering.
3.3	Bylaws of the Registrant and the amendments thereto, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the Registrant, to be in effect immediately prior to the completion of the offering.
4.1*	Specimen Common Stock Certificate of the Registrant.
4.2*	Amended and Restated Investors' Rights Agreement by and among the Registrant and certain of its stockholders, dated July 10, 2018.

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
5.1*	Opinion of Goodwin Procter LLP.
10.1#	2015 Equity Incentive Plan and forms of award agreements thereunder.
10.2*##	2019 Stock Option and Incentive Plan and forms of award agreements thereunder.
10.3*##	2019 Employee Stock Purchase Plan.
10.4*##	Senior Executive Cash Incentive Bonus Plan.
10.5#	Non-Employee Director Compensation Policy.
10.6*##	Executive Severance Plan.
10.7#	Offer Letter, by and between the Registrant and Bernard Coulie, M.D., Ph.D., dated October 12, 2015.
10.8#	Offer Letter, by and between the Registrant and Hans Hull, dated February 10, 2016.
10.9#	Offer Letter, by and between the Registrant and Keith Cummings, M.D., MBA, dated November 29, 2018.
10.10#	Offer Letter, by and between the Registrant and Éric Lefebvre, M.D., dated February 28, 2018.
10.11#	Offer Letter, by and between the Registrant and Barbara Howes, dated May 1, 2019.
10.12*	Form of Indemnification Agreement, by and between the Registrant and each of its directors and officers.
10.13	Office Lease, by and between the Registrant and 260 Littlefield Avenue South San Francisco, California 94080, dated February 6, 2018.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Goodwin Procter LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on signature page).

* To be filed by amendment.
† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.
Represents management compensation plan, contract or arrangement.

(b) Financial statement schedules.

None.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

[Table of Contents](#)

The undersigned hereby undertakes that:

(1) The undersigned Registrant will provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(3) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, California, on the _____ day of _____, 2019.

PLIANT THERAPEUTICS, INC.

By: _____
Bernard Coulie, M.D., Ph.D.
President, Chief Executive Officer and Director

Power of Attorney

Each person whose individual signature appears below hereby authorizes and appoints Bernard Coulie and Keith Cummings and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney in fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Registration Statement, including any and all post effective amendments and amendments thereto, and any registration statement relating to the same offering as this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys in fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys in fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Bernard Coulie, M.D., Ph.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	, 2019
_____ Keith Cummings, M.D., MBA	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2019
_____ Hoyoung Huh, M.D., Ph.D.	Lead Director	, 2019
_____ Suzanne Bruhn, Ph.D.	Director	, 2019
_____ John Curnutte, M.D.	Director	, 2019
_____ Neil Exter	Director	, 2019
_____ Charles Homcy, M.D.	Director	, 2019

[Table of Contents](#)

<u>Signature</u>		<u>Title</u>	<u>Date</u>
_____	Kevin Raidy	Director	, 2019
_____	Smital Shah	Director	, 2019

BYLAWS
OF
PLIANT THERAPEUTICS, INC.

(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law ("*DGCL*").

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the DGCL, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-4(d) thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial

owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized

directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) by the holders of shares entitled to cast not less than twenty (20%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors shall fix. At any time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law (“CGCL”), stockholders holding five percent (5%) or more of the outstanding shares shall have the right to call a special meeting of stockholders as set forth in Section 18(b) herein.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified or registered mail, return receipt requested, or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may

continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote

is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

Section 13. Action Without Meeting.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, or by electronic transmission setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents or electronic transmissions signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing or by electronic transmission and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take action were delivered to the corporation as provided in Section 228(c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

(d) A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the board of directors of the corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 15. Number and Term of Office.

The authorized number of directors of the corporation shall be fixed by the Board of Directors from time to time. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient.

Section 16. Powers. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Term of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders and his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation is subject to Section 2115(b) of the CGCL. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

Section 18. Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, *provided, however*, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

(b) At any time or times that the corporation is subject to §2115(b) of the CGCL, if, after the filling of any vacancy, the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(i) any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(ii) the Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of the stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL, the term of office of any director shall terminate upon that election of a successor.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal.

(a) Subject to any limitations imposed by applicable law (and assuming the corporation is not subject to Section 2115 of the CGCL), the Board of Directors or any director may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors or (ii) without cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation, entitled to elect such director.

(b) During such time or times that the corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

Section 21. Meetings

(a) **Regular Meetings.** Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, including a voice-messaging system or other system designated to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for a regular meeting of the Board of Directors.

(b) **Special Meetings.** Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any director.

(c) **Meetings by Electronic Communications Equipment.** Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) **Notice of Special Meetings.** Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by US mail, it shall be sent by first class mail, postage prepaid at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) **Waiver of Notice.** The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; *provided, however*, at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) **Executive Committee.** The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, (if a director) or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer and the Treasurer. The Board of Directors may also appoint one or more Controllers, Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written or electronic consent of the directors in office at the time, or by any committee or superior officers.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 33. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 34. Form and Execution of Certificates. The shares of the corporation shall be represented by certificates, or shall be uncertificated. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificate shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 36. Restrictions on Transfer.

(a) No holder of any of the shares of stock of the corporation may sell, transfer, assign, pledge, or otherwise dispose of or encumber any of the shares of stock of the corporation or any right or interest therein, or grant an economic interest in, whether voluntarily or by operation of law, or by gift or otherwise (each, a "**Transfer**") without the prior written consent of the corporation, upon duly authorized action of its Board of Directors. The corporation may withhold consent for any legitimate corporate purpose, as determined by the Board of Directors. Examples of the basis for the corporation to withhold its consent include, without limitation, (i) if such Transfer to individuals, companies or any other form of entity identified by the corporation as a potential competitor or considered by the corporation to be unfriendly; or (ii) if such Transfer increases the risk of the corporation having a class of security held of record by two thousand (2,000) or more persons, or five hundred (500) or more persons who are not accredited investors (as such term is defined by the SEC), as described in Section 12(g) of the 1934 Act and any related regulations, or otherwise requiring the corporation to register any class of securities under the 1934 Act; or (iii) if such Transfer would result in the loss of any federal or state securities law exemption relied upon by the corporation in connection with the initial issuance of such shares or the issuance of any other securities; or (iv) if such Transfer is facilitated in any manner by any public posting, message board, trading portal, internet site, or similar method of communication, including without limitation any trading portal or internet site intended to facilitate secondary transfers of securities; or (v) if such Transfer is to be effected in a brokered transaction; or (vi) if such Transfer represents a Transfer of less than all of the shares then held by the stockholder and its affiliates or is to be made to more than a single transferee.

(b) If a stockholder desires to Transfer any shares, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the proposed consideration, and all other terms and conditions of the proposed transfer. Any shares proposed to be transferred to which Transfer the corporation has consented pursuant to Section 36(a) will first be subject to the corporation's right of first refusal located in Section 46 hereof.

(c) Any Transfer, or purported Transfer, of shares not made in strict compliance with this Section 36 shall be null and void, shall not be recorded on the books of the corporation and shall not be recognized by the corporation.

(d) The foregoing restriction on Transfer shall terminate upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(e) The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing Transfer restrictions are in effect:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A TRANSFER RESTRICTION,
AS PROVIDED IN THE BYLAWS OF THE CORPORATION.”

Section 37. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 38. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

Section 39. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; *provided, however*, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 40. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 43. Indemnification of Directors, Executive Officers, Other Officers, Employees and Other Agents.

(a) Directors and Executive Officers The corporation shall indemnify its directors and executive officers to the fullest extent not prohibited by the DGCL or any other applicable law; *provided, however*, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, *provided, further*, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the

corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding, provided, however, that, if the DGCL requires, an advancement of expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation, in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of a quorum consisting of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this Bylaw to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise as a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other

applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL or any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, executive officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL, or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law. If this Section 43 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term “expenses” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the “corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a “director,” “executive officer,” “officer,” “employee,” or “agent” of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the corporation” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this Bylaw.

ARTICLE XII

NOTICES

Section 44. Notices.

(a) **Notice to Stockholders.** Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by United States mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) **Notice to Directors.** Any notice required to be given to any director may be given by the method stated in subsection (a), or as provided for in Section 21 of these Bylaws. If such notice is not delivered personally, it shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) **Affidavit of Mailing.** An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) **Methods of Notice.** It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) **Notice to Person with Whom Communication Is Unlawful.** Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) **Notice to Stockholders Sharing an Address.** Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

ARTICLE XIII

AMENDMENTS

Section 45. Amendments. The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the corporation; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV

RIGHT OF FIRST REFUSAL

Section 46. Right of First Refusal. No stockholder shall Transfer any of the shares of stock of the corporation, except by a Transfer which meets the requirements set forth in Section 36 and below:

(a) If the stockholder desires to Transfer any of his shares of stock, then the stockholder shall first give the notice specified in Section 36(b) hereof and comply with the provisions therein.

(b) For thirty (30) days following receipt of such notice, the corporation shall have the option to purchase all (but not less than all) of the shares specified in the notice at the price and upon the terms set forth in such notice; *provided, however*, that, with the consent of the stockholder, the corporation shall have the option to purchase a lesser portion of the shares specified in said notice at the price and upon the terms set forth therein. In the event of a gift, property settlement or other Transfer in which the proposed transferee is not paying the full price for the shares, and that is not otherwise exempted from the provisions of this Section 46, the price shall be deemed to be the fair market value of the stock at such time as determined in good faith by the Board of Directors. In the event the corporation elects to purchase all of the shares or, with consent of the stockholder, a lesser portion of the shares, it shall give written notice to the transferring stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) The corporation may assign its rights hereunder.

(d) In the event the corporation and/or its assignee(s) elect to acquire any of the shares of the transferring stockholder as specified in said transferring stockholder's notice, the Secretary of the corporation shall so notify the transferring stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said transferring stockholder's notice; provided that if the terms of payment set forth in said transferring stockholder's notice were other than cash against delivery, the corporation and/or its assignee(s) shall pay for said shares on the same terms and conditions set forth in said transferring stockholder's notice.

(e) In the event the corporation and/or its assignees(s) do not elect to acquire all of the shares specified in the transferring stockholder's notice, said transferring stockholder may, subject to the corporation's approval and all other restrictions on Transfer located in Section 36 hereof, within the sixty-day period following the expiration or waiver of the option rights granted to the corporation and/or its assignees(s) herein, Transfer the shares specified in said transferring stockholder's notice which were not acquired by the corporation and/or its assignees(s) as specified in said transferring stockholder's notice. All shares so sold by said transferring stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said Transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw

(1) A stockholder's Transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family or to any custodian or trustee for the account of such stockholder or such stockholder's immediate family or to any limited partnership of which the stockholder, members of such stockholder's immediate family or any trust for the account of such stockholder or such stockholder's immediate family will be the general or limited partner(s) of such partnership. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such Transfer;

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent Transfer of said shares by said institution shall be conducted in the manner set forth in this bylaw;

(3) A stockholder's Transfer of any or all of such stockholder's shares to the corporation or to any other stockholder of the corporation;

(4) A stockholder's Transfer of any or all of such stockholder's shares to a person who, at the time of such Transfer, is an officer or director of the corporation;

(5) A corporate stockholder's Transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder;

(6) A corporate stockholder's Transfer of any or all of its shares to any or all of its stockholders; or

(7) A Transfer by a stockholder which is a limited or general partnership to any or all of its partners or former partners in accordance with partnership interests.

In any such case, the transferee, assignee, or other recipient shall receive and hold such stock subject to the provisions of this Section 46 and the transfer restrictions in Section 36, and there shall be no further Transfer of such stock except in accord with this bylaw and the transfer restrictions in Section 36.

(g) The provisions of this bylaw may be waived with respect to any Transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be transferred by the transferring stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(h) Any Transfer, or purported Transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(i) The foregoing right of first refusal shall terminate upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

(j) The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION AND/OR ITS ASSIGNEE(S), AS PROVIDED IN THE BYLAWS OF THE CORPORATION.”

ARTICLE XV

LOANS TO OFFICERS

Section 47. Loans to Officers. Except as otherwise prohibited under applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XVI

MISCELLANEOUS

Section 48. Annual Report.

(a) Subject to the provisions of paragraph (b) of this bylaw, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation's shares,

as determined by Section 605 of the CGCL, additional information as required by Section 1501(b) of the CGCL shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the 1934 Act, the 1934 Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than 100 holders of records of the corporation's shares, the requirement of sending of an annual report to the stockholders of the corporation is hereby expressly waived.

Adopted: June 9, 2015

PLIANT THERAPEUTICS, INC.

2015 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: August 19, 2015

APPROVED BY THE STOCKHOLDERS: August 19, 2015

TERMINATION DATE: August 18, 2025

1. GENERAL.

(a) **Eligible Stock Award Recipients.** Employees, Directors and Consultants are eligible to receive Stock Awards.

(b) **Available Stock Awards.** The Plan provides for the grant of the following types of Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards and (vi) Other Stock Awards.

(c) **Purpose.** The Plan, through the granting of Stock Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. ADMINISTRATION.

(a) **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine (A) who will be granted Stock Awards; (B) when and how each Stock Award will be granted; (C) what type of Stock Award will be granted; (D) the provisions of each Stock Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Stock Award; (E) the number of shares of Common Stock subject to a Stock Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Stock Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Stock Award fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which a Stock Award may be exercised or vest (or at which cash or shares of Common Stock may be issued).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or a Stock Award Agreement, suspension or termination of the Plan will not impair a Participant's rights under his or her then-outstanding Stock Award without his or her written consent except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to make the Plan or Stock Awards granted under the Plan compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. However, if required by applicable law, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Stock Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Stock Awards available for issuance under the Plan. Except as provided in the Plan (including subsection (viii) below) or a Stock Award Agreement, no amendment of the Plan will impair a Participant's rights under an outstanding Stock Award unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 422 of the Code regarding Incentive Stock Options.

(viii) To approve forms of Stock Award Agreements for use under the Plan and to amend the terms of any one or more Stock Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Stock Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that a Participant's rights under any Stock Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Stock Awards without the affected Participant's consent (A) to maintain the qualified status of the Stock Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Stock Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Stock Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Stock Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Stock Award; (B) the cancellation of any outstanding Stock Award and the grant in substitution therefor of a new (1) Option or SAR, (2) Restricted Stock Award, (3) Restricted Stock Unit Award, (4) Other Stock Award, (5) cash and/or (6) other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of shares of Common Stock as the cancelled Stock Award and (y) granted under the Plan or another equity or compensatory plan of the Company; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(c) **Delegation to Committee.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or reconstitute the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, reconstitute the Board some or all of the powers previously delegated.

(d) **Delegation to an Officer.** The Board may delegate to one (1) or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Stock Awards, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; provided, however, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Stock Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 13(t) below.

(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve.

(i) Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date will not exceed 21,150,000 shares (the "**Share Reserve**").

(ii) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a).

(b) Reversion of Shares to the Share Reserve. If a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan. If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

(c) Incentive Stock Option Limit. Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be a number of shares of Common Stock equal to three (3) multiplied by the Share Reserve.

(d) Source of Shares. The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any “parent” of the Company, as such term is defined in Rule 405, unless (i) the stock underlying such Stock Awards is treated as “service recipient stock” under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction), or (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from or alternatively comply with the distribution requirements of Section 409A of the Code.

(b) Ten Percent Stockholders. A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Consultants. A Consultant will not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or sale of the Company’s securities to such Consultant is not exempt under Rule 701 because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other provision of Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Stock Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Stock Award Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Stock Award Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Stock Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Stock Award if such Stock Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) Purchase Price for Options. The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if an Option is a Nonstatutory Stock Option, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations;

(v) according to a deferred payment or similar arrangement with the Optionholder; *provided, however*, that interest will compound at least annually and will be charged at the minimum rate of interest necessary to avoid (A) the imputation of interest income to the Company and compensation income to the Optionholder under any applicable provisions of the Code, and (B) the classification of the Option as a liability for financial accounting purposes; or

(vi) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Stock Award Agreement.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Award Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the strike price. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Award Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (and pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, upon the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other

consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Stock Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Stock Award Agreement, which period will not be less than thirty (30) days if necessary to comply with applicable laws unless such termination is for Cause) and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(h) Extension of Termination Date. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Stock Award Agreement. In addition, unless otherwise provided in a Participant's Stock Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of a period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Stock Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the

date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Stock Award Agreement, which period will not be less than six (6) months if necessary to comply with applicable laws), and (ii) the expiration of the term of the Option or SAR as set forth in the Stock Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Stock Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Stock Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Stock Award Agreement, which period will not be less than six (6) months if necessary to comply with applicable laws), and (ii) the expiration of the term of such Option or SAR as set forth in the Stock Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Stock Award Agreement or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

(l) Non-Exempt Employees. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six (6) months following the date of grant of the Option or SAR (although the Stock Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Stock Award Agreement, in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six (6) months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

(m) Early Exercise of Options. An Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Subject to the "Repurchase Limitation" in Section 8(m), any unvested shares of Common Stock so purchased may be subject to a repurchase right in favor of the Company or to any other restriction the Board determines to be appropriate. Provided that the "Repurchase Limitation" in Section 8(m) is not violated, the Company will not be required to exercise its repurchase right until at least six (6) months (or such longer or shorter period of time required to avoid classification of the Option as a liability for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option Agreement.

(n) Right of Repurchase. Subject to the "Repurchase Limitation" in Section 8(m), the Option or SAR may include a provision whereby the Company may elect to repurchase all or any part of the vested shares of Common Stock acquired by the Participant pursuant to the exercise of the Option or SAR.

(o) Right of First Refusal. The Option or SAR may include a provision whereby the Company may elect to exercise a right of first refusal following receipt of notice from the Participant of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option or SAR. Such right of first refusal will be subject to the "Repurchase Limitation" in Section 8(m). Except as expressly provided in this Section 5(o) or in the Stock Award Agreement, such right of first refusal will otherwise comply with any applicable provisions of the bylaws of the Company.

6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Subject to the "Repurchase Limitation" in Section 8(m), shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right, any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(v) Dividends. A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(vii) Compliance with Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, any Restricted Stock Unit Award granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Restricted Stock Unit Award will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Restricted Stock Unit Award Agreement evidencing such Restricted Stock Unit Award. For example, such restrictions may include, without limitation, a requirement that any Common Stock that is to be issued in a year following the year in which the Restricted Stock Unit Award vests must be issued in accordance with a fixed pre-determined schedule.

(c) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than one hundred percent (100%) of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. COVENANTS OF THE COMPANY.

(a) Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

(b) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of a Stock Award or the subsequent issuance of cash or Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

8. MISCELLANEOUS.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Stock Awards will constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Stock Awards. Corporate action constituting a grant by the Company of a Stock Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Stock Award Agreement as a result of a clerical error in the papering of the Stock Award Agreement, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Stock Award Agreement.

(c) Stockholder Rights. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to a Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Stock Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to the Stock Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Stock Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Stock Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares subject to any portion of such Stock Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Stock Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Stock Award that is so reduced or extended.

(f) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars (\$100,000) (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or

to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) Withholding Obligations. Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to a Stock Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from a Stock Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Stock Award Agreement.

(i) Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Stock Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Stock Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) Compliance with Section 409A of the Code. To the extent that the Board determines that any Stock Award granted hereunder is subject to Section 409A of the Code, the Stock Award Agreement evidencing such Stock Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code.

(l) Compliance with Exemption Provided by Rule 12h-1(f). If at the end of the Company's most recently completed fiscal year: (i) the aggregate of the number of persons who hold outstanding compensatory employee stock options to purchase shares of Common Stock granted pursuant to the Plan or otherwise (such persons, "**Holder of Options**") equals or exceeds five hundred (500), and (ii) the Company's assets exceed \$10 million, then the following restrictions will apply during any period during which the Company does not have a class of its securities registered under Section 12 of the Exchange Act and is not required to file reports under Section 15(d) of the Exchange Act: (A) the Options and, prior to exercise, the shares of Common Stock to be issued on exercise of the Options may not be transferred until the Company is no longer relying on the exemption provided by Rule 12h-1(f) promulgated under the Exchange Act ("**Rule 12h-1(f)**"), except: (1) as permitted by Rule 701(c) promulgated under the Securities Act, (2) to a guardian upon the disability of the Holder of Options, or (3) to an executor upon the death of the Holder of Options (collectively, the "**Permitted Transferees**"); provided, however, the following transfers are permitted: (i) transfers by Holders of Options to the Company, and (ii) transfers in connection with a change of control or other acquisition involving the Company, if following such transaction, the Options no longer remain outstanding and the Company is no longer relying on the exemption provided by Rule 12h-1(f); provided further, that any Permitted Transferees may not further transfer the Options; (B) except as otherwise provided in (A) above, the Options and shares of Common Stock issuable on exercise of the Options are restricted as to any pledge, hypothecation, or other transfer, including any short position, any "put equivalent position" as defined by Rule 16a-1(h) promulgated under the Exchange Act, or any "call equivalent position" as defined by Rule 16a-1(b) promulgated under the Exchange Act by Holders of Options prior to exercise of an Option until the Company is no longer relying on the exemption provided by Rule 12h-1(f); and (C) at any time that the Company is relying on the exemption provided by Rule 12h-1(f), the Company will deliver to Holders of Options (whether by physical or electronic delivery or written notice of the availability of the information on an internet site) the information required by Rule 701(e)(3), (4), and (5) promulgated under the Securities Act every six (6) months, including financial statements that are not more than one hundred eighty (180) days old; provided, however, that the Company may condition the delivery of such information upon the Holder of Options' agreement to maintain its confidentiality.

(m) Repurchase Limitation. The terms of any repurchase right will be specified in the Stock Award Agreement. The repurchase price for vested shares of Common Stock will be the Fair Market Value of the shares of Common Stock on the date of repurchase. The repurchase price for unvested shares of Common Stock will be the lower of (i) the Fair Market Value of the shares of Common Stock on the date of repurchase or (ii) their original purchase price. However, the Company will not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of the Stock Award as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Stock Award, unless otherwise specifically provided by the Board.

9. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Corporate Transaction. The following provisions will apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; provided, however, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero (\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Corporate Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a Stock Award.

(d) Change in Control. A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

10. PLAN TERM; EARLIER TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless terminated sooner by the Board, the Plan will automatically terminate on the day before the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan will not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

11. EFFECTIVE DATE OF PLAN.

This Plan will become effective on the Effective Date.

12. CHOICE OF LAW.

The laws of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

13. DEFINITIONS. As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) "Affiliate" means, at the time of determination, any "parent" or "majority-owned subsidiary" of the Company, as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "majority-owned subsidiary" status is determined within the foregoing definition.

(b) "Board" means the Board of Directors of the Company.

(c) "Capitalization Adjustment" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of

shares, change in corporate structure, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(d) **“Cause”** will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (iv) such Participant’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (v) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Stock Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(e) **“Change in Control”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities or (C) solely because the level of Ownership held by any Exchange Act Person (the **“Subject Person”**) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company will otherwise occur, except for a liquidation into a parent corporation;

(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Stock Awards subject to such agreement; *provided, however*, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply.

(f) “**Code**” means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(g) “**Committee**” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(h) “**Common Stock**” means the common stock of the Company.

(i) “**Company**” means Pliant Therapeutics, Inc., a Delaware corporation.

(j) “**Consultant**” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan.

(k) “**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service; *provided, however*, that if the Entity for which a

Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(l) "**Corporate Transaction**" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(m) "**Director**" means a member of the Board.

(n) "**Disability**" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(o) "**Effective Date**" means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Company's stockholders, and (ii) the date this Plan is adopted by the Board.

(p) "**Employee**" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

(q) "**Entity**" means a corporation, partnership, limited liability company or other entity.

(r) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(s) **“Exchange Act Person”** means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities.

(t) **“Fair Market Value”** means, as of any date, the value of the Common Stock determined by the Board in compliance with Section 409A of the Code or, in the case of an Incentive Stock Option, in compliance with Section 422 of the Code.

(u) **“Incentive Stock Option”** means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(v) **“Nonstatutory Stock Option”** means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(w) **“Officer”** means any person designated by the Company as an officer.

(x) **“Option”** means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(y) **“Option Agreement”** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(z) **“Optionholder”** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(aa) **“Other Stock Award”** means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(c).

(bb) **“Other Stock Award Agreement”** means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(cc) **“Own,” “Owned,” “Owner,” “Ownership”** A person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(dd) “**Participant**” means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(ee) “**Plan**” means this 2015 Equity Incentive Plan.

(ff) “**Restricted Stock Award**” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(gg) “**Restricted Stock Award Agreement**” means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(hh) “**Restricted Stock Unit Award**” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(ii) “**Restricted Stock Unit Award Agreement**” means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(jj) “**Rule 405**” means Rule 405 promulgated under the Securities Act.

(kk) “**Rule 701**” means Rule 701 promulgated under the Securities Act.

(ll) “**Securities Act**” means the Securities Act of 1933, as amended.

(mm) “**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(nn) “**Stock Appreciation Right Agreement**” means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.

(oo) “**Stock Award**” means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right or any Other Stock Award.

(pp) “**Stock Award Agreement**” means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.

(qq) “Subsidiary” means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) .

(rr) “Ten Percent Stockholder” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

PLIANT THERAPEUTICS, INC.

STOCK OPTION GRANT NOTICE
(2015 EQUITY INCENTIVE PLAN)

PLIANT THERAPEUTICS, INC. (the “*Company*”), pursuant to its 2015 Equity Incentive Plan (the “*Plan*”), hereby grants to Optionholder an Option to purchase the number of shares of the Company’s Common Stock (the “*Shares*”) set forth below. This Option is subject to all of the terms and conditions as set forth in this notice, in the Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Option Agreement will have the same definitions as in the Plan or the Option Agreement. If there is any conflict between the terms in this notice and the Plan, the terms of the Plan will control.

Optionholder: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Shares Subject to Option: _____
Exercise Price (Per Share): _____
Total Exercise Price: _____
Expiration Date: _____

Type of Grant: Incentive Stock Option¹ Nonstatutory Stock Option

Exercise Schedule: Same as Vesting Schedule Early Exercise Permitted

Vesting Schedule: [, while the Optionholder is providing Continuous Service (as defined in the Plan) to the Company through each such vesting date.]

Payment: By one or a combination of the following items (described in the Option Agreement):

- By cash, check, bank draft or money order payable to the Company
- Pursuant to a Regulation T Program if the shares are publicly traded
- By delivery of already-owned shares if the shares are publicly traded
- By deferred payment
- If and only to the extent this Option is a Nonstatutory Stock Option, and subject to the Company’s consent at the time of exercise, by a “net exercise” arrangement

¹ If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first *exercisable* for more than \$100,000 in value (measured by exercise price) in any calendar year. Any excess over \$100,000 is a Nonstatutory Stock Option.

Additional Terms/Acknowledgements: Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder acknowledges and agrees that this Stock Option Grant Notice and the Option Agreement may not be modified, amended or revised except as provided in the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding this Option award and supersede all prior oral and written agreements, promises and/or representations on that subject with the exception of (i) Options previously granted and delivered to Optionholder, and (ii) the following agreements only. By accepting this Option, Optionholder consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

OTHER AGREEMENTS:

PLIANT THERAPEUTICS, INC.

OPTIONHOLDER:

By: _____
Signature

Signature

Title: _____

Date: _____

Date: _____

ATTACHMENTS: Option Agreement, 2015 Equity Incentive Plan and Notice of Exercise

ATTACHMENT I

OPTION AGREEMENT

PLIANT THERAPEUTICS, INC.
2015 EQUITY INCENTIVE PLAN

OPTION AGREEMENT
(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice (“**Grant Notice**”) and this Option Agreement, **PLIANT THERAPEUTICS, INC.** (the “**Company**”) has granted you an option under its 2015 Equity Incentive Plan (the “**Plan**”) to purchase the number of shares of the Company’s Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. The option is granted to you effective as of the date of grant set forth in the Grant Notice (the “**Date of Grant**”). If there is any conflict between the terms in this Option Agreement and the Plan, the terms of the Plan will control. Capitalized terms not explicitly defined in this Option Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan.

The details of your option, in addition to those set forth in the Grant Notice and the Plan, are as follows:

1. VESTING. Your option will vest as provided in your Grant Notice. Vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share in your Grant Notice will be adjusted for Capitalization Adjustments.

3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES. If you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (that is, a “**Non-Exempt Employee**”), and except as otherwise provided in the Plan, you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant, even if you have already been an employee for more than six (6) months. Consistent with the provisions of the Worker Economic Opportunity Act, you may exercise your option as to any vested portion prior to such six (6) month anniversary in the case of (i) your death or disability, (ii) a Corporate Transaction in which your option is not assumed, continued or substituted, (iii) a Change in Control or (iv) your termination of Continuous Service on your “retirement” (as defined in the Company’s benefit plans).

4. EXERCISE PRIOR TO VESTING (“EARLY EXERCISE”). If permitted in your Grant Notice (*i.e.*, the “Exercise Schedule” indicates “Early Exercise Permitted”) and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the unvested portion of your option; *provided, however*, that:

(a) a partial exercise of your option will be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise will be subject to the purchase option in favor of the Company as described in the Company’s form of Early Exercise Stock Purchase Agreement;

(c) you will enter into the Company's form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and

(d) if your option is an Incentive Stock Option, then, to the extent that the aggregate Fair Market Value (determined at the Date of Grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) will be treated as Nonstatutory Stock Options.

5. METHOD OF PAYMENT. You must pay the full amount of the exercise price for the shares you wish to exercise. You may pay the exercise price in cash or by check, bank draft or money order payable to the Company or in any other manner *permitted by your Grant Notice*, which may include one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds. This manner of payment is also known as a "broker-assisted exercise", "same day sale", or "sell to cover".

(b) Provided that at the time of exercise the Common Stock is publicly traded, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, will include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. You may not exercise your option by delivery to the Company of Common Stock if doing so would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) If this option is a Nonstatutory Stock Option, subject to the consent of the Company at the time of exercise, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of your option by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price. You must pay any remaining balance of the aggregate exercise price not satisfied by the "net exercise" in cash or other permitted form of payment. Shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter if those shares (i) are used to pay the exercise price pursuant to the "net exercise," (ii) are delivered to you as a result of such exercise, and (iii) are withheld to satisfy your tax withholding obligations.

(d) Pursuant to the following deferred payment alternative:

(i) Not less than one hundred percent (100%) of the aggregate exercise price, plus accrued interest, will be due four (4) years from date of exercise or, at the Company's election, upon termination of your Continuous Service.

(ii) Interest will be compounded at least annually and will be charged at the minimum rate of interest necessary to avoid (1) the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement and (2) the classification of your option as a liability for financial accounting purposes.

(iii) In order to elect the deferred payment alternative, you must, as a part of your written notice of exercise, give notice of the election of this payment alternative and, in order to secure the payment of the deferred exercise price to the Company hereunder, if the Company so requests, you must tender to the Company a promissory note and a pledge agreement covering the purchased shares of Common Stock, both in form and substance satisfactory to the Company, or such other or additional documentation as the Company may request.

6. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

7. SECURITIES LAW COMPLIANCE. In no event may you exercise your option unless the shares of Common Stock issuable upon exercise are then registered under the Securities Act or, if not registered, the Company has determined that your exercise and the issuance of the shares would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with all other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations (including any restrictions on exercise required for compliance with Treas. Reg. 1.401(k)-1(d)(3), if applicable).

8. TERM. You may not exercise your option before the Date of Grant or after the expiration of the option's term. The term of your option expires, subject to the provisions of Section 5(h) of the Plan, upon the earliest of the following:

(a) immediately upon the termination of your Continuous Service for Cause;

(b) three (3) months after the termination of your Continuous Service for any reason other than Cause, your Disability or your death (except as otherwise provided in Section 8(d) below); *provided, however*, that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in the section above relating to "Securities Law Compliance," your option will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service; *provided further*, that if (i) you are a Non-Exempt Employee, (ii) your Continuous Service terminates within six (6) months after the Date of Grant, and (iii) you have vested in a portion of your option at the time of your termination of Continuous Service, your option will not expire until the earlier of (x) the later of (A) the date that is seven (7) months after the Date of Grant, and (B) the date that is three (3) months after the termination of your Continuous Service, and (y) the Expiration Date;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability (except as otherwise provided in Section 8(d)) below;

(d) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates for any reason other than Cause;

- (e) the Expiration Date indicated in your Grant Notice; or
- (f) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the Date of Grant and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

9. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by (i) delivering a Notice of Exercise (in a form designated by the Company) or completing such other documents and/or procedures designated by the Company for exercise and (ii) paying the exercise price and any applicable withholding taxes to the Company's Secretary, stock plan administrator, or such other person as the Company may designate, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (i) the exercise of your option, (ii) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (iii) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the Date of Grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

(d) By exercising your option you agree that you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to any shares of Common Stock or other securities of the Company held by you, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as the underwriters or the Company will request to facilitate compliance with FINRA Rule 2711 or NYSE Member Rule 472 or any successor or similar rules or regulation (the "**Lock-Up Period**"); *provided, however*, that nothing contained in this section will prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. You also agree that any transferee of any shares of Common Stock (or other securities) of the Company held by you will be bound by this Section 9(d). The underwriters of the Company's stock are intended third party beneficiaries of this Section 9(d) and will have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

10. TRANSFERABILITY. Except as otherwise provided in this Section 10, your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you.

(a) Certain Trusts. Upon receiving written permission from the Board or its duly authorized designee, you may transfer your option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the option is held in the trust. You and the trustee must enter into transfer and other agreements required by the Company.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your option pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation 1.421-1(b)(2) that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this option with the Company prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement. If this option is an Incentive Stock Option, this option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(c) Beneficiary Designation. Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form approved by the Company and any broker designated by the Company to handle option exercises, designate a third party who, on your death, will thereafter be entitled to exercise this option and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, your executor or administrator of your estate will be entitled to exercise this option and receive, on behalf of your estate, the Common Stock or other consideration resulting from such exercise.

11. RIGHT OF FIRST REFUSAL. Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company's bylaws in effect at such time the Company elects to exercise its right; *provided, however*, that if there is no right of first refusal described in the Company's bylaws at such time, the right of first refusal described below will apply. The Company's right of first refusal will expire on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on a national securities exchange or quotation system (the "**Listing Date**").

(a) Prior to the Listing Date, you may not validly Transfer (as defined below) any shares of Common Stock acquired upon exercise of your option, or any interest in such shares, unless such Transfer is made in compliance with the following provisions:

(i) Before there can be a valid Transfer of any shares of Common Stock or any interest therein, the record holder of the shares of Common Stock to be transferred (the "**Offered Shares**") will give written notice (by registered or certified mail) to the Company. Such notice will specify the identity of the proposed transferee, the cash price offered for the Offered Shares by the proposed transferee (or, if the proposed Transfer is one in which the holder will not receive cash, such as

an involuntary transfer, gift, donation or pledge, the holder will state that no purchase price is being proposed), and the other terms and conditions of the proposed Transfer. The date such notice is mailed will be hereinafter referred to as the “**Notice Date**” and the record holder of the Offered Shares will be hereinafter referred to as the “**Offeror**.” If, from time to time, there is any stock dividend, stock split or other change in the character or amount of any of the outstanding Common Stock which is subject to the provisions of your option, then in such event any and all new, substituted or additional securities to which you are entitled by reason of your ownership of the shares of Common Stock acquired upon exercise of your option will be immediately subject to the Company’s Right of First Refusal (as defined below) with the same force and effect as the shares subject to the Right of First Refusal immediately before such event.

(ii) For a period of thirty (30) calendar days after the Notice Date, or such longer period as may be required to avoid the classification of your option as a liability for financial accounting purposes, the Company will have the option to purchase all (but not less than all) of the Offered Shares at the purchase price and on the terms set forth in Section 11(a)(iii) (the Company’s “**Right of First Refusal**”). In the event that the proposed Transfer is one involving no payment of a purchase price, the purchase price will be deemed to be the Fair Market Value of the Offered Shares as determined in good faith by the Board in its discretion. The Company may exercise its Right of First Refusal by mailing (by registered or certified mail) written notice of exercise of its Right of First Refusal to the Offeror prior to the end of said thirty (30) days (including any extension required to avoid classification of the option as a liability for financial accounting purposes).

(iii) The price at which the Company may purchase the Offered Shares pursuant to the exercise of its Right of First Refusal will be the cash price offered for the Offered Shares by the proposed transferee (as set forth in the notice required under Section 11(a)(i)), or the Fair Market Value as determined by the Board in the event no purchase price is involved. To the extent consideration other than cash is offered by the proposed transferee, the Company will not be required to pay any additional amounts to the Offeror other than the cash price offered (or the Fair Market Value, if applicable). The Company’s notice of exercise of its Right of First Refusal will be accompanied by full payment for the Offered Shares and, upon such payment by the Company, the Company will acquire full right, title and interest to all of the Offered Shares.

(iv) If, and only if, the option given pursuant to Section 11(a)(ii) is not exercised, the Transfer proposed in the notice given pursuant to Section 11(a)(i) may take place; *provided, however*, that such Transfer must, in all respects, be exactly as proposed in said notice except that such Transfer may not take place either before the tenth (10th) calendar day after the expiration of the thirty (30) day option exercise period or after the ninetieth (90th) calendar day after the expiration of the thirty (30) day option exercise period, and if such Transfer has not taken place prior to said ninetieth (90th) day, such Transfer may not take place without once again complying with this Section 11(a). The option exercise periods in this Section 11(a)(iv) will be adjusted to include any extension required to avoid the classification of your option as a liability for financial accounting purposes.

(b) As used in this Section 11, the term “**Transfer**” means any sale, encumbrance, pledge, gift or other form of disposition or transfer of shares of Common Stock or any legal or equitable interest therein; *provided, however*, that the term Transfer does not include a transfer of such shares or interests by will or intestacy to your Immediate Family (as defined below). In such case, the transferee or other recipient will receive and hold the shares of Common Stock so transferred subject to the provisions of this Section, and there will be no further transfer of such shares except in accordance with the terms of this Section 11. As used herein, the term “**Immediate Family**” will mean your spouse, the lineal descendant or antecedent, father, mother, brother or sister, child, adopted child, grandchild or adopted grandchild of you or your spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of you or your spouse.

(c) None of the shares of Common Stock purchased on exercise of your option will be transferred on the Company's books nor will the Company recognize any such Transfer of any such shares or any interest therein unless and until all applicable provisions of this Section 11 have been complied with in all respects. The certificates of stock evidencing shares of Common Stock purchased on exercise of your option will bear an appropriate legend referring to the transfer restrictions imposed by this Section 11.

(d) To ensure that the shares subject to the Company's Right of First Refusal will be available for repurchase by the Company, the Company may require you to deposit the certificates evidencing the shares that you purchase upon exercise of your option with an escrow agent designated by the Company under the terms and conditions of an escrow agreement approved by the Company. If the Company does not require such deposit as a condition of exercise of your option, the Company reserves the right at any time to require you to so deposit the certificates in escrow. As soon as practicable after the expiration of the Company's Right of First Refusal, the agent will deliver to you the shares and any other property no longer subject to such restriction. In the event the shares and any other property held in escrow are subject to the Company's exercise of its Right of First Refusal, the notices required to be given to you will be given to the escrow agent, and any payment required to be given to you will be given to the escrow agent. Within thirty (30) days after payment by the Company for the Offered Shares, the escrow agent will deliver the Offered Shares that the Company has repurchased to the Company and will deliver the payment received from the Company to you.

12. RIGHT OF REPURCHASE. To the extent provided in the Company's bylaws in effect at such time the Company elects to exercise its right, the Company will have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option.

13. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option will be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option will obligate the Company or an Affiliate, their respective stockholders, boards of directors, officers or employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

14. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, and at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "same day sale" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) If this option is a Nonstatutory Stock Option, then upon your request and subject to approval by the Company, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company will have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein, if applicable, unless such obligations are satisfied.

15. TAX CONSEQUENCES. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the “fair market value” per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option. Because the Common Stock is not traded on an established securities market, the Fair Market Value is determined by the Board, perhaps in consultation with an independent valuation firm retained by the Company. You acknowledge that there is no guarantee that the Internal Revenue Service will agree with the valuation as determined by the Board, and you will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that the valuation determined by the Board is less than the “fair market value” as subsequently determined by the Internal Revenue Service.

16. NOTICES. Any notices provided for in your option or the Plan will be given in writing (including electronically) and will be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this option by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this option, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. If there is any conflict between the provisions of your option and those of the Plan, the provisions of the Plan will control.

ATTACHMENT II

2015 EQUITY INCENTIVE PLAN

ATTACHMENT III

NOTICE OF EXERCISE

PLIANT THERAPEUTICS, INC.
NOTICE OF EXERCISE

Pliant Therapeutics, Inc.
260 Littlefield Ave.
South San Francisco, California 94080

Date of Exercise: _____

This constitutes notice to **PLIANT THERAPEUTICS, INC.** (the "**Company**") under my stock option that I elect to purchase the below number of shares of Common Stock of the Company (the "**Shares**") for the price set forth below.

Type of option (check one):	Incentive <input type="checkbox"/>	Nonstatutory <input type="checkbox"/>
Stock option dated:	_____	_____
Number of Shares as to which option is exercised:	_____	_____
Certificate to be issued in name of (legal name of Participant) :	_____	_____
Total exercise price:	\$ _____	\$ _____
Cash payment delivered herewith:	\$ _____	\$ _____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the 2015 Equity Incentive Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such Shares are issued upon exercise of this option.

I further agree that, if required by the Company (or a representative of the underwriters) in connection with the first underwritten registration of the offering of any securities of the Company under the Securities Act, I will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to any shares of Common Stock or other securities of the Company for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act (or such longer period as the underwriters or the Company shall request to facilitate compliance with FINRA Rule 2711 or NYSE Member Rule 472 or any successor or similar rule or regulation) (the "**Lock-Up Period**"). I further agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

Very truly yours,

(Signature)

Name (Please Print)

Email Address:

Address of Record:

PLIANT THERAPEUTICS, INC.
RESTRICTED STOCK PURCHASE GRANT NOTICE
(2015 EQUITY INCENTIVE PLAN)

Pliant Therapeutics, Inc. (the "**Company**"), pursuant to its 2015 Equity Incentive Plan (the "**Plan**"), hereby grants to Participant the right to purchase the number of shares of the Company's Common Stock set forth below ("**Award**"). This Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Purchase Agreement, and the Plan both of which are attached hereto and incorporated herein in their entirety. Defined terms not explicitly defined herein but defined in the Plan shall have the same definitions as in the Plan.

Participant: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Shares Subject to Award: _____
Purchase Price per Share: _____
Total Purchase Price: _____
Closing Date: _____

Vesting Schedule:

Payment: By cash or check

Additional Terms/Acknowledgements: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Restricted Stock Purchase Grant Notice, the Restricted Stock Purchase Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Restricted Stock Purchase Grant Notice, the Restricted Stock Purchase Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) stock awards previously granted and delivered to Participant under the Plan and (ii) the following agreements only:

OTHER AGREEMENTS: _____

PLIANT THERAPEUTICS, INC.

PARTICIPANT:

By: _____
Signature
Title: _____
Date: _____

Signature
Date: _____

ATTACHMENTS:

Attachment I: Restricted Stock Purchase Agreement

Attachment II: Equity Incentive Plan
Attachment III: Assignment Separate from Certificate
Attachment IV: Joint Escrow Instructions
Attachment V: 83(b) Election
Instructions for filing 83(b) Election

ATTACHMENT I

RESTRICTED STOCK PURCHASE AGREEMENT

**PLIANT THERAPEUTICS, INC.
2015 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK PURCHASE AGREEMENT

Pliant Therapeutics, Inc. (the “**Company**”) wishes to sell to you, and you wish to purchase, shares of Common Stock from the Company, pursuant to the provisions of the Company’s 2015 Equity Incentive Plan (the “**Plan**”).

Therefore, pursuant to the terms of the Restricted Stock Purchase Grant Notice (“**Grant Notice**”) and this Restricted Stock Purchase Agreement (“**Agreement**”) (collectively, the “**Award**”), the Company grants you the right to purchase the number of shares of Common Stock indicated in the Grant Notice. Defined terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your Award are as follows:

1. AGREEMENT TO PURCHASE. You hereby agree to purchase from the Company, and the Company hereby agrees to sell to you, the aggregate number of shares of Common Stock specified in your Grant Notice at the specified Purchase Price per Share. You may not purchase less than the aggregate number of shares specified in the Grant Notice.

2. CLOSING. The purchase and sale of the shares shall be consummated as follows:

(a) You may purchase the shares by delivering the Total Purchase Price referenced in your Grant Notice to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, on the Closing Date specified in the Grant Notice (or at such other time and place as you and the Company may mutually agree upon in writing) along with such additional documents as the Company may then require.

(b) You agree to execute two (2) copies of the Assignment Separate From Certificate (with date and number of shares blank) substantially in the form attached hereto and to execute Joint Escrow Instructions substantially in the form attached hereto and to deliver the same to the Company on the Closing Date, along with the certificate or certificates evidencing the shares, for use by the Escrow Agent pursuant to the terms of the Joint Escrow Instructions.

3. VESTING. Subject to the limitations contained herein, the shares you purchase will vest as provided in your Grant Notice (including any accelerated vesting provided therein), provided that vesting will cease upon the termination of your Continuous Service.

4. NUMBER OF SHARES AND PURCHASE PRICE. The number of shares of Common Stock subject to your Award and your Purchase Price per Share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

5. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not purchase any shares of Common Stock under your Award unless the shares of Common Stock issuable upon such purchase are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined

that such purchase and issuance would be exempt from the registration requirements of the Securities Act. The purchase of shares under your Award also must comply with other applicable laws and regulations governing your Award, and you may purchase such shares if the Company determines that such purchase would not be in material compliance with such laws and regulations.

6. UNVESTED SHARE REPURCHASE OPTION

(a) Repurchase Option. In the event your Continuous Service terminates, then the Company shall have an irrevocable option (the “*Repurchase Option*”) for a period of ninety (90) days after said termination, or such longer period as may be agreed to by you and the Company, to repurchase from you or your personal representative, as the case may be, those shares that you purchased pursuant to this Agreement that have not as yet vested as of such termination date in accordance with the Vesting Schedule indicated on your Grant Notice (the “*Unvested Shares*”).

(b) Shares Repurchasable at the Lower of your Original Purchase Price or Fair Market Value. The Company may repurchase all or any of the Unvested Shares at a price equal to the lower of your Purchase Price for such shares as indicated on your Grant Notice or the Fair Market Value of the Unvested Shares on the date of repurchase.

(c) Exercise of Repurchase Option. Unless the Company notifies you within 90 days from the date of termination of your Continuous Service that it does not intend to exercise the Repurchase Option with respect to some or all of the Unvested Shares, the Repurchase Option shall be deemed automatically exercised by the Company as of the 90th day following such termination, provided that the Company may notify you that it is exercising the Repurchase Option as of a date prior to such 90th day. Unless you are otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise the Repurchase Option as to some or all of the Unvested Shares to which it applies at the time of termination, execution of this Agreement by you constitutes written notice to you of the Company’s intention to exercise the Repurchase Option with respect to all Unvested Shares to which the Repurchase Option applies. The Company, at its choice, may satisfy its payment obligation to you with respect to exercise of the Repurchase Option by either (A) delivering a check to you in the amount of the purchase price for the Unvested Shares being repurchased, or (B) in the event you are indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Option pursuant to this Section 6 in which you are indebted to the Company, such indebtedness equal to the purchase price of the Unvested Shares being repurchased shall be deemed automatically canceled as of the 90th day following termination of your Continuous Service unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Unvested Shares pursuant to this Section 6, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Unvested Shares being repurchased by the Company, without further action by you.

(d) Corporate Transactions. If, from time to time, there is any Capitalization Adjustment or Corporate Transaction, any and all new, substituted or additional securities or other property to which you is entitled by reason of your ownership of the shares acquired under your Award shall be immediately subject to the Repurchase Option with the same force and effect as the shares subject to the Repurchase Option immediately before such event.

(e) Escrow of Common Stock. The shares issued under your Award shall be held in escrow pursuant to the terms of the Joint Escrow Instructions attached to the Grant Notice as **ATTACHMENT IV**. You agree to execute two (2) Assignment Separate From Certificate forms (with date and number of shares blank) substantially in the form attached to the Grant Notice as **ATTACHMENT III** and deliver the same, along with the certificate or certificates evidencing the shares, for use by the escrow agent pursuant to the terms of the Joint Escrow Instructions.

7. RIGHTS AS STOCKHOLDER. Subject to the provisions of this Agreement, you shall exercise all rights and privileges of a stockholder of the Company with respect to the shares deposited in escrow. You shall be deemed to be the holder of the shares for purposes of receiving any dividends that may be paid with respect to such shares and for purposes of exercising any voting rights relating to such shares, even if some or all of the shares have not yet vested and been released from the Company's Repurchase Option.

8. LIMITATIONS ON TRANSFER. In addition to any other limitation on transfer created by this Agreement or applicable securities laws, you shall not sell, assign, hypothecate, donate, encumber or otherwise dispose of any interest in the Common Stock while the Common Stock is subject to the Repurchase Option. After any Common Stock has been released from the Repurchase Option, you shall not sell, assign, hypothecate, donate, encumber or otherwise dispose of any interest in the Common Stock except in compliance with the provisions herein and applicable securities laws.

9. RESTRICTIVE LEGENDS. All certificates representing the Common Stock shall have endorsed thereon legends in substantially the following forms (in addition to any other legend which may be required by other agreements between the parties hereto):

(a) "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN OPTION SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS COMPANY. ANY TRANSFER OR ATTEMPTED TRANSFER OF ANY SHARES SUBJECT TO SUCH OPTION IS VOID WITHOUT THE PRIOR EXPRESS WRITTEN CONSENT OF THE COMPANY."

(b) "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

(c) "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE COMPANY AND/OR ITS ASSIGNEE(S) AS PROVIDED IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY."

(d) "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A TRANSFER RESTRICTION, AS PROVIDED IN THE BYLAWS OF THE COMPANY."

(e) Any legend required by appropriate blue sky officials.

10. INVESTMENT REPRESENTATIONS. In connection with the purchase of the Common Stock, you represent to the Company the following:

(a) You are aware of the Company's business affairs and financial condition and have acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Common Stock. You are acquiring the Common Stock for investment for your own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(b) You understand that the Common Stock has not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of your investment intent as expressed herein.

(c) You further acknowledge and understand that the Common Stock must be held indefinitely unless the Common Stock is subsequently registered under the Securities Act or an exemption from such registration is available. You further acknowledge and understand that the Company is under no obligation to register the Common Stock. You understand that the certificate evidencing the Common Stock will be imprinted with a legend that prohibits the transfer of the Common Stock unless the Common Stock is registered or such registration is not required in the opinion of counsel for the Company.

(d) You are familiar with the provisions of Rules 144 and 701, under the Securities Act, as in effect from time to time, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of issuance of the securities, such issuance will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the securities exempt under Rule 701 may be sold by you ninety (90) days thereafter, subject to the satisfaction of certain of the conditions specified by Rule 144 and the market stand-off provision described in Section 11 below.

(e) In the event that the sale of the Common Stock does not qualify under Rule 701 at the time of purchase, then the Common Stock may be resold by you in certain limited circumstances subject to the provisions of Rule 144, which requires, among other things: (i) the availability of certain public information about the Company and (ii) the resale occurring following the required holding period under Rule 144 after you have purchased, and made full payment of (within the meaning of Rule 144), the securities to be sold.

(f) You further understand that at the time you wish to sell the Common Stock there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public current information requirements of Rule 144 or 701, and that, in such event, you would be precluded from selling the Common Stock under Rule 144 or 701 even if the minimum holding period requirement had been satisfied.

11. MARKET STAND-OFF AGREEMENT. You agree that you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to any shares of Common Stock or other securities of the Company held by you, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as the underwriters or the Company will request to facilitate compliance with FINRA Rule 2711 or NYSE Member Rule 472 or any successor or similar rules or regulation (the “**Lock-Up Period**”); *provided, however*, that nothing contained in this section will prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. You also agree that any transferee of any shares of Common Stock (or other securities) of the Company held by you will be bound by this Section 11. The underwriters of the Company’s stock are intended third party beneficiaries of this Section 11 and will have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

12. TRANSFERABILITY. Your Award is not transferable except by will or by the laws of descent and distribution and shall be exercisable during your lifetime only by you.

13. RIGHT OF FIRST REFUSAL. Shares that are received under your Award are subject to any right of first refusal that may be described in the Company’s bylaws in effect at such time the Company elects to exercise its right; *provided, however*, that if there is no right of first refusal described in the Company’s bylaws at such time, the right of first refusal described below will apply. The Company’s right of first refusal will expire on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on a national securities exchange or quotation system (the “**Listing Date**”).

(a) Prior to the Listing Date, you may not validly Transfer (as defined below) any shares of Common Stock received under the Award, or any interest in such shares, unless such Transfer is made in compliance with the following provisions:

(i) Before there can be a valid Transfer of any shares of Common Stock or any interest therein, the record holder of the shares of Common Stock to be transferred (the “**Offered Shares**”) will give written notice (by registered or certified mail) to the Company. Such notice will specify the identity of the proposed transferee, the cash price offered for the Offered Shares by the proposed transferee (or, if the proposed Transfer is one in which the holder will not receive cash, such as an involuntary transfer, gift, donation or pledge, the holder will state that no purchase price is being proposed), and the other terms and conditions of the proposed Transfer. The date such notice is mailed will be hereinafter referred to as the “**Notice Date**” and the record holder of the Offered Shares will be hereinafter referred to as the “**Offeror**.” If, from time to time, there is any stock dividend, stock split or other change in the character or amount of any of the outstanding Common Stock which is subject to the provisions of your Award, then in such event any and all new, substituted or additional securities to which you are entitled by reason of your ownership of the shares of Common Stock received under the Award will be immediately subject to the Company’s Right of First Refusal (as defined below) with the same force and effect as the shares subject to the Right of First Refusal immediately before such event.

(ii) For a period of thirty (30) calendar days after the Notice Date, the Company will have the option to purchase all (but not less than all) of the Offered Shares at the purchase price and on the terms set forth in Section 13(a)(iii) (the Company’s “**Right of First Refusal**”). In the event that the proposed Transfer is one involving no payment of a purchase price, the purchase price will be deemed to be the Fair Market Value of the Offered Shares as determined in good faith by the Board in its discretion. The Company may exercise its Right of First Refusal by mailing (by registered or certified mail) written notice of exercise of its Right of First Refusal to the Offeror prior to the end of said thirty (30) days.

(iii) The price at which the Company may purchase the Offered Shares pursuant to the exercise of its Right of First Refusal will be the cash price offered for the Offered Shares by the proposed transferee (as set forth in the notice required under Section 13(a)(i)), or the Fair Market Value as determined by the Board in the event no purchase price is involved. To the extent consideration other than cash is offered by the proposed transferee, the Company will not be required to pay any additional amounts to the Offeror other than the cash price offered (or the Fair Market Value, if applicable). The Company’s notice of exercise of its Right of First Refusal will be accompanied by full payment for the Offered Shares and, upon such payment by the Company, the Company will acquire full right, title and interest to all of the Offered Shares.

(iv) If, and only if, the option given pursuant to Section 13(a)(ii) is not exercised, the Transfer proposed in the notice given pursuant to Section 13(a)(i) may take place; *provided, however*, that such Transfer must, in all respects, be exactly as proposed in said notice except that such Transfer may not take place either before the tenth (10th) calendar day after the expiration of the thirty (30) day option exercise period or after the ninetieth (90th) calendar day after the expiration of the thirty (30) day option exercise period, and if such Transfer has not taken place prior to said ninetieth (90th) day, such Transfer may not take place without once again complying with this Section 13(a).

(b) As used in this Section 13, the term “**Transfer**” means any sale, encumbrance, pledge, gift or other form of disposition or transfer of shares of Common Stock or any legal or equitable interest therein; *provided, however*, that the term Transfer does not include a transfer of such shares or interests by will or intestacy to your Immediate Family (as defined below). In such case, the transferee or other recipient will receive and hold the shares of Common Stock so transferred subject to the provisions of this Section, and there will be no further transfer of such shares except in accordance with the terms of this Section 13. As used herein, the term “**Immediate Family**” will mean your spouse, the lineal descendant or antecedent, father, mother, brother or sister, child, adopted child, grandchild or adopted grandchild of you or your spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of you or your spouse.

(c) None of the shares of Common Stock received under the Award will be transferred on the Company’s books nor will the Company recognize any such Transfer of any such shares or any interest therein unless and until all applicable provisions of this Section 13 have been complied with in all respects. The certificates of stock evidencing shares of Common Stock received under the Award will bear an appropriate legend referring to the transfer restrictions imposed by this Section 13.

(d) To ensure that the shares subject to the Company’s Right of First Refusal will be available for repurchase by the Company, the Company may require you to deposit the certificates evidencing the shares received under the Award with an escrow agent designated by the Company under the terms and conditions of an escrow agreement approved by the Company. If the Company does not require such deposit as a condition of a receipt of shares under the Award, the Company reserves the right at any time to require you to so deposit the certificates in escrow. As soon as practicable after the expiration of the Company’s Right of First Refusal, the agent will deliver to you the shares and any other property no longer subject to such restriction. In the event the shares and any other property held in escrow are subject to the Company’s exercise of its Right of First Refusal, the notices required to be given to you will be given to the escrow agent, and any payment required to be given to you will be given to the escrow agent. Within thirty (30) days after payment by the Company for the Offered Shares, the escrow agent will deliver the Offered Shares that the Company has repurchased to the Company and will deliver the payment received from the Company to you.

14. RIGHT OF REPURCHASE. To the extent provided in the Company’s bylaws in effect at such time the Company elects to exercise its right, the Company shall have the right to repurchase all or any part of the shares of Common Stock that have been released from the Company’s Repurchase Option.

15. AWARD NOT A SERVICE CONTRACT. Your Award is not an employment or service contract, and nothing in your Award shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your Award shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

16. WITHHOLDING OBLIGATIONS.

(a) At the time your Award is granted, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your Award.

(b) Unless the tax withholding obligations of the Company or any Affiliate are satisfied, the Company shall have no obligation to issue a certificate for such shares or release such shares from any escrow provided for herein.

17. TAX CONSEQUENCES. You agree to review with your own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. You shall rely solely on such advisors and not on any statements or representations of the Company or any of its agents. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. You understand that Section 83 of the Code taxes as ordinary income to you the fair market value of the shares of Common Stock as of the date any restrictions on the shares lapse (that is, as of the date on which part or all of the shares vest). In this context, "restriction" includes the right of the Company to reacquire the shares pursuant to its Repurchase Option. You understand that you may elect to be taxed on the fair market value of the shares at the time the shares are acquired rather than when and as the Company's Repurchase Option expires by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the date of your Award, a copy of which is attached hereto as **ATTACHMENT V. YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(B), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THE FILING ON YOUR BEHALF.**

18. NOTICES. So long as your Continuous Service has not terminated, any notices provided for in your Award or the Plan may be delivered electronically or posted on the Company's intranet. After termination of your Continuous Service, any notices provided for in your Award or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

19. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

20. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan shall control.

ATTACHMENT II

EQUITY INCENTIVE PLAN

ATTACHMENT III

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto **PLIANT THERAPEUTICS, INC.**, a Delaware corporation (the "**Company**"), pursuant to the Repurchase Option under that certain Restricted Stock Purchase Grant Notice, dated [●], by and between the undersigned and the Company (the "**Agreement**") [●] shares of Common Stock of the Company standing in the undersigned's name on the books of the Company represented by Certificate No[s] [●] and does hereby irrevocably constitute and appoint both the Company's Secretary and the Company's attorney, or either of them, to transfer said stock on the books of the Company with full power of substitution in the premises. This Assignment may be used only in accordance with and subject to the terms and conditions of the Agreement, in connection with the repurchase of shares of Common Stock issued to the undersigned pursuant to the Agreement, and only to the extent that such shares remain subject to the Company's Repurchase Option under the Agreement.

Dated: _____
(leave blank)

(Signature)

Name (Please Print)

INSTRUCTION: Please do not fill in any blanks other than the signature line. Do not fill in the date line. The purpose of this Assignment is to enable the Company to exercise its Repurchase Option set forth in the Agreement without requiring additional signatures on the part of Purchaser.

ATTACHMENT IV

JOINT ESCROW INSTRUCTIONS

JOINT ESCROW INSTRUCTIONS

Date: _____

Pliant Therapeutics, Inc.
260 Littlefield Ave.
South San Francisco, California 94080
Attn: Secretary

Ladies and Gentlemen:

As Escrow Agent for both Pliant Therapeutics, Inc., a Delaware corporation ("**Company**") and the purchaser listed on the signature page hereto ("**Purchaser**"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Purchase Grant Notice dated as of [●] ("**Agreement**"), to which a copy of these Joint Escrow Instructions is attached as an Exhibit, in accordance with the following instructions:

1. In the event Company or an assignee shall elect to exercise the Repurchase Option set forth in the Agreement, the Company or its assignee will give to Purchaser and you a written notice specifying the number of shares of stock to be acquired and the time for a closing thereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

2. At the closing you are directed (a) to date any stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver same, together with the certificate evidencing the shares of Common Stock to be transferred, to the Company against the simultaneous delivery to you of the purchase price (which may include suitable acknowledgment of cancellation of indebtedness) of the number of shares of Common Stock being purchased pursuant to the exercise of the Repurchase Option.

3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as specified in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as his attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and complete any transaction herein contemplated, including but not limited to any appropriate filing with state or government officials or bank officials. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a stockholder of the Company while the stock is held by you.

4. This escrow shall terminate upon the exercise in full or expiration of the Repurchase Option, whichever occurs first.

5. If at the time of termination of this escrow under Section 4 herein you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder; provided, however, that if at the time of termination of this escrow you are advised by the Company that any property subject to this escrow is the subject of a pledge or other security agreement, you shall deliver all such property to the pledgeholder or other person designated by the Company.

6. Except as otherwise provided in these Joint Escrow Instructions, your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith and in the exercise of your own good judgment, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or entity, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree of any court, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver these Joint Escrow Instructions documents or papers deposited or called for hereunder.

10. You shall not be liable for the outlawing of any rights under any statute of limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

11. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be Secretary of the Company or if you shall resign by written notice to the Company. In the event of any such termination, the Secretary of the Company shall automatically become the successor Escrow Agent unless the Company shall appoint another successor Escrow Agent, and Purchaser hereby confirms the appointment of such successor as Purchaser's attorney-in-fact and agent to the full extent of your appointment.

12. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

13. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

14. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, and if not during normal business hours of the recipient, then on the next business day, (c) five (5) calendar days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the other party hereto at such party's address set forth below, or at such other address as such party may designate by ten (10) days advance written notice to the other party hereto.

Company: **Pliant Therapeutics, Inc.**
260 Littlefield Ave.
South San Francisco, California 94080

Purchaser: _____

Escrow Agent: **Address set forth on Page 1**

15. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

16. You shall be entitled to employ such legal counsel and other experts (including, without limitation, the firm of Goodwin Procter LLP) as you may deem necessary properly to advise you in connection with your obligations hereunder. You may rely upon the advice of such counsel, and you may pay such counsel reasonable compensation therefor. The Company shall be responsible for all fees generated by such legal counsel in connection with your obligations hereunder.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. It is understood and agreed that references to "you" and "your" herein refer to the original Escrow Agents. It is understood and agreed that the Company may at any time or from time to time assign its rights under the Agreement and these Joint Escrow Instructions.

[Remainder of page intentionally left blank]

18. These Joint Escrow Instructions shall be governed by and interpreted and determined in accordance with the laws of the State of California, as such laws are applied by California courts to contracts made and to be performed entirely in California by residents of that state. The parties hereby expressly consent to the personal jurisdiction of the state and federal courts located in Santa Clara County, California for any lawsuit arising from or related to this Agreement.

Very truly yours,

COMPANY:

PLIANT THERAPEUTICS, INC.

By: _____

Name: _____

Title: _____

PURCHASER:

(Signature)

Name (Please Print)

ESCROW AGENT:

Secretary

[SIGNATURE PAGE TO JOINT ESCROW INSTRUCTIONS]

ATTACHMENT V

83(B) ELECTION

SECTION 83(b) ELECTION

Date: _____

Department of the Treasury
Internal Revenue Service
[City, State Zip]

Re: Election Under Section 83(b)

Ladies and Gentlemen:

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in gross income as compensation for services the excess (if any) of the fair market value of the shares described below over the amount paid for those shares. The following information is supplied in accordance with Treasury Regulation § 1.83-2:

1. **The name, social security number, address of the undersigned, and the taxable year for which this election is being made are:**

Name: _____
Social Security Number: _____
Address: _____
Taxable year: Calendar year 20__.

2. **The property that is the subject of this election:** [#] shares of common stock of Pliant Therapeutics, Inc., a Delaware corporation (the "*Company*").

3. **The property was transferred on:** [•], 20__.

4. **The property is subject to the following restrictions:** The shares are subject to forfeiture or repurchase at less than their fair market value if the undersigned does not continue to provide services for the Company for a designated period of time. The risk of forfeiture or repurchase lapses over a specified vesting period.

5. **The fair market value of the property at the time of transfer (determined without regard to any restriction other than a nonlapse restriction as defined in Treasury Regulation § 1.83-3(h)):** \$[•] per share x [#] shares = \$[•].

6. **For the property transferred, the undersigned paid:** \$[•] per share x [#] shares = \$[•].

7. The amount to include in gross income is: \$[•].

The undersigned taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed and the transferee of the property. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which the property is transferred. The undersigned is the person performing the services in connection with which the property was transferred.

Very truly yours,

[Name]

INSTRUCTIONS FOR FILING SECTION 83(b) ELECTION

Attached is a form of election under Section 83(b) of the Internal Revenue Code and an accompanying IRS cover letter. Please fill in your social security number and sign the election and cover letter, then proceed as follows:

- (a) Make **four** copies of the completed Section 83(b) election form and one copy of the IRS cover letter.
- (b) Send the original election form and cover letter, the copy of the cover letter, and a self-addressed stamped return envelope to the Internal Revenue Service Center where you would otherwise file your tax return. Even if an address for an Internal Revenue Service Center is already included in the forms below, it is your obligation to verify such address. This can be done by searching for the term “where to file” on www.irs.gov or by calling 1 (800) 829-1040. Sending the election via certified mail, requesting a return receipt, is also recommended.
- (c) Deliver one copy of the completed election form to the Company.
- (d) Attach one copy of the completed election form to your 20__ federal personal income tax return (Form 1040) when you file it for the year.
- (e) Attach one copy of the completed election form to your 20__ state personal income tax return when you file it for the year (assuming you file a state income tax return).
- (f) Retain one copy of the completed election form for your personal permanent records.

Please note that the election must be filed with the IRS within 30 days of the date of purchase of your restricted stock grant. Failure to file within that time will render the election void and you may recognize ordinary taxable income as your vesting restrictions lapse. The Company and its counsel cannot assume responsibility for failure to file the election in a timely manner under any circumstances.

[•], 20__

RETURN SERVICE REQUESTED

Department of the Treasury
Internal Revenue Service
[ADDRESS]

Re: **Election Under Section 83(b) of the Internal Revenue Code**

Dear Sir or Madam:

Enclosed please find an executed form of election under Section 83(b) of the Internal Revenue Code of 1986, as amended, filed with respect to an interest in Pliant Therapeutics, Inc.

Also enclosed is a copy of this letter and a stamped, self-addressed envelope. Please acknowledge receipt of these materials by marking the copy when received and returning it to the undersigned.

Thank you very much for your assistance.

Very truly yours,

Name

Enclosures

Amended and Restated Non-Employee Director Compensation Policy

This Amended and Restated Non-Employee Director Compensation Policy applies to non-employee directors, other than the chairperson or lead director, who are not affiliated with major investors.

Subject to Board approval, the Company shall grant you, as a non-employee director of the Company, an option to purchase [180,000] shares of the Company's common stock at an exercise price per share equal to the fair market value per share of such common stock, as determined by the Board on the date of grant (the "*Option*"). The Option will vest on the last date of each calendar quarter after the date of commencement of your service to the Company at the rate of [11,250] shares, provided that such vesting shall be contingent upon your continuing to provide services to the Company on each such vesting date. Your Option shall be subject to the terms and conditions of the Company's 2015 Equity Incentive Plan (the "*Plan*") and form of Stock Option Agreement. No right to any stock is earned or accrued until such time that Company common stock is delivered to you upon the exercise of the Option, nor does the Option confer any right to continue vesting or employment.

Notwithstanding the foregoing, the shares underlying the Option shall vest in full (including with respect to any of such shares that have not yet vested) upon a Sale Event. "*Sale Event*" shall mean any of the following: (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity (or its ultimate parent, if applicable), (iii) the acquisition of all or a majority of the outstanding voting stock of the Company in a single transaction or a series of related transactions by a person or entity or group of persons and/or entities, or (iv) any other acquisition of the business of the Company, as determined by the Board; provided, however, that the Company's first firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale by the Company of its equity securities, as a result of or following which the common stock shall be publicly held, any subsequent public offering or any other capital raising event, public or private, or a merger effected solely to change the Company's domicile shall not constitute a "Sale Event."

On or about the first anniversary of your initial grant, and each year thereafter, or as otherwise determined by the Board, the Company shall, subject to Board approval, grant you, as a non-employee director of the Company, an option to purchase [25,000] shares of common stock of the Company (subject to adjustment for stock splits, stock dividends and other similar recapitalizations after the date of this letter and prior to the date of grant), at an exercise price per share equal to the fair market value per share of such common stock, as determined by the Board on the date of such grant, vesting in equal quarterly installments on the last day of each quarter after the vesting commencement date as determined by the Board, provided that such vesting shall be contingent upon your continuing to provide services to the Company on each such vesting date and that the vesting of all shares underlying such option shall also accelerate in full upon the earlier of (i) a Sale Event (as defined above); (ii) the annual stockholder meeting (if Company is a public company), or (iii) the one (1) year anniversary of the date of grant. Each option shall be subject to the terms and conditions of the Plan and form of stock option agreement. No right to any stock is earned or accrued until such time that Company common stock is delivered to you upon the exercise of any option, nor does any option confer any right to continue vesting or employment.

Each year, the Company shall pay to you, as a non-employee director of the Company a retainer of \$25,000, to be paid in equal quarterly installments, provided that such payment shall be contingent upon your continuing to provide services to the Company on each payment date. As a non-employee director of the Board, you would be entitled to reimbursement of reasonable, customary and documented travel expenses to Board meetings.

Pliant Therapeutics
700 Saginaw Drive
Suite 150
Redwood City, CA 94063

Oct 7th, 2015

Bernard Coulie, MD, Ph.D.
BY EMAIL: bernard.coulie@telenet.be
Grimdestraat 23
B-3000 Leuven
BELGIUM

Re: Employment Offer Pliant Therapeutics

Dear Bernard:

Pliant Therapeutics, Inc. (“Pliant” or the “Company”) is pleased to confirm its offer to employ you. Your effective date of hire as a regular, full time employee (the “Start Date”) will be based on securing an O visa on your behalf.

You will serve in the role of Chief Executive Officer. You will be responsible for building and leading the Company’s efforts and will report to the Company’s Board of Directors (the “Board”). Responsibilities are expected to include, but may not limited to, the following:

- Work with the Board and senior management to formulate and communicate a compelling vision and strategic direction for the company; evaluate alternative strategies; identify competitive issues; capitalize on platform technology and develop and implement operating plans to achieve objectives;
- Oversee all company activities to ensure Pliant meets its research, development, and financial milestones and all other objectives including clinical, regulatory, and business development;
- Develop and maintain strategic partnerships with external companies, overseeing critical activities to ensure research and development commitments and related projects are fulfilled;
- Serve as the primary spokesperson for company, establishing and communicating the company’s vision and image, and enhancing its visibility among potential partners;
- Build additional organizational experience as needed within the management team. Work with the Board and the senior management team to manage uncertainty while maintaining an entrepreneurial environment;
- Ensure that qualified research and development and managerial personnel are attracted and retained; manage performance by providing feedback, teaching and development opportunities;

- Represent Pliant in scientific conferences, presentations, industry and investment groups;
- Build and maintain solid working relationships with our founders, scientific and clinical advisors, key opinion leaders and investors;
- Foster an internal atmosphere that supports individual accountability, transparency, open communication and respect to enable employees to focus on the Company's mission.

Your salary will be paid at the rate of \$375,000 per year, less payroll deductions and withholdings. You will be paid semi-monthly in accordance with the Company's usual payroll. It is expected that, when an annual bonus program is approved by the Board of Directors, you will be eligible for a target bonus of 35% of your annual salary, based upon the achievement of corporate and individual goals, as determined by the Board.

In addition, the Company will provide you with relocation assistance in the form of a sign-on bonus of \$250,000. You will receive this payment during your first month of employment and it will be subject to customary deductions and withholdings as required by law. Should you resign from your employment for any reason, other than for death or disability, within 24 months after receiving this payment, you will be obligated to return the gross amount of the payment to the Company within 30 days after your last day of employment.

Pliant Therapeutics will reimburse you up to \$20,000 annually for flights to/from San Francisco/Belgium.

You will be eligible for standard Company benefits as they become implemented, including but not limited to health care insurance, vacation, sick leave, holidays, 401(k), performance-based bonus program, and additional performance-based stock grants, subject to the terms and conditions of such plans. Until such time as a Company health care insurance plan is established, the Company will reimburse you for premiums you pay for continuing benefits. Details about these benefit plans will be provided when they are available for your review. The Company may change compensation and benefits from time to time in its discretion.

Subject to approval by the Board and after your "O" visa has been obtained under the Company's equity incentive plan (the "Plan"), you will be issued a restricted stock grant for 2,759,780 shares of the Company's Common Stock (the "Restricted Stock") with a purchase price per share equal to the fair market value as determined by the Board as of the date of grant. The Restricted Stock will be subject to the terms and conditions of the Plan and your Restricted Stock agreement. Your grant agreement will include a four-year vesting schedule, under which 25 percent of your shares will vest after twelve months of employment, with the remaining shares vesting monthly thereafter, until either your restricted stock is fully vested or your employment ends, whichever occurs first.

As a Company employee, you will be expected to abide by Company rules and policies. As a condition of employment, you must sign and comply with the attached Employee Confidential Information and Inventions Assignment Agreement, which prohibits unauthorized use or disclosure of Company proprietary information, among other obligations.

In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. You hereby represent that you have disclosed to the Company any contract you have signed that may restrict your activities on behalf of the Company.

Normal business hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday. As an exempt salaried employee, you will be expected to work additional hours as required by the nature of your work assignments. Your employment with the Company will be "at will." You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company. Likewise, the Company may terminate your employment at any time, with or without cause or advance notice. Your employment at-will status can only be modified in a written agreement signed by you and by an officer of the Company.

Notwithstanding the foregoing, if the Company terminates your employment without Cause (as defined below), and other than for death or disability, then the Company will pay you severance (the "Severance") in an amount equal to six (6) months of your base salary at the time of termination. Your eligibility to receive the Severance will be conditioned upon your (i) signing and not revoking a release of any and all claims, in a form prescribed by the Company (the "Release"), and (ii) continued compliance with all legal and contractual obligations to the Company. The Severance will be paid in a lump-sum, less deductions and withholdings, on the thirtieth (30th) day following your last day of employment, provided the Release has become effective. "Cause" for termination of your employment shall exist if the Board determines, in its reasonable, good faith judgment that you engaged in any of the following behavior: (i) any act of embezzlement, fraud, theft or misappropriation including without limitation with respect to any asset or property of the Company; (ii) gross negligence, willful misconduct or material neglect of duties or breach of fiduciary duty to the Company; (iii) material failure to use good faith efforts to satisfactorily perform your duties (which failure continues after you have been given notice by the Company) or to follow the reasonable and lawful directions of the Board; (iv) violation of federal or state securities laws as it relates to any of the Company's securities; (v) material breach of an employment, consulting or other agreement with the Company that the Company and you have entered into or any personnel policy of which you have been made aware after notice and opportunity to cure if such breach is curable; or (vi) conviction of a felony, or any crime involving moral turpitude.

This offer is contingent upon satisfactory proof of your right to work in the United States. You agree to assist as needed and to complete any documentation at the Company's request to meet these conditions.

Bernard Coulie, M.D. Ph.D.

Oct 7th, 2015

Page 4

This letter, together with your Employee Confidential Information and Inventions Assignment Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by an officer of Company.

Please sign and date this letter, and the enclosed Employee Confidential Information and Inventions Assignment Agreement and return them to crobinson@thirdrockventures.com by close of business on October 7th, 2015, if you wish to accept employment at the Company under the terms described above.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Neil Exter

Neil Exter

Chief Executive Officer, Pliant Therapeutics, Inc.

Accepted:

/s/ Bernard Coulie

Bernard Coulie, MD, Ph.D.

October 12, 2015

Date

Attachment: [Employee Confidential Information and Inventions Assignment Agreement]



700 Saginaw Drive, Suite 150
Redwood City, CA 94063

February 9, 2016

Hans Hull
San Francisco, CA 94110
EMAIL: hanshull@gmail.com

Re: Employment Offer

Dear Hans,

Pliant Therapeutics, Inc. ("Pliant" or the "Company") is pleased to confirm its offer to employ you as Chief Business Officer. As Chief Business Officer, you will report to the Company's Chief Executive Officer, Bernard Coulie. Your effective date of hire as a regular, full time employee (the "Start Date") will be on March 9, 2016 unless another date is agreed upon by you and the Company.

Your salary will be paid at the rate of \$325,000 per year, less payroll deductions and withholdings. You will be paid semi-monthly in accordance with the Company's usual payroll. It is expected that, when an annual bonus program is approved by the Board of Directors, you will be eligible for a target bonus at 25% of your annual compensation, based upon the achievement of corporate and individual goals, as agreed by the Board of Directors. You will be eligible to participate each year in any annual bonus plan adopted by the Company and the Company, subject to financial, business, and other circumstances and factors.

You will be eligible for standard Company benefits as they become implemented, including but not limited to health care insurance, vacation, sick leave, holidays, 401(k), performance-based bonus program, and additional performance-based stock grants. Until such time as a Company health care insurance plan is established, the Company will reimburse you for premiums you pay for continuing benefits. Details about these benefit plans will be provided when they are available for your review. The Company may change compensation and benefits from time to time in its discretion.

Subject to the approval by the Board of Directors of the Company (the "Board"), in connection with the commencement of your employment, you will receive the right to purchase 927,000 shares of the Company's common stock (the "Restricted Stock"). The Restricted Stock will be granted following the commencement of your employment. The purchase price of the Restricted Stock will be equal to the fair market value of the Company's common stock on the date of the grant, and the Board of Directors may elect to seek a third party valuation of such fair market



Hans Hull
February 9, 2016

value, which could delay the date that the Restricted Stock is granted. The Restricted Stock will be subject to the terms and conditions of the Company's then-current incentive stock plan and form of restricted stock agreement (the Equity Documents"). The Restricted Stock will vest as follows: one quarter of the shares will vest on the first anniversary of the Start Date, and following that, 1/48th of the shares will vest on a monthly basis, in arrears. Vesting is contingent on your continued full-time employment with the Company.

As a Company employee, you will be expected to abide by Company rules and policies. As a condition of employment, you must sign and comply with the attached Employee Confidential Information and Inventions Assignment Agreement, which prohibits unauthorized use or disclosure of Company proprietary information, among other obligations.

In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. You hereby represent that you have disclosed to the Company any contract you have signed that may restrict your activities on behalf of the Company.

Normal business hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday. As an exempt salaried employee, you will be expected to work additional hours as required by the nature of your work assignments. Your employment with the Company will be "at will." You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company. Likewise, the Company may terminate your employment at any time, with or without cause or advance notice. Your employment at-will status can only be modified in a written agreement signed by you and by an officer of the Company.

Notwithstanding the foregoing, if the Company terminates your employment without Cause (as defined below), and other than for death or disability, then the Company will pay you severance (the "Severance") in an amount equal to six (6) months of your base salary at the time of termination. Your eligibility to receive the Severance will be conditioned upon your (i) signing and not revoking a release of any and all claims, in a form prescribed by the Company (the "Release"), and (ii) continued compliance with all legal and contractual obligations to the Company. The Severance will be paid in a lump-sum, less deductions and withholdings, on the thirtieth (30th) day following your last day of employment, provided the Release has become effective. "Cause" for termination of your employment shall exist if the Board determines, in its



Hans Hull
February 9, 2016

reasonable, good faith judgment that you engaged in any of the following behavior: (i) any act of embezzlement, fraud, theft or misappropriation including without limitation with respect to any asset or property of the Company; (ii) gross negligence, willful misconduct or material neglect of duties or breach of fiduciary duty to the Company; (iii) material failure to use good faith efforts to satisfactorily perform your duties (which failure continues after you have been given notice by the Company) or to follow the reasonable and lawful directions of the Board; (iv) violation of federal or state securities laws as it relates to any of the Company's securities; (v) material breach of an employment, consulting or other agreement with the Company that the Company and you have entered into or any personnel policy of which you have been made aware after notice and opportunity to cure if such breach is curable; or (vi) conviction of a felony, or any crime involving moral turpitude.

This offer is contingent upon satisfactory proof of your right to work in the United States. You agree to assist as needed and to complete any documentation at the Company's request to meet these conditions.

This letter, together with your Employee Confidential Information and Inventions Assignment Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by an officer of Company.

Please sign and date this letter, and the enclosed Employee Confidential Information and Inventions Assignment Agreement and return them to Barbara Howes (Bhowes@pliantrx.com) by close of business on February 12, 2016, if you wish to accept employment at the Company under the terms described above.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

/s/ Bernard Coulie

Bernard Coulie

Chief Executive Officer, Pliant Therapeutics, Inc.



Hans Hull
February 9, 2016

Accepted:

/s/ Hans Hull

Hans Hull

February 10, 2016

Date

Attachment: [Employee Confidential Information and Inventions Assignment Agreement]



November 21, 2018

Dear Keith:

Position. We are very pleased to offer you the position of Chief Financial Officer of Pliant Therapeutics, Inc., a Delaware corporation (the "**Company**"), with an employment commencement date of not later than December 31, 2018. You will have the normal duties, responsibilities and authority of an executive serving in the position of Chief Financial Officer, subject to the direction of and reporting to the Chief Executive Officer of the Company. You agree that you will devote your best efforts and your full business time to the business and affairs of the Company and its subsidiaries, and you will be expected to be present during regular business hours. Your work location will be at the Company's offices at 260 Littlefield Avenue, South San Francisco, CA 94080. This is a full time exempt position.

Base Salary. We are offering you starting compensation at the annual salary of \$340,000 less applicable withholdings and deductions. Wages are paid semi-monthly in accordance with the Company's normal payroll procedures.

Annual Cash Incentive Bonus. Beginning with calendar year 2019, you will be eligible to earn an annual cash incentive bonus based upon the achievement of annual performance goals or objectives established and measured by the Compensation Committee (the "**Committee**") of the Company's Board of Directors (the "**Board**") in its sole discretion. You will have a target annual incentive bonus opportunity equal to 30% of your annual base salary, payable in accordance with the Company's annual cash incentive bonus program, as may be amended from time to time (but in no event shall any actual bonus be paid later than March 15th of the calendar year immediately following the year for which such compensation is earned). Actual bonus awards may pay below or above your target opportunity, including a zero payout, based on your and the Company's achievement of the applicable performance goals or objectives.

IPO/Private Financing Bonus. Subject to your commencement of employment with the Company on or prior to December 31, 2018, you will be eligible to receive a performance-based bonus equal to \$250,000 (less applicable withholdings and deductions) based on the successful completion of an initial public offering of the Company on The NASDAQ ("**IPO**") or, a Series C preferred stock financing at a valuation and in an aggregate amount to be established by the Board in its sole discretion (a "**Private Financing**"), in each case which has closed before the one (1) anniversary of your employment commencement date; provided, however, that in lieu of a Private Financing, at the determination of the Board in its sole discretion, such bonus may be payable upon the consummation of a collaboration agreement in which the Company receives a significant non-dilutive, non-refundable, non-creditable up-front payment. The bonus payable pursuant to this

PLIANT THERAPEUTICS | 260 LITTLEFIELD AVE. | SOUTH SAN FRANCISCO, CA 94080
PLIANTRX.COM

paragraph will be paid as soon as practicable following the completion of the IPO, Private Financing, or collaboration, as applicable (but in any event no later than the March 15th of the calendar year immediately following the year in which the IPO, Private Financing, or collaboration closes and the compensation is deemed earned for tax purposes).

Sign-On Cash Bonus. Subject to your commencement of employment with the Company on or prior to December 31, 2018, you will receive a sign-on bonus equal to \$100,000 ("**Sign-On Bonus**") less applicable withholdings and deductions. The Sign-On Bonus will be paid to you within 30 days following your commencement of employment with the Company. Notwithstanding anything herein to the contrary, if the Company terminates your employment for cause or you resign from the Company for any reason, in each case, prior to the one-year anniversary of your employment commencement date, you will repay to the Company the Sign-On Bonus within ten (10) days of your termination of employment; provided, further, to the extent permitted by applicable law and in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), if you are required to repay the Sign-On Bonus, then the Company will be entitled to offset the required repayment amount against any compensation or other amounts due from the Company to you.

For the purpose of this letter, "**cause**" means that the Board has determined, in its reasonable good faith judgment, that you have engaged in any of the following: (i) any act of embezzlement, fraud, theft or misappropriation including without limitation with respect to any asset or property of the Company; (ii) gross negligence, willful misconduct or material neglect of duties or breach of fiduciary duty to the Company; (iii) material failure to use good faith efforts to satisfactorily perform your duties (which failure continues after you have been given notice by the Company) or to follow the reasonable and lawful directions of the Board; (iv) violation of federal or state securities laws as it relates to any of the Company's securities; (v) material breach of an employment, consulting or other agreement with the Company that the Company and you have entered into or any personnel policy of which you have been made aware after notice and opportunity to cure if such breach is curable; or (vi) conviction of a felony, or any crime involving moral turpitude.

Incentive Compensation. In addition, if you decide to join the Company, it will be recommended at the first meeting of the Board following the commencement of your employment that the Company grant you an option to purchase shares of the Company's Common Stock representing approximately 1.25% of the outstanding shares of Company Common Stock as of the date hereof, calculated assuming the conversion and/or exercise of all outstanding securities directly or indirectly convertible and/or exercisable into shares of Company Common Stock and all shares of Company Common Stock then available for issuance under the Company's 2015 Equity Incentive Plan and at a price per share equal to the fair market value per share of such Common Stock on the date of grant, as determined by the Board (the "**Option**"). Twenty-five percent (25%) of the shares subject to the Option on the date of grant shall vest on the one-year anniversary of the commencement date of your employment (the "**Vesting Commencement Date**"), and 1/48th of the shares subject to the Option on the date of grant shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (or if there is no corresponding day, on the last day of such month), subject to your continuing to be an employee of the Company through each such date. Your Option shall be subject to the terms and conditions of the Company's 2015 Equity Incentive Plan and form of Stock Option Agreement, including

vesting requirements. No right to any stock is earned or accrued until such time that Company Common Stock is delivered to you upon the exercise of the Option, nor does the Option confer any right to continue vesting or employment.

Severance. In the event your employment is terminated by the Company without cause, you will be eligible to receive 12 months of base salary continuation following your termination of employment, subject to your execution and non-revocation of a customary release of claims in favor of the Company within 52 days following your termination of employment (or such shorter period of time as provided for in the release of claims). This severance shall be paid in accordance with the Company's normal payroll schedule, subject to any delay in payment required under Section 409A of the Code.

Employee Benefits. You will be eligible to participate in the Company's standard employee benefits including medical, dental, life, 401(k), accidental life and dismemberment, and disability benefits, as in effect from time-to-time. Certain participation costs for our employee benefit programs are borne by our employees. Participation in our employee benefit programs is subject to the terms of the underlying plans and requirements established by the group insurance carriers. The Company reserves the right to discontinue or amend its employee benefits, including group insurance programs, from time to time in its sole discretion. Participation in any benefit program is not to be regarded as assurance of continued employment for any particular period of time.

No conflicts. By signing below, you agree that there is no lawful reason to prevent you from accepting a position with the Company. We also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed by the Company. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position with the Company, and you represent that such is the case.

Company Policies. As a Company employee, you will be expected to abide by the Company's rules and policies which may change from time to time in accordance with applicable laws. Such policies may include, without limitation, stock ownership guidelines, clawback policies, insider trading policies and policies regarding hedging or pledging of Company Common Stock.

Confidential Information/Nondisclosure/Nonsolicitation of Employees. As a condition of your employment with the Company, you will be required to sign the Company's Confidential Information and Invention Assignment Agreement, a copy of which is enclosed (the "**Confidentiality Agreement**"). For the avoidance of doubt, nothing contained in this letter or the Confidentiality Agreement limits your ability to report possible violations of law or regulation to, or file a charge or complaint with any federal, state or local governmental agency or commission ("**Government Agencies**"). Further, nothing in this letter or the Confidentiality Agreement shall limit your ability under applicable law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law, (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure or (iii)

communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

Dispute Resolution Arbitration. As a condition of your employment, you must sign the enclosed Mutual Arbitration Agreement which you should carefully review. Also enclosed are the related JAMS Rules.

At-Will Employment. Your employment is at will, which means that either you or the Company can terminate your employment with the Company at any time with or without notice and with or without cause. Nothing in this letter or the Offer Package Documents (as defined below) shall be construed to alter the at-will nature of your employment relationship with the Company. In addition, nothing in this letter prohibits the Company from terminating or modifying any of its compensation or benefits programs at any time.

Conditions to Employment. The Company reserves the right to conduct background investigations and reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such background investigations and reference checks. For purposes of federal immigration law, you are required, as a condition of employment, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire or our employment relationship with you may be terminated.

Severability. Should any provision contained in this letter be held as invalid, illegal or unenforceable, such holding shall not affect the validity of the remainder of this letter, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth herein.

Enclosures. The Confidentiality Agreement, the Mutual Arbitration Agreement and the Background Check Consent Form are collectively referred to as the "**Offer Package Documents.**"

Acceptance of Offer. To accept the Company's offer of employment, please sign and date this letter in the space provided below and return it to me no later than the date specified below along with the Offer Package Documents. A duplicate original of this letter is enclosed for your records.

Entire Agreement. This letter, along with the Offer Package Documents, sets forth the terms of your employment with the Company and supersedes any prior representations or agreements including, but not limited to, any representations made during your recruitment, interviews or pre-employment negotiations, whether written or oral. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by you and the Company's Chief Executive Officer. This offer of employment will terminate if it is not accepted, signed and returned by November 30, 2018.

Section 409A of the Code. The payments provided hereunder are intended to meet the requirements of Section 409A of the Code, and shall be interpreted and construed consistent with that intent. The payments hereunder are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury

regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and each payment hereunder is designated as a separate payment for such purposes. Notwithstanding any other provision hereof, to the extent any payments (including the provision of benefits) hereunder constitute "nonqualified deferred compensation," within the meaning of Section 409A of the Code, the payment shall be paid (or provided) in accordance with the following: (i) if you are a "specified employee" within the meaning of Section 409A of the Code on your termination date, then no such payment shall be made during the period beginning on the termination date and ending on the date that is six months following the termination date or, if earlier, on the date of your death, if the earlier making of such payment would result in tax penalties being imposed on you under Section 409A of the Code and (ii) if the period during which you may execute a release of claims in order to receive severance hereunder commences in one calendar year and ends in a subsequent calendar year, such severance will be paid or provided in the subsequent calendar year in accordance with Section 409A of the Code.

We look forward to your favorable reply and to working with you.

Sincerely,

/s/ Bernard Coulie

Bernard Coulie, M.D., Ph.D.

President and Chief Executive Officer

Agreed to and accepted:

Signature: /s/ Keith Cummings

Printed Name: Keith Cummings

Date: November 29, 2018

Enclosures: Duplicate Letter; Confidential Information and Invention Assignment Agreement; Mutual Arbitration Agreement; JAMS Rules; Background Check Consent Form



700 Saginaw Drive, Suite 150
Redwood City, CA 94063

February 27, 2018

Eric A. Lefebvre, M.D.

Re: Employment Offer

Dear Eric:

Pliant Therapeutics, Inc. ("Pliant" or the "Company") is pleased to confirm its offer to employ you as Chief Medical Officer. You will report to the Company's Chief Executive Officer, Bernard Coulie. Your effective date of hire as a regular, full time employee (the "Start Date") will be on May 1st, 2018 unless another date is agreed upon by you and the Company.

Your salary will be paid at the rate of \$380,000 per year, less payroll deductions and withholdings. You will be paid semi-monthly in accordance with the Company's usual payroll. You will also be eligible this year for a target bonus of 30% as a percentage of your annual compensation, based upon the achievement of corporate and individual goals, as agreed by the Board of Directors and pro-rated to reflect the portion of 2018 in which you are an employee of the Company. You will be eligible to participate each year in any annual bonus plan adopted by the Company and the Company, subject to financial, business, and other circumstances and factors.

You will be eligible for standard Company benefits, including but not limited to health care insurance, vacation, sick leave, holidays, 401(k), performance-based bonus program, and additional performance-based stock grants. The Company may change compensation and benefits from time to time at its discretion.

Subject to the approval by the Board of Directors of the Company (the "Board"), in connection with the commencement of your employment, you will receive the right to purchase 1,069,927 shares of the Company's common stock (the "Restricted Shares"). The Restricted Shares will be granted following the commencement of your employment. The purchase price of the Restricted Shares will be equal to the fair market value of the Company's common stock on the date of the grant, and the Board of Directors may elect to seek a third party valuation of such fair market value, which could delay the date that the Restricted Shares is granted. The Restricted Shares will be subject to the terms and conditions of the Company's then-current incentive stock plan (the "Plan") and form of restricted stock agreement. The Restricted Shares will vest as follows: one quarter of the Restricted Shares will vest on the first anniversary of the Start Date, and following that, 1/48th of the Restricted Shares will vest on a monthly basis, in arrears.. In addition, the Company will recommend that the Board grant you an additional option (separate from the



Eric A. Lefebvre, M.D.
February 27, 2018

Restricted Shares but at the same purchase price per share as the Restricted Shares) to purchase 178,321 shares of the Company's common stock, which will be subject to the terms and conditions of the Plan and a restricted stock purchase agreement. This additional grant will vest upon the successful completion of a Phase Ib study with a pharmacodynamic marker in 2019, as determined by the Board in its sole discretion. Vesting of both the Restricted Shares and the additional grant is contingent on your continued full-time employment with the Company.

In addition, the Company will provide you with a sign-on bonus of \$80,000. This bonus will be paid during your first month of employment at the Company. Should you decide to leave the Company within the first year of your employment, you will be expected to repay the bonus on a prorated basis.

As a Company employee, you will be expected to abide by Company rules and policies. As a condition of employment, you must sign and comply with the attached Employee Confidential Information and Inventions Assignment Agreement, which prohibits unauthorized use or disclosure of Company proprietary information, among other obligations.

In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. You hereby represent that you have disclosed to the Company any contract you have signed that may restrict your activities on behalf of the Company.

Normal business hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday. As an exempt salaried employee, you will be expected to work additional hours as required by the nature of your work assignments. Your employment with the Company will be "at will." You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company. Likewise, the Company may terminate your employment at any time, with or without cause or advance notice. Your employment at-will status can only be modified in a written agreement signed by you and by an officer of the Company.

Notwithstanding the foregoing, if the Company terminates your employment without Cause (as defined below), and other than for death or disability, then the Company will pay you cash severance (the "Severance") in an amount equal to nine (9) months of your base salary at the time of termination. Should you become re-employed within a 9 month period, you agree to repay the



Eric A. Lefebvre, M.D.
February 27, 2018

severance amount less the number of months you were unemployed. Your eligibility to receive the Severance will be conditioned upon your (i) signing and not revoking a release of any and all claims, in a form prescribed by the Company (the "Release"), and (ii) continued compliance with all legal and contractual obligations to the Company. The Severance will be paid in a lump-sum, less deductions and withholdings, on the thirtieth (30th) day following your last day of employment, provided the Release has become effective. "Cause" for termination of your employment shall exist if the Board determines, in its reasonable, good faith judgment that you engaged in any of the following behavior: (i) any act of embezzlement, fraud, theft or misappropriation including without limitation with respect to any asset or property of the Company; (ii) gross negligence, willful misconduct or material neglect of duties or breach of fiduciary duty to the Company; (iii) material failure to use good faith efforts to satisfactorily perform your duties (which failure continues after you have been given notice by the Company) or to follow the reasonable and lawful directions of the Board; (iv) violation of federal or state securities laws as it relates to any of the Company's securities; (v) material breach of an employment, consulting or other agreement with the Company that the Company and you have entered into or any personnel policy of which you have been made aware after notice and opportunity to cure if such breach is curable; or (vi) conviction of a felony, or any crime involving moral turpitude.

This offer is contingent upon satisfactory proof of your right to work in the United States. You agree to assist as needed and to complete any documentation at the Company's request to meet these conditions.

This letter, together with your Employee Confidential Information and Inventions Assignment Agreement, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by an officer of Company.

Please sign and date this letter, and the enclosed Employee Confidential Information and Inventions Assignment Agreement and return them to Barbara Howes (Bhowes@pliantrx.com) by close of business on March 1, 2018, if you wish to accept employment at the Company under the terms described above.

We look forward to your favorable reply and to a productive and enjoyable work relationship.



Eric A. Lefebvre, M.D.
February 27, 2018

Sincerely,

/s/ Bernard Coulie

Bernard Coulie M.D. Ph.D.
Chief Executive Officer, Pliant Therapeutics, Inc.

Accepted:

/s/ Eric A. Lefebvre

Eric A. Lefebvre, M.D.

Address: [***]

Date: February 28, 2018

Attachment: Employee Confidential Information and Inventions Assignment Agreement



April 26, 2019

Dear Barbara Howes:

We are very pleased to offer you the position of Chief Human Resources Officer, at Pliant Therapeutics, Inc., a Delaware corporation (the "**Company**"), with an employment commencement date by May 1, 2019. This letter outlines certain terms and conditions of your employment with the Company. We would be delighted to answer any questions you may have.

You will report to the Bernard Coulie, CEO at Pliant. You agree that you will devote your best efforts and your full business time to the business and affairs of the Company and its subsidiaries, and you will be expected to be present during regular business hours. Your work location will be at the Company's offices at 260 Littlefield Avenue, South San Francisco, CA 94080. This is a full-time exempt position.

Base Salary. We are offering you starting compensation at the annual salary of \$305,000, less applicable withholdings and deductions. Wages are paid semi-monthly in accordance with the Company's normal payroll procedures.

Annual Cash Incentive Bonus. Beginning with calendar year 2019, you will be eligible to receive an annual cash incentive bonus based upon the achievement of annual performance goals or objectives established and measured by the Compensation Committee (the "**Committee**") of the Company's Board of Directors (the "**Board**") in its sole discretion. You will have a target annual incentive bonus opportunity equal to 30% of your annual base salary, payable in accordance with the Company's annual cash incentive bonus program, as may be amended from time to time (but in no event shall any actual bonus be paid later than March 15th of the calendar year immediately following the year for which such compensation is earned). Actual bonus awards may pay below or above your target opportunity, including a zero payout, based on your and the Company's achievement of the applicable performance goals or objectives.

Incentive Compensation. In addition, if you decide to join the Company, it will be recommended at a meeting of the Board following the commencement of your employment that the Company grant you an option to purchase 600,000 shares of the Company's Common Stock at an exercise price per share equal to the fair market value per share of such Common Stock on the date of grant, as determined by the Board (the "**Option**"). One-hundred fifty thousand (150,000) shares subject to the Option will vest on your start date with the Company. The remaining four hundred fifty thousand (450,000) shares subject to the Option (the "**Remaining Shares**") will vest as follows: Twenty-five percent (25%) of the Remaining Shares shall vest on the one-year anniversary of the commencement date of your employment (the "**Vesting Commencement Date**"), and 1/48th of the Remaining Shares shall vest each month thereafter on

PLIANT THERAPEUTICS | 260 LITTLEFIELD AVE. | SOUTH SAN FRANCISCO, CA 94080
PLIANTRX.COM

the same day of the month as the Vesting Commencement Date (or if there is no corresponding day, on the last day of such month), subject to your continuing to be an employee of the Company through each such date. Your Option shall be subject to the terms and conditions of the Company's 2015 Equity Incentive Plan and form of Stock Option Agreement, including vesting requirements. No right to any stock is earned or accrued until such time that Company Common Stock is delivered to you upon the exercise of the Option, nor does the Option confer any right to continue vesting or employment.

Employee Benefits. You will be eligible to participate in the Company's standard employee benefits including vacation, sick leave, medical, dental, life, 401(k), accidental life and dismemberment, and disability benefits, as in effect at the time of hire. Certain participation costs for our employee benefit programs are borne by our employees. Participation in our employee benefit programs is subject to the terms of the underlying plans and requirements established by the group insurance carriers. The Company reserves the right to discontinue or amend its employee benefits, including group insurance programs, from time to time in its sole discretion. Participation in any benefit program is not to be regarded as assurance of continued employment for any particular period of time.

No conflicts. By signing below, you agree that there is no lawful reason to prevent you from accepting a position with the Company. We also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed by the Company. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position with the Company, and you represent that such is the case.

Company Policies. As a Company employee, you will be expected to abide by the Company's rules and policies which may change from time to time in accordance with applicable laws. Such policies may include, without limitation, stock ownership guidelines, clawback policies, insider trading policies and policies regarding hedging or pledging of Company Common Stock.

Confidential Information/Nondisclosure/Nonsolicitation of Employees. As a condition of your employment with the Company, you will be required to sign the Company's Confidential Information and Invention Assignment Agreement, a copy of which is enclosed (the "**Confidentiality Agreement**"). For the avoidance of doubt, nothing contained in this letter or the Confidentiality Agreement limits your ability to report possible violations of law or regulation to, or file a charge or complaint with any federal, state or local governmental agency or commission ("**Government Agencies**"). Further, nothing in this letter or the Confidentiality Agreement shall limit your ability under applicable law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law, (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure or (iii) communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

Dispute Resolution Arbitration. As a condition of your employment, you must sign the enclosed Mutual Arbitration Agreement which you should carefully review. Also enclosed are the related JAMS Rules.

At-Will Employment. Your employment is at will, which means that either you or the Company can terminate your employment with the Company at any time with or without notice and with or without cause. Nothing in this letter or the Offer Package Documents (as defined below) shall be construed to alter the at-will nature of your employment relationship with the Company. In addition, nothing in this letter prohibits the Company from terminating or modifying any of its compensation or benefits programs at any time.

Conditions to Employment. The Company reserves the right to conduct background investigations and reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such background investigations and reference checks. For purposes of federal immigration law, you are required, as a condition of employment, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire or our employment relationship with you may be terminated.

Severability. Should any provision contained in this letter be held as invalid, illegal or unenforceable, such holding shall not affect the validity of the remainder of this letter, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth herein.

Enclosures. The Confidentiality Agreement and the Mutual Arbitration Agreement are collectively referred to as the “*Offer Package Documents.*”

Acceptance of Offer. To accept the Company’s offer of employment, please sign and date this letter in the space provided below and return it to me no later than ten (10) days after the date of this letter (the “**Offer Deadline**”) along with the Offer Package Documents. A duplicate original of this letter is enclosed for your records.

Entire Agreement. This letter, along with the Offer Package Documents, sets forth the terms of your employment with the Company and supersedes any prior representations or agreements including, but not limited to, any representations made during your recruitment, interviews or pre-employment negotiations, whether written or oral. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by you and the Company’s Chief Executive Officer. This offer of employment will terminate if it is not accepted, signed and returned by the Offer Deadline.

We are excited by the prospect of your joining our team and our working together to promote you and the Company’s success.

Sincerely,

/s/ Bernard Coulie

Bernard Coulie, M.D., Ph.D.

President and Chief Executive Officer

Agreed to and accepted:

Signature: /s/ Barbara Howes

Printed Name: Barbara Howes

Date: May 1, 2019

Enclosures: Duplicate Letter; Confidential Information and Invention Assignment Agreement; Mutual Arbitration Agreement; JAMS Rules

EDGEWATER BUSINESS PARK**LEASE**

This Lease (the “**Lease**”), dated as of the date set forth in Section 1 of the Summary of Basic Lease Information (the “**Summary**”), below, is made by and between **HCP, INC.**, a Maryland corporation (“**Landlord**”), and **PLIANT THERAPEUTICS, INC.**, a Delaware corporation (“**Tenant**”).

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE	DESCRIPTION
1. Date:	February 6, 2018 (the “ Effective Date ”)
2. Premises (<u>Article 1</u>).	
2.1 Building:	That certain building containing approximately 32,974 rentable square feet of space (“ RSF ”) located at: 260 Littlefield Avenue South San Francisco, California 94080
2.2 Premises:	Approximately 32,974 rentable square feet of space consisting of the entire Building, as further set forth in <u>Exhibit A</u> to the Lease.
3. Lease Term (<u>Article 2</u>).	
3.1 Length of Term:	Approximately seven (7) years.
3.2 Lease Commencement Date:	The later to occur of (i) the date the Premises are “Ready for Occupancy”, as defined in the Tenant Work Letter attached hereto as <u>Exhibit B</u> , and (ii) June 1, 2018.
3.3 Lease Expiration Date:	If the Lease Commencement Date shall be the first day of a calendar month, then the day immediately preceding the seventh (7 th) anniversary of the Lease Commencement Date; or, if the Lease Commencement Date shall be other than the first day of a calendar month, then the last day of the month in which the seventh (7 th) anniversary of the Lease Commencement Date occurs.

4. Base Rent (Article 3):

<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Installment of Base Rent</u>	<u>Approximate Monthly Base Rent per Rentable Square Foot</u>
1*	\$1,859,733.60*	\$154,977.80*	\$4.70
2	\$1,924,824.28	\$160,402.02	\$4.86
3	\$1,992,193.13	\$166,016.09	\$5.03
4	\$2,061,919.89	\$171,826.66	\$5.21
5	\$2,134,087.08	\$177,840.59	\$5.39
6	\$2,208,780.13	\$184,065.01	\$5.58
7	\$2,286,087.43	\$190,507.29	\$5.78

***Note:** Tenant shall have no obligation to pay any Base Rent for the Premises attributable to the first two (2) months of the Lease Term (the “**Base Rent Abatement Period**”); provided, however, Tenant shall be required to pay Tenant’s Share of Direct Expenses attributable to such period, as well as for all utilities and other services.

5. Tenant Improvements (Exhibit B):

Tenant Improvements to be constructed on a turn-key basis pursuant to the Work Letter attached hereto as Exhibit B.

6. Tenant’s Share
(Article 4):

One hundred percent (100%).

7. Permitted Use
(Article 5):

The Premises shall be used only for general office, research and development, engineering, lab scale manufacturing, vivarium, laboratory, storage and/or warehouse uses, including, but not limited to, administrative offices and other lawful uses reasonably related to or incidental to such specified uses, all (i) consistent with first class life sciences projects in South San Francisco, California (“**First Class Life Sciences Projects**”), and (ii) in compliance with, and subject to, applicable laws and the terms of this Lease.

8. Amount of Security Deposit or Letter of Credit
(Article 21):

\$381,014.58.

9. Parking
(Article 28):

2.8 unreserved parking spaces for every 1,000 rentable square feet of the Premises, subject to the terms of Article 28 of the Lease.

10. Address of Tenant
(Section 29.18):

700 Saginaw Drive
Redwood City, CA 94063
Attention: Chief Business Officer
(Prior to Lease Commencement Date)

and

260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Business Officer
(After Lease Commencement Date)

11. Address of Landlord
(Section 29.18):

See Section 29.18 of the Lease.

12. Broker(s)
(Section 29.24):

CBRE, Inc.

and

Newmark Cornish & Carey

1. PREMISES, BUILDING, PROJECT, AND COMMON AREAS

1.1 Premises, Building, Project and Common Areas.

1.1.1 **The Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 2.2 of the Summary (the “**Premises**”). The outline of the Premises is set forth in Exhibit A attached hereto. The outline of the “**Building**” and the “**Project**,” as those terms are defined in Section 1.1.2 below, are further depicted on the Site Plan attached hereto as Exhibit A-1. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed. The parties hereto hereby acknowledge that the purpose of Exhibit A is to show the approximate location of the Premises only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the “**Common Areas**,” as that term is defined in Section 1.1.3, below, or the elements thereof or of the accessways to the Premises or the “**Project**,” as that term is defined in Section 1.1.2, below. Except as specifically set forth in this Lease and in the Tenant Work Letter attached hereto as Exhibit B (the “**Tenant Work Letter**”), Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant’s business, except as specifically set forth in this Lease and the Tenant Work Letter. Landlord shall deliver the Premises to Tenant in good, vacant, broom clean condition, Ready for Occupancy, with all closures in connection with previous Hazardous Materials use completed and otherwise in the same condition as of the date hereof, with the roof water-tight and shall cause the plumbing, electrical systems, fire sprinkler system, lighting and other building systems serving the Premises to be in good operating condition and repair on the Lease Commencement Date. Notwithstanding anything in this Lease to the contrary, in connection with the foregoing Landlord shall, at Landlord’s sole cost and expense (which shall not be deemed an “**Operating Expense**,” as that term is defined in Section 4.2.4), repair or replace any failed or inoperable portion of the HVAC and other mechanical systems serving the Premises during the first three (3) years of the initial Lease term (“**Warranty Period**”), provided that the need to repair or replace was not caused by the misuse, misconduct, damage, destruction, omissions, and/or negligence of Tenant, its subtenants and/or assignees, if any, or any company which is acquired, sold or merged with Tenant (collectively, “**Tenant Damage**”), or by any modifications, Alterations or improvements constructed by or on behalf of Tenant. Landlord shall coordinate such work with Tenant and shall utilize commercially reasonable efforts to perform the same in a manner designed to minimize interference with Tenant’s use of the Premises. To the extent repairs which Landlord is required to make pursuant to this Section 1.1.1 are necessitated in part by Tenant Damage, then Tenant shall reimburse Landlord for an equitable proportion of the cost of such repair. Landlord will be responsible for causing the exterior of the Building, the existing Building entrances, and all exterior Common Areas (including required striping and handicapped spaces in the parking areas) to be in compliance with Applicable Laws, to the extent required to allow the legal occupancy of the Premises or completion of the Tenant Improvements.

1.1.2 **The Building and The Project.** The Premises constitutes the entire building set forth in Section 2.1 of the Summary (the “**Building**”). The Building is part of an office/laboratory project currently known as Edgewater Business Park.” The term “**Project**,” as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the land (which is improved with landscaping, parking facilities and other improvements) upon which the Building and the Common Areas are located, (iii) the other office/laboratory buildings located at Edgewater Business Park, and the land upon which such adjacent office/laboratory buildings are located, and (iv) at Landlord’s discretion, any additional real property, areas, land, buildings or other improvements added thereto outside of the Project (provided that any such additions do not increase Tenant’s obligations under this Lease).

1.1.3 **Common Areas.** Tenant shall have the non-exclusive right to use in common with other tenants in the Project, and subject to the rules and regulations referred to in Article 5 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant and any other tenants of the Project (such areas, together with such other portions of the Project designated by Landlord, in its discretion, are collectively referred to herein as the “**Common Areas**”). Landlord shall maintain and operate the Common Areas, including all sprinkler and other systems serving the Common Areas, in a first class manner, and the use thereof shall

be subject to such rules, regulations and restrictions as Landlord may reasonably make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas, provided that in connection therewith Landlord will use commercially reasonable efforts to minimize any interference with Tenant's use of and access to the Premises and parking areas.

1.2 **Rentable Square Feet of Premises.** The rentable square footage of the Premises is hereby deemed to be as set forth in Section 2.2 of the Summary, and shall not be subject to measurement or adjustment during the Lease Term.

1.3 **Current Leases.** Landlord represents that (a) the Premises are currently leased (the "**Current Leases**") to Reset Therapeutics, Inc. (the "**Current Tenant**"), and (b) such lease is scheduled to expire on February 28, 2018.

2. LEASE TERM; OPTION TERM

2.1 **Lease Term.** The terms and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 3.1 of the Summary, shall commence on the date set forth in Section 3.2 of the Summary (the "**Lease Commencement Date**"), and shall terminate on the date set forth in Section 3.3 of the Summary (the "**Lease Expiration Date**") unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) month period during the Lease Term. At any time during the Lease Term, Landlord may deliver to Tenant a notice in the form as set forth in Exhibit C, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within five (5) business days of receipt thereof. Notwithstanding the foregoing, if Landlord has not delivered possession of the Premises in the condition required by Section 1.1.1, above, (1) on or before September 1, 2018, then, as Tenant's sole remedy for such delay, the date Tenant is otherwise obligated to commence payment of rent shall be delayed by one day for each day that the delivery date is delayed beyond such date, or (2) January 1, 2019, then, Tenant shall also have the right to terminate this Lease by written notice thereof to Landlord, whereupon any monies previously paid by Tenant to Landlord shall be reimbursed to Tenant. The foregoing dates shall be extended to the extent of any delays in delivery of possession caused by (i) Tenant Delay, as provided in Section 1(j) of the Tenant Work Letter, or (ii) war, terrorism, acts of God, natural disaster, civil unrest, governmental strike or area-wide or industry-wide labor disputes, inability to obtain services, labor, or materials or reasonable substitutes therefor, or delays due to utility companies that are not the result of any action or inaction of Landlord (provided that any such delay in this item (ii) shall not extend any such date by more than ninety (90) days).

2.2 **Option Term.**

2.2.1 **Option Right.** Landlord hereby grants to the Tenant originally named in this Lease (the "**Original Tenant**"), and its "Permitted Assignees", as that term is defined in Section 14.8, below, one (1) option to extend the Lease Term for a period of seven (7) years (the "**Option Term**"), which option shall be irrevocably exercised only by written notice delivered by Tenant to Landlord not more than twelve (12) months nor less than nine (9) months prior to the expiration of the initial Lease Term, provided that the following conditions (the "**Option Conditions**") are satisfied: (i) as of the date of delivery of such notice, Tenant is not in default under this Lease, after the expiration of any applicable notice and cure period; (ii) Tenant has not previously been in default under this Lease, after the expiration of any applicable notice and cure period, more than twice in the twelve (12) month period prior to the date of Tenant's attempted exercise; and (iii) the Lease then remains in full force and effect. Landlord may, at Landlord's option, exercised in Landlord's sole and absolute discretion, waive any of the Option Conditions in which case the option, if otherwise properly exercised by Tenant, shall remain in full force and effect. Upon the proper exercise of such option to extend, and provided that Tenant satisfies all of the Option Conditions (except those, if any, which are waived by Landlord), the Lease Term, as it applies to the Premises, shall be extended for a period of seven (7) years. The rights contained in this Section 2.2 shall be personal to Original Tenant and any Permitted Assignees, and may be exercised by Original Tenant or such Permitted Assignees (and not by any other assignee, sublessee or other "Transferee," as that term is defined in Section 14.1 of this Lease, of Tenant's interest in this Lease).

2.2.2 **Option Rent.** The annual Rent payable by Tenant during the Option Term (the "**Option Rent**") shall be equal to the "Fair Rental Value," as that term is defined below, for the Premises as of the

commencement date of the Option Term. The “**Fair Rental Value**,” as used in this Lease, shall be equal to the annual rent per rentable square foot (including additional rent and considering any “base year” or “expense stop” applicable thereto), including all escalations, at which tenants (pursuant to leases consummated within the twelve (12) month period preceding the first day of the Option Term), are leasing non-sublease, non-encumbered, non-equity space which is not significantly greater or smaller in size than the subject space, with a comparable level of improvements (excluding any property that Tenant would be allowed to remove from the Premises at the termination of the Lease), for a comparable lease term, in an arm’s length transaction, which comparable space is located in the “**Comparable Buildings**,” as that term is defined in this Section 2.2.2, below (transactions satisfying the foregoing criteria shall be known as the “**Comparable Transactions**”), taking into consideration the following concessions (the “**Concessions**”): (a) rental abatement concessions, if any, being granted such tenants in connection with such comparable space; (b) tenant improvements or allowances provided or to be provided for such comparable space, and taking into account the value, if any, of the existing improvements in the subject space (other than improvements installed by Tenant at Tenant’s sole cost and expense), such value to be based upon the age, condition, design, quality of finishes and layout of the improvements and the extent to which the same can be utilized by a general office/lab user other than Tenant; and (c) other reasonable monetary concessions being granted such tenants in connection with such comparable space; provided, however, that in calculating the Fair Rental Value, no consideration shall be given to the fact that Landlord is or is not required to pay a real estate brokerage commission in connection with Tenant’s exercise of its right to extend the Lease Term, or the fact that landlords are or are not paying real estate brokerage commissions in connection with such comparable space. The Concessions shall be reflected in the effective rental rate (which effective rental rate shall take into consideration the total dollar value of such Concessions as amortized on a straight-line basis over the applicable term of the Comparable Transaction (in which case such Concessions evidenced in the effective rental rate shall not be granted to Tenant)) payable by Tenant. The term “**Comparable Buildings**” shall mean the Building and those other life sciences buildings which are comparable to the Building in terms of age (based upon the date of completion of construction or major renovation of to the building), quality of construction, level of services and amenities, size and appearance, and are located in South San Francisco, California and the surrounding commercial area.

2.2.3 **Determination of Option Rent.** In the event Tenant timely and appropriately exercises an option to extend the Lease Term, Landlord shall notify Tenant of Landlord’s determination of the Option Rent within thirty (30) days thereafter. If Tenant, on or before the date which is ten (10) days following the date upon which Tenant receives Landlord’s determination of the Option Rent, in good faith objects to Landlord’s determination of the Option Rent, then Landlord and Tenant shall attempt to agree upon the Option Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within ten (10) days following Tenant’s objection to the Option Rent (the “**Outside Agreement Date**”), then Tenant shall have the right to withdraw its exercise of the option by delivering written notice thereof to Landlord within five (5) days thereafter, in which event Tenant’s right to extend the Lease pursuant to this Section 2.2 shall be of no further force or effect. If Tenant does not withdraw its exercise of the extension option, each party shall make a separate determination of the Option Rent, as the case may be, within ten (10) days after the Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with Sections 2.2.3.1 through 2.2.3.7, below. If Tenant fails to object to Landlord’s determination of the Option Rent within the time period set forth herein, then Tenant shall be deemed to have accepted Landlord’s determination of Option Rent.

2.2.3.1 Landlord and Tenant shall each appoint one arbitrator who shall be a real estate appraiser who shall have been active over the five (5) year period ending on the date of such appointment in the appraisal of other class A life sciences buildings located in the South San Francisco market area. The determination of the arbitrators shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Option Rent is the closest to the actual Option Rent, taking into account the requirements of Section 2.2.2 of this Lease, as determined by the arbitrators. Each such arbitrator shall be appointed within fifteen (15) days after the Outside Agreement Date. Landlord and Tenant may consult with their selected arbitrators prior to appointment and may select an arbitrator who is favorable to their respective positions. The arbitrators so selected by Landlord and Tenant shall be deemed “**Advocate Arbitrators**.”

2.2.3.2 The two (2) Advocate Arbitrators so appointed shall be specifically required pursuant to an engagement letter within ten (10) days of the date of the appointment of the last appointed Advocate Arbitrator to agree upon and appoint a third arbitrator (“**Neutral Arbitrator**”) who shall be qualified under the same criteria set forth hereinabove for qualification of the two Advocate Arbitrators, except that neither the Landlord or

Tenant or either parties' Advocate Arbitrator may, directly or indirectly, consult with the Neutral Arbitrator prior or subsequent to his or her appearance. The Neutral Arbitrator shall be retained via an engagement letter jointly prepared by Landlord's counsel and Tenant's counsel.

2.2.3.3 The three arbitrators shall, within thirty (30) days of the appointment of the Neutral Arbitrator, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Option Rent, and shall notify Landlord and Tenant thereof.

2.2.3.4 The decision of the majority of the three arbitrators shall be binding upon Landlord and Tenant.

2.2.3.5 If either Landlord or Tenant fails to appoint an Advocate Arbitrator within fifteen (15) days after the Outside Agreement Date, then either party may petition the presiding judge of the Superior Court of San Mateo County to appoint such Advocate Arbitrator subject to the criteria in Section 2.2.3.1 of this Lease, or if he or she refuses to act, either party may petition any judge having jurisdiction over the parties to appoint such Advocate Arbitrator.

2.2.3.6 If the two (2) Advocate Arbitrators fail to agree upon and appoint the Neutral Arbitrator, then either party may petition the presiding judge of the Superior Court of San Mateo County to appoint the Neutral Arbitrator, subject to criteria in Section 2.2.3.1 of this Lease, or if he or she refuses to act, either party may petition any judge having jurisdiction over the parties to appoint such arbitrator.

2.2.3.7 The cost of the arbitration shall be paid by Landlord and Tenant equally.

2.2.3.8 In the event that the Option Rent shall not have been determined pursuant to the terms hereof prior to the commencement of the Option Term, Tenant shall be required to pay the Option Rent initially provided by Landlord to Tenant, and upon the final determination of the Option Rent, the payments made by Tenant shall be reconciled with the actual amounts of Option Rent due, and the appropriate party shall make any corresponding payment to the other party.

3. BASE RENT Tenant shall pay, without prior notice or demand, to Landlord or Landlord's agent at the management office of the Project, or, at Landlord's option, at such other place as Landlord may from time to time designate in writing, by a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 4 of the Summary, payable in equal monthly installments as set forth in Section 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever. The Base Rent for the third (3rd) full month of the Lease Term shall be paid at the time of Tenant's execution of this Lease. If any Rent payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any payment of Rent is for a period which is shorter than one month, the Rent for any fractional month shall accrue on a daily basis for the period from the date such payment is due to the end of such calendar month or to the end of the Lease Term at a rate per day which is equal to 1/365 of the applicable annual Rent. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

4. ADDITIONAL RENT

4.1 General Terms.

4.1.1 **Direct Expenses; Additional Rent.** In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay during the Lease Term "**Tenant's Share**" of the annual "**Direct Expenses**," as those terms are defined in Sections 4.2.6 and 4.2.2 of this Lease, respectively, allocable to the Building as described in Section 4.3. Such payments by Tenant, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, are hereinafter collectively referred to as the "**Additional Rent**", and the Base Rent and the Additional Rent are herein collectively referred to as "**Rent**." All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.1.2 **Triple Net Lease.** Landlord and Tenant acknowledge that, to the extent provided in this Lease, it is their intent and agreement that this Lease be a “**TRIPLE NET**” lease and that as such, the provisions contained in this Lease are intended to pass on to Tenant or reimburse Landlord for the costs and expenses reasonably associated with this Lease, the Building and the Project, and Tenant’s operation therefrom to the extent provided in this Lease. To the extent such costs and expenses payable by Tenant cannot be charged directly to, and paid by, Tenant, such costs and expenses shall be paid by Landlord but reimbursed by Tenant as Additional Rent.

4.2 **Definitions of Key Terms Relating to Additional Rent.** As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 Intentionally Deleted.

4.2.2 “**Direct Expenses**” shall mean “**Operating Expenses**” and “**Tax Expenses.**”

4.2.3 “**Expense Year**” shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant’s Share of Direct Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 “**Operating Expenses**” shall mean all expenses, costs and amounts of every kind and nature which Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, restoration or operation of the Project, or any portion thereof. Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following: (i) the cost of supplying all utilities, the cost of operating, repairing and maintaining the utility, telephone, mechanical, sanitary, storm drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which are reasonably likely to increase Operating Expenses during the Lease Term, and the costs incurred in connection with a governmentally mandated transportation system management program or similar program; (iii) the cost of all insurance carried by Landlord in connection with the Project and Premises as reasonably determined by Landlord; (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Project, or any portion thereof; (v) the cost of parking area operation, repair, restoration, and maintenance; (vi) management and/or incentive fees, consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance and repair of the Project; (vii) payments under any equipment rental agreements; (viii) subject to item (f), below, wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance and security of the Project; (ix) costs under any easement pertaining to the sharing of costs by the Project; (x) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Project; (xi) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in Common Areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xii) amortization (including commercially reasonable interest on the unamortized cost) over such period of time as Landlord shall reasonably determine, of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof; (xiii) the cost of capital improvements or other costs incurred in connection with the Project (A) which are intended to effect economies in the operation or maintenance of the Project, or any portion thereof, or to reduce current or future Operating Expenses or to enhance the safety or security of the Project or its occupants, (B) which are required to comply with present or anticipated conservation programs, (C) which are replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, or (D) which are required under any governmental law or regulation; provided, however, notwithstanding anything to the contrary herein, that any capital expenditure shall be amortized (including reasonable interest on the amortized cost) over the reasonable useful life of such capital item before being included in Operating Expenses; (xiv) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute “Tax Expenses” as that term

is defined in Section 4.2.5, below; and (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building, including, without limitation, any covenants, conditions and restrictions affecting the property, and reciprocal easement agreements affecting the property, any parking licenses, and any agreements with transit agencies affecting the Property (collectively, "**Underlying Documents**"). Notwithstanding the foregoing, for purposes of this Lease, Operating Expenses shall not, however, include:

(a) costs, including legal fees, space planners' fees, advertising and promotional expenses (except as otherwise set forth above), and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Project, and costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants initially occupying space in the Project after the Lease Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project (excluding, however, such costs relating to any common areas of the Project or parking facilities);

(b) except as set forth in items (xii), (xiii), and (xiv) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest;

(c) costs for which the Landlord is reimbursed by any tenant or occupant of the Project or by insurance by its carrier or any tenant's carrier or by anyone else, electric power costs for which any tenant directly contracts with the local public service company and costs of utilities and services provided to other tenants that are not provided to Tenant;

(d) any bad debt loss, rent loss, or reserves for bad debts or rent loss or other reserves to the extent not used in the same year;

(e) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Project (which shall specifically include, but not be limited to, accounting costs associated with the operation of the Project). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Project, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants or occupants;

(f) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-a-vis time spent on matters unrelated to operating and managing the Project; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Project manager;

(g) amount paid as ground rental for the Project by the Landlord;

(h) except for a property management fee not to exceed three percent (3%) of gross revenues, overhead and profit increment paid to the Landlord, and any amounts paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in the Project to the extent the same exceeds the costs of such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(i) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (other than as direct reimbursement for costs which, if incurred directly by Landlord, would properly be included in Operating Expenses);

(j) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project which is used in providing engineering, janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project;

- (k) all items and services for which Tenant or any other tenant in the Project reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;
- (l) any costs expressly excluded from Operating Expenses elsewhere in this Lease;
- (m) rent for any office space occupied by Project management personnel;
- (n) costs arising from the gross negligence or willful misconduct of Landlord or its agents, employees or contractors in connection with this Lease;
- (o) costs incurred to comply with laws relating to the removal or remediation of hazardous material (as defined under applicable law), and any costs of fines or penalties relating to the presence of hazardous material, in each case to the extent not brought into the Building or Premises by Tenant or any Tenant Parties;
- (p) costs to correct any construction defect in the Project or to remedy any violation of a covenant, condition, restriction, underwriter's requirement or law that exists as of the Lease Commencement Date;
- (q) capital costs occasioned by casualties or condemnation;
- (r) legal fees, accountants' fees (other than normal bookkeeping expenses) and other expenses incurred in connection with disputes of tenant or other occupants of the Project or associated with the enforcement of the terms of any leases with tenants or the defense of Landlord's title to or interest in the Project or any part thereof;
- (s) costs incurred due to a violation by Landlord or any other tenant of the Project of the terms and conditions of a lease; and
- (t) self-insurance retentions and premiums for insurance coverage not customarily paid by tenants of similar projects in the vicinity of the Premises.

4.2.5 **Taxes.**

4.2.5.1 "**Tax Expenses**" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project, or any portion thereof.

4.2.5.2 Tax Expenses shall include, without limitation: (i) Any tax on the rent, right to rent or other income from the Project, or any portion thereof, or as against the business of leasing the Project, or any portion thereof; (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent,

or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises or the improvements thereon.

4.2.5.3 Any costs and expenses (including, without limitation, reasonable attorneys' and consultants' fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are incurred. Tax refunds shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this Article 4 for such Expense Year. If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of any such increased Tax Expenses. Notwithstanding anything to the contrary contained in this Section 4.2.5, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, transfer taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, (iii) any items paid by Tenant under Section 4.5 of this Lease, (iv) assessments in excess of the amount which would be payable if such assessment expense were paid in installments over the longest permitted term, (v) taxes imposed on land and improvements other than the Project and (vi) tax increases resulting from the improvement of any of the Project for the sole use of other occupants.

4.2.6 "**Tenant's Share**" shall mean the percentage set forth in Section 6 of the Summary.

4.3 **Allocation of Direct Expenses.** The parties acknowledge that the Building is a part of a multi-building project and that the costs and expenses incurred in connection with the Project (i.e., the Direct Expenses) should be shared between the Building and the other buildings in the Project. Accordingly, as set forth in Section 4.2 above, Direct Expenses (which consist of Operating Expenses and Tax Expenses) are determined annually for the Project as a whole, and a portion of the Direct Expenses, which portion shall be determined by Landlord on an equitable basis, shall be allocated to the Building (as opposed to other buildings in the Project). Such portion of Direct Expenses allocated to the Building shall include all Direct Expenses attributable solely to the Building and a pro rata portion of the Direct Expenses attributable to the Project as a whole, and shall not include Direct Expenses attributable solely to other buildings in the Project.

4.4 **Calculation and Payment of Additional Rent.** Commencing on the Lease Commencement Date, Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, Tenant's Share of Direct Expenses for each Expense Year during the Lease Term.

4.4.1 **Statement of Actual Direct Expenses and Payment by Tenant.** Landlord shall give to Tenant within five (5) months following the end of each Expense Year (provided that Landlord agrees to utilize commercially reasonable efforts to deliver such Statement to Tenant as soon as practicable following the end of each Expense Year), a statement (the "**Statement**") which shall state the Direct Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount of Tenant's Share of Direct Expenses. Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, Tenant shall pay, with its next installment of Base Rent due that is at least thirty (30) days thereafter, the full amount of Tenant's Share of Direct Expenses for such Expense Year, less the amounts, if any, paid during such Expense Year as "**Estimated Direct Expenses**," as that term is defined in Section 4.4.2, below, and if Tenant paid more as Estimated Direct Expenses than the actual Tenant's Share of Direct Expenses, Tenant shall receive a credit in the amount of Tenant's overpayment against Rent next due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord or Tenant from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Direct Expenses for the Expense Year in which this Lease terminates, Tenant shall immediately pay to Landlord such amount, and if Tenant paid more as Estimated Direct Expenses than the actual Tenant's Share of Direct Expenses, Landlord shall, within thirty (30) days, deliver a check payable to Tenant in the amount of the overpayment. The provisions of this Section 4.4.1 shall survive the expiration or earlier termination of the Lease Term. Notwithstanding the immediately preceding sentence, Tenant shall not be responsible for Tenant's Share of any Direct Expenses

attributable to any Expense Year which are first billed to Tenant more than two (2) calendar years after the earlier of the expiration of the applicable Expense Year or the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant's Share of Direct Expenses levied by any governmental authority or by any public utility companies at any time following the Lease Expiration Date which are attributable to any Expense Year (provided that Landlord delivers Tenant a bill for such amounts within two (2) years following Landlord's receipt of the bill therefor).

4.4.2 **Statement of Estimated Direct Expenses.** In addition, Landlord shall give Tenant a yearly expense estimate statement (the "Estimate Statement") which shall set forth Landlord's reasonable estimate (the "Estimate") of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated Tenant's Share of Direct Expenses (the "Estimated Direct Expenses"). Landlord shall utilize commercially reasonable efforts to deliver such Estimate Statement within five (5) months following the end of each Expense Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Direct Expenses under this Article 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Direct Expenses theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, with its next installment of Base Rent due that is at least thirty (30) days thereafter, a fraction of the Estimated Direct Expenses for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator. Until a new Estimate Statement is furnished (which Landlord shall have the right to deliver to Tenant at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Direct Expenses set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.5 **Taxes and Other Charges for Which Tenant Is Directly Responsible.** Tenant shall be liable for and shall pay ten (10) days before delinquency, taxes levied against Tenant's equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant's equipment, furniture, fixtures and any other personal property are levied against Landlord or Landlord's property or if the assessed value of Landlord's property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

4.6 **Landlord's Books and Records.** Within one hundred twenty (120) days after receipt by Tenant of a Statement, if Tenant disputes the amount of Additional Rent set forth in the Statement, a member of Tenant's finance department, or an independent certified public accountant (which accountant is a member of a nationally recognized accounting firm and is not working on a contingency fee basis) ("**Tenant's Accountant**"), designated and paid for by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records with respect to the Statement at Landlord's offices, provided that there is no existing Event of Default and Tenant has paid all amounts required to be paid under the applicable Estimate Statement and Statement, as the case may be. In connection with such inspection, Tenant and Tenant's agents must agree in advance to follow Landlord's reasonable rules and procedures regarding inspections of Landlord's records, and shall execute a commercially reasonable confidentiality agreement regarding such inspection. Tenant's failure to dispute the amount of Additional Rent set forth in any Statement within one hundred twenty (120) days of Tenant's receipt of such Statement shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. If after such inspection, Tenant still disputes such Additional Rent, a determination as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant (the "**Accountant**") selected by Landlord and subject to Tenant's reasonable approval; provided that if such Accountant determines that Direct Expenses were overstated by more than five percent (5%), then the cost of the Accountant and the cost of such determination shall be paid for by Landlord, and Landlord shall reimburse Tenant for the cost of the Tenant's Accountant (provided that such cost shall be a reasonable market cost for such services). Tenant hereby acknowledges that Tenant's sole right to inspect Landlord's books and records and to contest the amount of Direct Expenses payable by Tenant shall be as set forth in this Section 4.6, and Tenant hereby waives any and all other rights pursuant to applicable law to inspect such books and records and/or to contest the amount of Direct Expenses payable by Tenant.

5. USE OF PREMISES

5.1 **Permitted Use.** Tenant shall use the Premises solely for the Permitted Use set forth in Section 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion.

5.2 **Prohibited Uses.** Tenant further covenants and agrees that Tenant shall not use or permit any person or persons to use, the Premises or any part thereof for any use or purpose in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project) including, without limitation, any such laws, ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect. Landlord shall have the right to impose reasonable, nondiscriminatory and customary rules and regulations regarding the use of the Project that do not unreasonably interfere with Tenant's use of the Premises, as reasonably deemed necessary by Landlord with respect to the orderly operation of the Project, and Tenant shall comply with such reasonable rules and regulations. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Project, or injure or annoy them or use or allow the Premises to be used for any improper, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall comply with, and Tenant's rights and obligations under the Lease and Tenant's use of the Premises shall be subject and subordinate to, all recorded easements, covenants, conditions, and restrictions now or hereafter affecting the Project, so long as the same do not unreasonably interfere with Tenant's use of the Premises or parking rights or materially increase Tenant's obligations or decrease Tenant's rights under this Lease.

5.3 **Hazardous Materials.**

5.3.1 **Tenant's Obligations.**

5.3.1.1 **Prohibitions.** As a material inducement to Landlord to enter into this Lease with Tenant, Tenant has fully and accurately completed Landlord's Pre-Leasing Environmental Exposure Questionnaire (the "**Environmental Questionnaire**"), which is attached as **Exhibit E**. Tenant agrees that except for those chemicals or materials, and their respective quantities, specifically listed on the Environmental Questionnaire (as the same may be updated from time to time as provided below), neither Tenant nor Tenant's employees, contractors and subcontractors of any tier, entities with a contractual relationship with Tenant (other than Landlord), or any entity acting as an agent or sub-agent of Tenant (collectively, "**Tenant's Agents**") will produce, use, store or generate any "Hazardous Materials," as that term is defined below, on, under or about the Premises, nor cause any Hazardous Material to be brought upon, placed, stored, manufactured, generated, blended, handled, recycled, used or "Released," as that term is defined below, on, in, under or about the Premises. If any information provided to Landlord by Tenant on the Environmental Questionnaire, or otherwise relating to information concerning Hazardous Materials is intentionally false, incomplete, or misleading in any material respect, the same shall be deemed a default by Tenant under this Lease. Upon Landlord's request, or in the event of any material change in Tenant's use of Hazardous Materials in the Premises, Tenant shall deliver to Landlord an updated Environmental Questionnaire at least once a year. Tenant shall notify Landlord prior to using any Hazardous Materials in the Premises not described on the initial Environmental Questionnaire, and, to the extent such use would, in Landlord's reasonable judgment, cause a material increase in the risk of liability compared to the uses previously allowed in the Premises, such additional use shall be subject to Landlord's prior consent, which may be withheld in Landlord's reasonable discretion. Tenant shall not install or permit Tenant's Agents to install any underground storage tank on the Premises. For purposes of this Lease, "**Hazardous Materials**" means all flammable explosives, petroleum and petroleum products, waste oil, radon, radioactive materials, toxic pollutants, asbestos, polychlorinated biphenyls ("**PCBs**"), medical waste, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, including without limitation any chemical, element, compound, mixture, solution, substance, object, waste or any combination thereof, which is or may be hazardous to human health, safety or to the environment due to its radioactivity, ignitability, corrosiveness, reactivity, explosiveness, toxicity, carcinogenicity, infectiousness or other

harmful or potentially harmful properties or effects, or defined as, regulated as or included in, the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” under any Environmental Laws. For purposes of this Lease, “Release” or “Released” or “Releases” shall mean any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing, or other movement of Hazardous Materials into the environment. Landlord acknowledges that Tenant may be installing and using fume hoods in the Premises and that emissions of Hazardous Materials into the air in compliance with all Environmental Laws shall not be considered Releases.

5.3.1.2 **Notices to Landlord.** Tenant shall notify Landlord in writing as soon as possible but in no event later than five (5) days after (i) the occurrence of any actual, alleged or threatened Release of any Hazardous Material in, on, under, from, about or in the vicinity of the Premises (whether past or present), regardless of the source or quantity of any such Release, or (ii) Tenant becomes aware of any regulatory actions, inquiries, inspections, investigations, directives, or any cleanup, compliance, enforcement or abatement proceedings (including any threatened or contemplated investigations or proceedings) relating to or potentially affecting the Premises, or (iii) Tenant becomes aware of any claims by any person or entity relating to any Hazardous Materials in, on, under, from, about or in the vicinity of the Premises, whether relating to damage, contribution, cost recovery, compensation, loss or injury. Collectively, the matters set forth in clauses (i), (ii) and (iii) above are hereinafter referred to as “**Hazardous Materials Claims**”. Tenant shall promptly forward to Landlord copies of all orders, notices, permits, applications and other communications and reports in connection with any Hazardous Materials Claims. Additionally, Tenant shall promptly advise Landlord in writing of Tenant’s discovery of any occurrence or condition on, in, under or about the Premises that could subject Tenant or Landlord to any liability, or restrictions on ownership, occupancy, transferability or use of the Premises under any “Environmental Laws,” as that term is defined below. Tenant shall not enter into any legal proceeding or other action, settlement, consent decree or other compromise with respect to any Hazardous Materials Claims without first notifying Landlord of Tenant’s intention to do so and affording Landlord the opportunity to join and participate, as a party if Landlord so elects, in such proceedings and in no event shall Tenant enter into any agreements which are binding on Landlord or the Premises without Landlord’s prior written consent. Landlord shall have the right to appear at and participate in, any and all legal or other administrative proceedings concerning any Hazardous Materials Claim. For purposes of this Lease, “**Environmental Laws**” means all applicable present and future laws relating to the protection of human health, safety, wildlife or the environment, including, without limitation, (i) all requirements pertaining to reporting, licensing, permitting, investigation and/or remediation of emissions, discharges, Releases, or threatened Releases of Hazardous Materials, whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Materials; and (ii) all requirements pertaining to the health and safety of employees or the public. Environmental Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC § 9601, et seq., the Hazardous Materials Transportation Authorization Act of 1994, 49 USC § 5101, et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, and Hazardous and Solid Waste Amendments of 1984, 42 USC § 6901, et seq., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC § 1251, et seq., the Clean Air Act of 1966, 42 USC § 7401, et seq., the Toxic Substances Control Act of 1976, 15 USC § 2601, et seq., the Safe Drinking Water Act of 1974, 42 USC §§ 300f through 300j, the Occupational Safety and Health Act of 1970, as amended, 29 USC § 651 et seq., the Oil Pollution Act of 1990, 33 USC § 2701 et seq., the Emergency Planning and Community Right-To-Know Act of 1986, 42 USC § 11001 et seq., the National Environmental Policy Act of 1969, 42 USC § 4321 et seq., the Federal Insecticide, Fungicide and Rodenticide Act of 1947, 7 USC § 136 et seq., California Carpenter-Presley-Tanner Hazardous Substance Account Act, California Health & Safety Code §§ 25300 et seq., Hazardous Materials Release Response Plans and Inventory Act, California Health & Safety Code, §§ 25500 et seq., Underground Storage of Hazardous Substances provisions, California Health & Safety Code, §§ 25280 et seq., California Hazardous Waste Control Law, California Health & Safety Code, §§ 25100 et seq., and any other state or local law counterparts, as amended, as such applicable laws, are in effect as of the Lease Commencement Date, or thereafter adopted, published, or promulgated.

5.3.1.3 **Releases of Hazardous Materials.** If any Release of any Hazardous Material in, on, under, from or about the Premises shall occur at any time during the Lease by Tenant or Tenant’s Agents, in addition to notifying Landlord as specified above, Tenant, at its own sole cost and expense, shall (i) immediately comply with any and all reporting requirements imposed pursuant to any and all Environmental Laws, (ii) provide a written certification to Landlord indicating that Tenant has complied with all applicable reporting requirements, (iii) take any and all necessary investigation, corrective and remedial action in accordance with any and all applicable

Environmental Laws, utilizing an environmental consultant approved by Landlord, all in accordance with the provisions and requirements of this **Section 5.3**, including, without limitation, **Section 5.3.4**, and (iv) take any such additional investigative, remedial and corrective actions as Landlord shall in its reasonable discretion deem necessary such that the Premises are remediated to the condition existing prior to such Release.

5.3.1.4 Indemnification.

5.3.1.4.1 **In General.** Without limiting in any way Tenant's obligations under any other provision of this Lease, Tenant shall be solely responsible for and shall protect, defend, indemnify and hold the Landlord Parties harmless from and against any and all claims, judgments, losses, damages, costs, expenses, penalties, enforcement actions, taxes, fines, remedial actions, liabilities (including, without limitation, actual attorneys' fees, litigation, arbitration and administrative proceeding costs, expert and consultant fees and laboratory costs) including, without limitation, consequential damages and sums paid in settlement of claims, which arise during or after the Lease Term, whether foreseeable or unforeseeable, that arise during or after the Lease Term in whole or in part, foreseeable or unforeseeable, directly or indirectly arising out of or attributable to the Release of Hazardous Materials in, on, under or about the Premises by Tenant or Tenant's Agents.

5.3.1.4.2 **Limitations.** Notwithstanding anything in **Section 5.3.1.4**, above, to the contrary, Tenant's indemnity of Landlord as set forth in **Section 5.3.1.4**, above, shall not be applicable to claims based upon Hazardous Materials not Released by Tenant or Tenant's Agents.

5.3.1.4.3 **Landlord Indemnity.** Under no circumstance shall Tenant be liable for, and Landlord shall indemnify, defend, protect and hold harmless Tenant and Tenant's Agents from and against, all losses, costs, claims, liabilities and damages (including attorneys' and consultants' fees) arising out of any Hazardous Materials that exist in, on or about the Project as of the date hereof, or Hazardous Material Released by Landlord or any Landlord Parties. Landlord shall provide Tenant with any environmental reports relating to the Project in Landlord's immediate possession. The provision of such reports shall be for informational purposes only, and Landlord does not make any representation or warranty as to the correctness or completeness of any such reports.

5.3.1.5 **Compliance with Environmental Laws.** Without limiting the generality of Tenant's obligation to comply with applicable laws as otherwise provided in this Lease, Tenant shall, at its sole cost and expense, comply with all Environmental Laws related to the use of Hazardous Materials by Tenant and Tenant's Agents. Tenant shall obtain and maintain any and all necessary permits, licenses, certifications and approvals appropriate or required for the use, handling, storage, and disposal of any Hazardous Materials used, stored, generated, transported, handled, blended, or recycled by Tenant on the Premises. Landlord shall have a continuing right, without obligation, to require Tenant to obtain, and to review and inspect any and all such permits, licenses, certifications and approvals, together with copies of any and all Hazardous Materials management plans and programs, any and all Hazardous Materials risk management and pollution prevention programs, and any and all Hazardous Materials emergency response and employee training programs respecting Tenant's use of Hazardous Materials. Upon request of Landlord, Tenant shall deliver to Landlord a narrative description explaining the nature and scope of Tenant's activities involving Hazardous Materials and showing to Landlord's satisfaction compliance with all Environmental Laws and the terms of this Lease.

5.3.2 Assurance of Performance.

5.3.2.1 **Environmental Assessments In General.** Landlord may, but shall not be required to, engage from time to time such contractors as Landlord determines to be appropriate (and which are reasonably acceptable to Tenant) to perform environmental assessments of a scope reasonably determined by Landlord (an "**Environmental Assessment**") to ensure Tenant's compliance with the requirements of this Lease with respect to Hazardous Materials.

5.3.2.2 **Costs of Environmental Assessments.** All costs and expenses incurred by Landlord in connection with any such Environmental Assessment initially shall be paid by Landlord; provided that if any such Environmental Assessment shows that Tenant has failed to comply with the provisions of this **Section 5.3**, then all of the costs and expenses of such Environmental Assessment shall be reimbursed by Tenant as Additional Rent within thirty (30) days after receipt of written demand therefor.

5.3.3 **Tenant's Obligations upon Surrender.** At the expiration or earlier termination of the Lease Term, Tenant, at Tenant's sole cost and expense, shall: (i) cause an Environmental Assessment of the Premises to be conducted in accordance with **Section 15.3**; (ii) cause all Hazardous Materials brought onto the Premises by Tenant or Tenant's Agents to be removed from the Premises and disposed of in accordance with all Environmental Laws and as necessary to allow the Premises to be used for the purposes allowed as of the date of this Lease; and (iii) cause to be removed all containers installed or used by Tenant or Tenant's Agents to store any Hazardous Materials on the Premises, and cause to be repaired any damage to the Premises caused by such removal.

5.3.4 **Clean-up.**

5.3.4.1 **Environmental Reports; Clean-Up.** If any written report, including any report containing results of any Environmental Assessment (an "**Environmental Report**") shall indicate (i) the presence of any Hazardous Materials as to which Tenant has a removal or remediation obligation under this **Section 5.3**, and (ii) that as a result of same, the investigation, characterization, monitoring, assessment, repair, closure, remediation, removal, or other clean-up (the "**Clean-up**") of any Hazardous Materials is required, Tenant shall immediately prepare and submit to Landlord within thirty (30) days after receipt of the Environmental Report a comprehensive plan, subject to Landlord's written approval, specifying the actions to be taken by Tenant to perform the Clean-up so that the Premises are restored to the conditions required by this Lease. Upon Landlord's approval of the Clean-up plan, Tenant shall, at Tenant's sole cost and expense, without limitation on any rights and remedies of Landlord under this Lease, immediately implement such plan with a consultant reasonably acceptable to Landlord and proceed to Clean-Up Hazardous Materials in accordance with all applicable laws. If, within thirty (30) days after receiving a copy of such Environmental Report, Tenant fails either (a) to complete such Clean-up, or (b) with respect to any Clean-up that cannot be completed within such thirty-day period, fails to proceed with diligence to prepare the Clean-up plan and complete the Clean-up as promptly as practicable, then Landlord shall have the right, but not the obligation, and without waiving any other rights under this Lease, to carry out any Clean-up recommended by the Environmental Report or required by any governmental authority having jurisdiction over the Premises, and recover all of the costs and expenses thereof from Tenant as Additional Rent, payable within ten (10) days after receipt of written demand therefor.

5.3.4.2 **No Rent Abatement.** Tenant shall continue to pay all Rent due or accruing under this Lease during any Clean-up, and shall not be entitled to any reduction, offset or deferral of any Base Rent or Additional Rent due or accruing under this Lease during any such Clean-up.

5.3.4.3 **Surrender of Premises.** Tenant shall complete any Clean-up prior to surrender of the Premises upon the expiration or earlier termination of this Lease. Tenant shall obtain and deliver to Landlord a letter or other written determination from the overseeing governmental authority confirming that the Clean-up has been completed in accordance with all requirements of such governmental authority and that no further response action of any kind is required for the unrestricted use of the Premises ("**Closure Letter**"). Upon the expiration or earlier termination of this Lease, Tenant shall also be obligated to close all permits obtained in connection with Hazardous Materials used by Tenant or Tenant's Agents in accordance with applicable laws.

5.3.4.4 **Failure to Timely Clean-Up.** Should any Clean-up for which Tenant is responsible not be completed, or should Tenant not receive the Closure Letter and any governmental approvals required under Environmental Laws in conjunction with such Clean-up prior to the expiration or earlier termination of this Lease, then, commencing on the later of the termination of this Lease and three (3) business days after Landlord's delivery of notice of such failure and that it elects to treat such failure as a holdover, Tenant shall be liable to Landlord as a holdover tenant (as more particularly provided in **Article 16**) until Tenant has fully complied with its obligations under this **Section 5.3**.

5.3.5 **Confidentiality.** Unless compelled to do so by applicable law, Tenant agrees that Tenant shall not disclose, discuss, disseminate or copy any information, data, findings, communications, conclusions and reports regarding the environmental condition of the Premises to any Person (other than Tenant's consultants, attorneys, property managers, employees, shareholders and potential and actual investors, lenders, business and

merger partners, subtenants and assignees that have a need to know such information), including any governmental authority, without the prior written consent of Landlord. In the event Tenant reasonably believes that disclosure is compelled by applicable law, it shall provide Landlord ten (10) days' advance notice of disclosure of confidential information so that Landlord may attempt to obtain a protective order. Tenant may additionally release such information to bona fide prospective purchasers or lenders, subject to any such parties' written agreement to be bound by the terms of this **Section 5.3**.

5.3.6 **Copies of Environmental Reports.** Within thirty (30) days of receipt thereof, Tenant shall provide Landlord with a copy of any and all environmental assessments, audits, studies and reports regarding Tenant's activities with respect to the Premises, or ground water beneath the Land, or the environmental condition or Clean-up thereof. Tenant shall be obligated to provide Landlord with a copy of such materials without regard to whether such materials are generated by Tenant or prepared for Tenant, or how Tenant comes into possession of such materials.

5.3.7 **Intentionally Omitted.**

5.3.8 **Signs, Response Plans, Etc.** Tenant shall be responsible for posting on the Premises any signs required under applicable Environmental Laws with respect to the use of Hazardous Materials by Tenant or Tenant's Agents. Tenant shall also complete and file any business response plans or inventories required by any applicable laws. Tenant shall concurrently file a copy of any such business response plan or inventory with Landlord.

5.3.9 **Survival.** Each covenant, agreement, representation, warranty and indemnification made by Tenant set forth in this **Section 5.3** shall survive the expiration or earlier termination of this Lease and shall remain effective until all of Tenant's obligations under this **Section 5.3** have been completely performed and satisfied.

5.4 **Generator.** Commencing on the Lease Commencement Date, Tenant shall have the right to connect to the existing Building back-up generator (the "**Generator**"), for Tenant's Share of the Generator's capacity to provide back-up generator services to the Premises. During the Lease Term, Landlord shall maintain the Generator in good condition and repair, and Tenant shall be responsible for a share of the costs of such maintenance and repair based on the proportion of the Generator capacity allocated to the Premises. Notwithstanding the foregoing, Landlord shall not be liable for any damages whatsoever resulting from any failure in operation of the Generator, or the failure of the Generator to provide suitable or adequate back-up power to the Premises, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring, or loss to inventory, scientific research, scientific experiments, laboratory animals, products, specimens, samples, and/or scientific, business, accounting and other records of every kind and description kept at the Premises and any and all income derived or derivable therefrom.

6. SERVICES AND UTILITIES

6.1 **In General.** Tenant will be responsible, at its sole cost and expense, for the furnishing of all services and utilities to the Premises, including, but not limited to heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and interior Building security services.

6.1.1 All utilities (including without limitation, electricity, gas, sewer and water) to the Building are separately metered at the Premises and shall be paid directly by Tenant to the applicable utility provider.

6.1.2 Landlord shall not provide janitorial services for the Premises. Tenant shall be solely responsible for performing all janitorial services and other cleaning of the Premises, all in compliance with applicable laws. The janitorial and cleaning of the Premises shall be adequate to maintain the Premises in a manner consistent with First Class Life Sciences Projects.

Tenant shall cooperate fully with Landlord at all times and abide by all reasonable regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems. Provided that Landlord agrees to provide and maintain and keep in continuous service utility connections to the Project, including electricity, water and sewage connections, Landlord shall have no obligation to provide any services or utilities to the Building, including, but not limited to heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and interior Building security services, except as set forth in this **Section 6.1**, above.

6.2 **Interruption of Use.** Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Notwithstanding the foregoing, Landlord may be liable for damages to the extent caused by the negligence or willful misconduct of Landlord or the Landlord Parties, provided that Landlord shall not be liable under any circumstances for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.3 **Energy Performance Disclosure Information.** Tenant hereby acknowledges that Landlord may be required to disclose certain information concerning the energy performance of the Building pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"). Tenant hereby acknowledges prior receipt of the Data Verification Checklist, as defined in the Energy Disclosure Requirements (the "**Energy Disclosure Information**"), and agrees that Landlord has timely complied in full with Landlord's obligations under the Energy Disclosure Requirements. Tenant acknowledges and agrees that (i) Landlord makes no representation or warranty regarding the energy performance of the Building or the accuracy or completeness of the Energy Disclosure Information, (ii) the Energy Disclosure Information is for the current occupancy and use of the Building and that the energy performance of the Building may vary depending on future occupancy and/or use of the Building, and (iii) Landlord shall have no liability to Tenant for any errors or omissions in the Energy Disclosure Information. If and to the extent not prohibited by applicable laws, Tenant hereby waives any right Tenant may have to receive the Energy Disclosure Information, including, without limitation, any right Tenant may have to terminate this Lease as a result of Landlord's failure to disclose such information. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and/or liabilities relating to, arising out of and/or resulting from the Energy Disclosure Requirements, including, without limitation, any liabilities arising as a result of Landlord's failure to disclose the Energy Disclosure Information to Tenant prior to the execution of this Lease. Tenant's acknowledgment of the AS-IS condition of the Premises to the extent provided in this Lease shall be deemed to include the energy performance of the Building. Tenant further acknowledges that pursuant to the Energy Disclosure Requirements, Landlord may be required in the future to disclose information concerning Tenant's energy usage to certain third parties, including, without limitation, prospective purchasers, lenders and tenants of the Building (the "**Tenant Energy Use Disclosure**"). Tenant hereby (A) consents to all such Tenant Energy Use Disclosures, and (B) acknowledges that Landlord shall not be required to notify Tenant of any Tenant Energy Use Disclosure. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Tenant Energy Use Disclosure. The terms of this Section 6.3 shall survive the expiration or earlier termination of this Lease.

7. REPAIRS

7.1 **Tenant Repair Obligations.** Tenant shall, throughout the Term, at its sole cost and expense, maintain, repair, or replace as required, the Premises and Building and every part thereof in a good standard of maintenance, repair and replacement as required, and in good and sanitary condition, all in accordance with the standards of First Class Life Sciences Projects, except for Landlord Repair Obligations, whether or not such maintenance, repair, replacement or improvement is required in order to comply with applicable Laws ("**Tenant's Repair Obligations**"), including, without limitation, the following: (1) interior glass, windows, window frames, and window casements (including the repairing, resealing, cleaning and replacing of interior windows); (2) interior doors, door frames and door closers; (3) interior lighting (including, without limitation, light bulbs and ballasts); (4) the plumbing, sewer, drainage, electrical, fire protection, life safety and security systems and equipment, existing heating, ventilation and air-conditioning systems, and all other mechanical, electrical and communications systems and

equipment (collectively, with the elevator in the Building, the “**Building Systems**”), including without limitation (i) any specialty or supplemental Building Systems installed by or for Tenant and (ii) all electrical facilities and equipment, including lighting fixtures, lamps, fans and any exhaust equipment and systems, electrical motors and all other appliances and equipment of every kind and nature located in, upon or about the Premises; (5) all communications systems serving the Premises; (6) all of Tenant’s security systems in or about or serving the Premises; (7) Tenant’s signage; (8) interior demising walls and partitions (including painting and wall coverings), equipment, floors, and any roll-up doors, ramps and dock equipment; and (9) the Building HVAC system and equipment. Tenant shall additionally be responsible, at Tenant’s sole cost and expense, to furnish all expendables, including light bulbs, paper goods and soaps, used in the Premises, and, to the extent that Landlord notifies Tenant in writing of its intention to no longer arrange for such monitoring, cause the fire alarm systems serving the Premises to be monitored by a monitoring or protective services firm approved by Landlord in writing.

7.2 **Service Contracts.** Subject to the Landlord Repair Obligations, all Building Systems, (other than the elevator), including HVAC, main electrical, plumbing and fire/life-safety systems, shall be maintained, repaired and replaced by Tenant (i) in a commercially reasonable first-class condition, (ii) in accordance with any applicable manufacturer specifications relating to any particular component of such Building Systems, (iii) in accordance with applicable Laws. To perform such work, Tenant shall contract with qualified, experienced professional third party service companies (a “**Service Contract**”). Tenant shall regularly, in accordance with commercially reasonable standards, generate and maintain preventative maintenance records relating to each Building’s mechanical and main electrical systems, including life safety and the central plant (“**Preventative Maintenance Records**”). In addition, upon Landlord’s request, Tenant shall deliver a copy of all current Service Contracts to Landlord and/or a copy of the Preventative Maintenance Records.

7.3 **Landlord’s Right to Perform Tenant’s Repair Obligations.** Tenant shall notify Landlord in writing at least ten (10) business days prior to performing any Tenant’s Repair Obligation which may have a material, adverse effect on the Building Systems or which is reasonably anticipated to cost more than \$100,000.00. Upon receipt of such notice from Tenant, Landlord shall have the right to either (i) perform such material Tenant’s Repair Obligation by delivering notice of such election to Tenant within ten (10) business days following receipt of Tenant’s notice, and Tenant shall pay Landlord the cost thereof (including Landlord’s reasonable out-of-pocket costs incurred in connection therewith) within thirty (30) days after receipt of an invoice therefor, or (ii) require Tenant to perform such Tenant’s Repair Obligation at Tenant’s sole cost and expense. If Tenant fails to perform any Tenant’s Repair Obligation within a reasonable time period after written notice thereof from Landlord, as reasonably determined by Landlord, then Landlord may, but need not, following delivery of notice to Tenant of such election, make such Tenant Repair Obligation, and Tenant shall pay Landlord the cost thereof, (including Landlord’s reasonable supervision fee) within thirty (30) days after receipt of an invoice therefor.

7.4 **Landlord Repair Obligations.** Landlord shall be responsible for repairs to and routine maintenance of (i) the exterior glass, exterior walls, foundation and roof of the Building, the structural portions of the floors of the Building, including, without limitation, any painting, sealing, patching and waterproofing of exterior walls, and (ii) repairs to the elevator in the Building and underground utilities, except to the extent that any such repairs are required due to the negligence or willful misconduct of Tenant (the “**Landlord Repair Obligations**”); provided, however, that if such repairs are due to the negligence or willful misconduct of Tenant, Landlord shall nevertheless make such repairs at Tenant’s expense, or, if covered by Landlord’s insurance, Tenant shall only be obligated to pay any deductible in connection therewith. Costs expended by Landlord in connection with the Landlord Repair Obligations shall be included in Operating Expenses to the extent allowed pursuant to the terms of Article 4, above. Landlord shall cooperate with Tenant to enforce any warranties that Landlord holds that could reduce Tenant’s maintenance obligations under this Lease.

7.5 **Tenant’s Right to Make Repairs.** Notwithstanding any provision to the contrary contained in this Lease, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord under this Lease with respect to repair and/or maintenance required in the Premises, including repairs to the portions of the Building located within the Premises that are Landlord’s responsibility under Section 7.4 (the “**Base Building**”), which event or circumstance with respect to the Base Building materially and adversely affects the conduct of Tenant’s business from the Premises, and Landlord fails to commence corrective action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in any event not later than thirty (30) days after receipt of said notice (unless Landlord’s obligation cannot reasonably be performed within thirty (30) days, in which event

Landlord shall be allowed additional time as is reasonably necessary to perform the obligation so long as Landlord begins performance within the initial thirty (30) days and diligently pursues performance to completion), or, in the event of an Emergency (as defined below), not later than five (5) business days after receipt of such notice, then Tenant shall have the right to undertake such actions as may be reasonably necessary to make such repairs if Landlord thereafter fails to commence corrective action within five (5) business days following Landlord's receipt of a second written notice from Tenant specifying that Tenant will undertake such actions if Landlord fails to timely do so (provided that such notice shall include the following language in bold, capitalized text: **"IF LANDLORD FAILS TO COMMENCE THE REPAIRS DESCRIBED IN THIS LETTER WITHIN FIVE (5) BUSINESS DAYS FROM LANDLORD'S RECEIPT OF THIS LETTER, TENANT WILL PERFORM SUCH REPAIRS AT LANDLORD'S EXPENSE"**); provided, however, that in no event shall Tenant undertake any actions that could materially or adversely affect the Base Building. Notwithstanding the foregoing, in the event of an Emergency, no second written notice shall be required as long as Tenant advises Landlord in the first written notice of Tenant's intent to perform such Emergency repairs if Landlord does not commence the same within such five (5) business day period, utilizing the language required in second notices. If such action was required under the terms of this Lease to be taken by Landlord and was not commenced by Landlord within such five (5) business day period and thereafter diligently pursued to completion, then Tenant shall be entitled to prompt reimbursement by Landlord of the reasonable out-of-pocket third-party costs and expenses actually incurred by Tenant in taking such action. If Tenant undertakes such corrective actions pursuant to this Section 7.3, then (a) the insurance and indemnity provisions set forth in this Lease shall apply to Tenant's performance of such corrective actions, (b) Tenant shall proceed in accordance with all applicable laws, (c) Tenant shall retain to perform such corrective actions only such reputable contractors and suppliers as are duly licensed and qualified, (d) Tenant shall effect such repairs in a good and workmanlike and commercially reasonable manner, (e) Tenant shall use new or like new materials, and (f) Tenant shall take reasonable efforts to minimize any material interference or impact on the other tenants and occupants of the Building. Promptly following completion of any work taken by Tenant pursuant to the terms of this Section 7.5, Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto, and Landlord shall reimburse Tenant the amounts expended by Tenant in connection with such work, provided that Landlord shall have the right to reasonably object if Landlord claims that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive). For purposes of this Section 7.5, an **"Emergency"** shall mean an event threatening immediate and material danger to people located in the Building or immediate, material damage to the Building, Base Building, or creating a realistic possibility of an immediate and material interference with, or immediate and material interruption of a material aspect of Tenant's business operations.

8. ADDITIONS AND ALTERATIONS

8.1 **Landlord's Consent to Alterations.** Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises (collectively, the **"Alterations"**) without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration which adversely affects the structural portions or the systems or equipment of the Building or is visible from the exterior of the Building. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days' notice to Landlord (as to Alterations costing more than \$10,000 only), but without Landlord's prior consent, to the extent that such Alterations (i) do not affect the building systems or equipment (other than minor changes such as adding or relocating electrical outlets and thermostats), (ii) are not visible from the exterior of the Building, and (iii) cost less than \$50,000.00 for a particular job of work. The construction of the Tenant Improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 8.

8.2 **Manner of Construction.** Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that upon Landlord's request, Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the city in which the Building is located (or other applicable governmental authority). Tenant shall

not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas. Upon completion of any Alterations, Tenant shall deliver to Landlord final lien waivers from all contractors, subcontractors and materialmen who performed such work. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Mateo in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to the Project construction manager a reproducible copy of the "as built" drawings of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

8.3 **Payment for Improvements.** In connection with any Alterations that affect the Building systems (other than minor changes such as adding or relocating electrical outlets and thermostats), or which have a cost in excess of \$100,000, Tenant shall reimburse Landlord for Landlord's reasonable, actual, out-of-pocket costs and expenses actually incurred in connection with Landlord's review of such work.

8.4 **Construction Insurance.** In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations as to which Tenant is required to obtain Landlord's consent or provide Landlord with notice, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant or Tenant's contractor carries "Builder's All Risk" insurance (to the extent that the cost of such work shall exceed \$50,000) in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Landlord pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Tenant's contractors and subcontractors shall be required to carry Commercial General Liability Insurance in an amount approved by Landlord and otherwise in accordance with the requirements of Article 10 of this Lease. In connection with Alterations with a cost in excess of \$250,000, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 **Landlord's Property.** All Alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises, from time to time, shall be at the sole cost of Tenant and all Alterations and improvements, shall be and become the property of Landlord and remain in place at the Premises following the expiration or earlier termination of this Lease. Notwithstanding the foregoing, Landlord may, by written notice to Tenant given at the time it consents to an Alteration, require Tenant, at Tenant's expense, to remove any Alterations within the Premises and to repair any damage to the Premises and Building caused by such removal. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations, Landlord may do so and may charge the cost thereof to Tenant. Tenant hereby protects, defends, indemnifies and holds Landlord harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises, which obligations of Tenant shall survive the expiration or earlier termination of this Lease. Notwithstanding the foregoing, except to the extent the same are paid for by the Tenant Improvement Allowance, the items set forth in Exhibit G attached hereto (the "Tenant's Property") shall at all times be and remain Tenant's property. Exhibit G may be updated from time to time by agreement of the parties. Tenant may remove the Tenant's Property from the Premises at any time, provided that Tenant repairs all damage caused by such removal. Landlord shall have no lien or other interest in the Tenant's Property.

9. **COVENANT AGAINST LIENS** Tenant shall keep the Project and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant, and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys' fees and costs) arising out of same or in connection therewith. Except as to Alterations as to which no notice is required under the second sentence of Section 8.1, Tenant shall give Landlord notice at least ten (10) business days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Landlord the opportunity of posting and recording appropriate notices of non-responsibility (to the extent applicable pursuant to then applicable laws). Tenant shall remove any such lien or encumbrance by bond or otherwise within ten (10) business days after notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof.

10. INSURANCE

10.1 **Indemnification and Waiver.** Except as provided in Section 10.5 or to the extent due to the negligence, willful misconduct or violation of this Lease by Landlord or the Landlord Parties, Tenant hereby assumes all risk of damage to property in, upon or about the Premises from any cause whatsoever (including, but not limited to, any personal injuries resulting from a slip and fall in, upon or about the Premises) and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, “**Landlord Parties**”) shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys’ fees) incurred in connection with or arising from any cause in or on the Premises (including, but not limited to, a slip and fall), any acts, omissions or negligence of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Tenant or any such person, in, on or about the Project or any breach of the terms of this Lease, either prior to, during, or after the expiration of the Lease Term, provided that the terms of the foregoing indemnity and release shall not apply to the negligence or willful misconduct of Landlord or its agents, employees, contractors, licensees or invitees, or Landlord’s violation of this Lease. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant’s occupancy of the Premises, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as reasonable appraisers’, accountants’ and attorneys’ fees. Notwithstanding anything to the contrary in this Lease, Landlord shall not be released or indemnified from, and shall indemnify, defend, protect and hold harmless Tenant from, all losses, damages, liabilities, claims, attorneys’ fees, costs and expenses arising from the gross negligence or willful misconduct of Landlord or its agents, contractors, licensees or invitees, or a violation of Landlord’s obligations or representations under this Lease. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

10.2 **Tenant’s Compliance With Landlord’s Property Insurance.** Landlord shall insure the Building, Tenant Improvements and any Alterations during the Lease Term against loss or damage under an “all risk” property insurance policy. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. The costs of such insurance shall be included in Operating Expenses, subject to the terms of Section 4.2.4. Tenant shall, at Tenant’s expense, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant’s conduct or use of the Premises causes any increase in the premium for such insurance policies then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant’s expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required to comply with or cause the Premises to comply with any laws, rules, regulations or insurance requirements requiring the construction of alterations unless such compliance is necessitated solely due to Tenant’s particular use of the Premises.

10.3 **Tenant’s Insurance.** Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance on an occurrence form covering the insured against claims of bodily injury and property damage (including loss of use thereof) arising out of Tenant’s operations, and contractual liabilities including a contractual coverage for limits of liability (which limits may be met together with umbrella liability insurance) of not less than:

Bodily Injury and	\$5,000,000 each occurrence
Property Damage Liability	\$5,000,000 annual aggregate
Personal Injury Liability	\$3,000,000 each occurrence
	\$3,000,000 annual aggregate

10.3.2 Property Insurance covering all office furniture, business and trade fixtures, office and lab equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage (excluding flood), including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of ninety (90) days.

10.3.3 Business Income Interruption for ninety (90) days plus Extra Expense insurance in such amounts as will reimburse Tenant for actual direct or indirect loss of earnings attributable to the risks outlined in Section 10.3.2 above.

10.3.4 Worker's Compensation and Employer's Liability or other similar insurance pursuant to all applicable state and local statutes and regulations. The policy shall include a waiver of subrogation in favor of Landlord, its employees, Lenders and any property manager or partners.

10.4 **Form of Policies.** The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) name Landlord, its subsidiaries and affiliates, its property manager (if any) and any other party the Landlord so specifies, as an additional insured on the liability insurance, including Landlord's managing agent, if any; (ii) be issued by an insurance company having a rating of not less than A-:VII in Best's Insurance Guide or which is otherwise acceptable to Landlord and authorized to do business in the State of California; and (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance required of Tenant. Tenant shall not cause said insurance to be canceled or coverage changed unless thirty (30) days' prior written notice shall have been given to Landlord and any mortgagee of Landlord (unless such cancellation is the result of non-payment of premiums, in which case not less than five (5) days' notice shall be provided). Tenant shall deliver said policy or policies or certificates thereof to Landlord on or before the Lease Commencement Date and at least ten (10) days before the expiration dates thereof. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate, Landlord may, at its option, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor.

10.5 **Subrogation.** Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property or business interruption loss to the extent that such coverage is agreed to be provided hereunder, notwithstanding the negligence of either party. Notwithstanding anything to the contrary in this Lease, the parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers. The parties agree that their respective insurance policies do now, or shall, contain the waiver of subrogation.

10.6 **Additional Insurance Obligations.** Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord or Landlord's lender, but in no event in excess of the amounts and types of insurance then being required by landlords of buildings comparable to and in the vicinity of the Building.

11. DAMAGE AND DESTRUCTION

11.1 **Repair of Damage to Premises by Landlord.** Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any Common Areas serving or

providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Premises and such Common Areas. Such restoration shall be to substantially the same condition of the Premises and the Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws or any other modifications to the Common Areas deemed desirable by Landlord, which are consistent with the character of the Project, provided that access to the Premises shall not be materially impaired. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or Common Areas necessary to Tenant's occupancy, and the damaged portions of the Premises are not occupied by Tenant as a result thereof, then during the time and to the extent the Premises are unfit for occupancy, the Rent shall be abated in proportion to the ratio that the amount of rentable square feet of the Premises which is unfit for occupancy for the purposes permitted under this Lease bears to the total rentable square feet of the Premises.

11.2 **Landlord's Option to Repair.** Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, Building and/or Project, and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after the date of discovery of the damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises, but Landlord may so elect only if the Building shall be damaged by fire or other casualty or cause, and one or more of the following conditions is present: (i) in Landlord's reasonable judgment, repairs cannot reasonably be completed within one (1) year after the date of discovery of the damage (when such repairs are made without the payment of overtime or other premiums); (ii) the damage is due to a risk that Landlord is not required to insure under this Lease, and the cost of restoration exceed five percent (5%) of the replacement cost of the Building (unless Tenant agrees to pay any uninsured amount in excess of such five percent (5%)); or (iii) the damage occurs during the last twelve (12) months of the Lease Term and will take more than sixty (60) days to restore; provided, however, that if Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the repairs cannot, in the reasonable opinion of Landlord, be completed within seven (7) months after the date of discovery of the damage (or are not in fact completed within eight (8) months after the date of discovery of the damage), Tenant may elect, no earlier than sixty (60) days after the date of the damage and not later than ninety (90) days after the date of such damage, or within thirty (30) days after such repairs are not timely completed, to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than sixty (60) days after the date such notice is given by Tenant.

11.3 **Waiver of Statutory Provisions.** The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

12. NONWAIVER No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment.

13. CONDEMNATION If the whole or any part of the Premises shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use or reconstruction of any part of the Premises, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not because of such taking assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, for moving expenses, for the unamortized value of any improvements paid for by Tenant and for the Lease "bonus value", so long as such claims are payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

14. ASSIGNMENT AND SUBLETTING

14.1 **Transfers.** Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "**Transfers**" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "**Transferee**"). If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "**Transfer Notice**") shall include (i) the proposed effective date of the Transfer, which shall not be less than thirty (30) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "**Subject Space**"), (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "**Transfer Premium**", as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, and (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and any other information reasonably required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a default by Tenant under this Lease. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord's reasonable review and processing fees, as well as any reasonable professional fees (including, without limitation, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord (not to exceed \$3,500 in the aggregate for any particular Transfer), within thirty (30) days after written request by Landlord.

14.2 **Landlord's Consent.** Landlord shall not unreasonably withhold or delay its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice and shall respond to Tenant's consent request within thirty (30) days. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project;

14.2.2 The Transferee is either a governmental agency or instrumentality thereof;

14.2.3 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested; or

14.2.4 The proposed Transfer would cause a violation of another lease for space in the Project, or would give an occupant of the Project a right to cancel its lease.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within six (6) months after Landlord's consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article 14, their sole remedies shall be a suit for contract damages (other than damages for injury to, or interference with, Tenant's business including, without limitation, loss of profits, however occurring) or declaratory judgment and an injunction for the relief sought, and Tenant hereby waives all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee.

14.3 **Transfer Premium.** If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "**Transfer Premium**," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred, and after deduction of (i) any costs of improvements made to the Subject Space in connection with such Transfer, (ii) brokerage commissions paid in connection with such Transfer, and (iii) reasonable legal fees incurred in connection with such Transfer. "**Transfer Premium**" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. The determination of the amount of Landlord's applicable share of the Transfer Premium shall be made on a monthly basis as rent or other consideration is received by Tenant under the Transfer.

14.4 **Landlord's Option as to Subject Space.** Notwithstanding anything to the contrary contained in this Article 14, in the event Tenant contemplates a Transfer other than to a Permitted Transferee which, together with all prior Transfers then remaining in effect, would cause fifty percent (50%) or more of the Premises to be Transferred for more than fifty percent (50%) of the then remaining Lease Term (taking into account any extension of the Lease Term which has irrevocably exercised by Tenant), Tenant shall give Landlord notice (the "**Intention to Transfer Notice**") of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer in the subject Transfer (the "**Contemplated Transfer Space**"), the contemplated date of commencement of the Contemplated Transfer (the "**Contemplated Effective Date**"), and the contemplated length of the term of such contemplated Transfer. Thereafter, Landlord shall have the option, by giving written notice to Tenant within thirty (30) days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space. Such recapture shall cancel and terminate this Lease with respect to such Contemplated Transfer Space as of the Contemplated Effective Date. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner, to recapture such Contemplated Transfer Space under this Section 14.4, then, subject to the other terms of this Article 14, for a period of nine (9) months (the "**Nine Month Period**") commencing on the last day of such thirty (30) day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with

respect to any Transfer made during the Nine Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this Article 14. If such a Transfer is not so consummated within the Nine Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Nine Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer, as provided above in this Section 14.4. Tenant shall not be required to provide a separate Intention to Transfer Notice and Tenant's request for Landlord's consent to a Transfer shall satisfy Tenant's obligations in this Section 14.4.

14.5 **Effect of Transfer.** If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than two percent (2%), Tenant shall pay Landlord's costs of such audit.

14.6 **Additional Transfers.** For purposes of this Lease, the term "**Transfer**" shall also include if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners, or transfer of fifty percent (50%) or more of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof.

14.7 **Occurrence of Default.** Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in default under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such default is cured. Such Transferee shall rely on any representation by Landlord that Tenant is in default hereunder, without any need for confirmation thereof by Tenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.8 **Non-Transfers.** Notwithstanding anything to the contrary contained in this Article 14, (i) an assignment or subletting of all or a portion of the Premises to an affiliate of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant), (ii) an assignment of the Premises to an entity which acquires all or substantially all of the assets or interests (partnership, stock or other) of Tenant, (iii) an assignment of the Premises to an entity which is the resulting entity of a merger or consolidation of Tenant with another entity, or (iv) a change of Control or the sale of corporate shares of capital stock in Tenant in connection with a private financing or public offering of Tenant's stock on a nationally-recognized stock exchange (collectively, a "**Permitted Transferee**"), shall not be deemed a Transfer under this Article 14, provided that (A) Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such affiliate, (B) such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease, (C) such Permitted Transferee shall be of a character and reputation consistent with the quality of the Building, and (D) such Permitted Transferee described in subpart (ii) or (iii) above shall have a tangible

net worth (not including goodwill as an asset) computed in accordance with generally accepted accounting principles (“**Net Worth**”) at least equal to the Net Worth of Tenant on the day immediately preceding the effective date of such assignment or sublease. An assignee of Tenant’s entire interest that is also a Permitted Transferee may also be known as a “**Permitted Assignee**”. “**Control**,” as used in this [Section 14.8](#), shall mean the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person or entity. No such permitted assignment or subletting shall serve to release Tenant from any of its obligations under this Lease.

15. SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 **Surrender of Premises.** No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in writing by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

15.2 **Removal of Tenant Property by Tenant.** Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this [Article 15](#), quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear, damage caused by casualty, repairs required as a result of condemnation, and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, movable partitions (but not demountable walls) and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal.

15.3 **Environmental Assessment.** In connection with its surrender of the Premises, Tenant shall submit to Landlord, at least fifteen (15) days prior to the expiration date of this Lease (or in the event of an earlier termination of this Lease, as soon as reasonably possible following such termination), an environmental Assessment of the Premises by a competent and experienced environmental engineer or engineering firm reasonably satisfactory to Landlord (pursuant to a contract approved by Landlord and providing that Landlord can rely on the Environmental Assessment). If such Environmental Assessment reveals that remediation or Clean-up is required under any Environmental Laws that Tenant is responsible for under this Lease, Tenant shall submit a remediation plan prepared by a recognized environmental consultant and shall be responsible for all costs of remediation and Clean-up, as more particularly provided in [Section 5.3](#), above.

15.4 **Condition of the Building and Premises Upon Surrender.** In addition to the above requirements of this [Article 15](#), upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, surrender the Premises and Building with Tenant having complied with all of Tenant’s obligations under this Lease, including those relating to improvement, repair, maintenance, compliance with law, testing and other related obligations of Tenant set forth in [Article 7](#) of this Lease. In the event that the Building and Premises shall be surrendered in a condition which does not comply with the terms of this [Section 15.4](#), because Tenant failed to comply with its obligations set forth in Lease, then following thirty (30) days’ notice to Tenant, during which thirty (30) day period Tenant shall have the right to cure such noncompliance, Landlord shall be entitled to expend all reasonable costs in order to cause the same to comply with the required condition upon surrender and Tenant shall immediately reimburse Landlord for all such costs upon notice and, commencing on the later of the termination of this Lease and three (3) business days after Landlord’s delivery of notice of such failure and that it elects to treat such failure as a holdover, Tenant shall be deemed during the period that Tenant or Landlord, as the case may be, perform obligations relating to the Surrender Improvements to be in holdover under [Article 16](#) of this Lease.

16. HOLDING OVER If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term. If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, without the express or implied consent of Landlord, such tenancy shall be deemed to be a tenancy by sufferance only, and shall not constitute a renewal hereof or an extension for any further term. In either case, Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy or tenancy by sufferance, as the case may be, shall be subject to every other applicable term, covenant and agreement contained herein. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

17. ESTOPPEL CERTIFICATES Within ten (10) business days following a request in writing by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of **Exhibit D**, attached hereto (or such other form as may be reasonably required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. At any time during the Lease Term, in connection with a sale or financing of the Building by Landlord, Landlord may require Tenant to provide Landlord with its most recent annual financial statement and annual financial statements of the preceding two (2) years. Such statements shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Landlord shall hold such statements confidential. Failure of Tenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

18. SUBORDINATION Landlord hereby represents and warrants to Tenant that the Project is not currently subject to any ground lease, or to the lien of any mortgage or deed of trust. This Lease shall be subject and subordinate to all future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against the Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. The subordination of this Lease to any such future ground or underlying leases of the Building or Project or to the lien of any mortgage, trust deed or other encumbrances, shall be subject to Tenant's receipt of a commercially reasonable subordination, non-disturbance, and attornment agreement in favor of Tenant. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant. Landlord's interest herein may be assigned as security at any time to any lienholder. Tenant shall, within ten (10) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

19. DEFAULTS; REMEDIES

19.1 **Events of Default.** The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after notice; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's performance in this Lease, in which event the failure to perform by Tenant within such time period shall be a default by Tenant under this Section 19.1.2, any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default; or

19.1.3 Abandonment or vacation of all or a substantial portion of the Premises by Tenant while Tenant is in default under the Lease; or

19.1.4 The failure by Tenant to observe or perform according to the provisions of Articles 5, 14, 17 or 18 of this Lease where such failure continues for more than five (5) business days after notice from Landlord.

19.2 **Remedies Upon Default.** Upon the occurrence of any event of default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of the unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, in each case to the extent allocable to the remaining Lease Term, brokerage commissions and advertising expenses incurred to obtain a new tenant, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in Article 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in Section 19.2.1(iii) above, the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 **Subleases of Tenant.** If Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 **Efforts to Relet.** No re-entry, repairs, maintenance, changes, alterations and additions, appointment of a receiver to protect Landlord's interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant's obligations hereunder, unless express written notice of such intention is sent by Landlord to Tenant.

20. COVENANT OF QUIET ENJOYMENT Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

21. LEASE SECURITY.

21.1 **Security Deposit.** Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord a security deposit (the "**Security Deposit**") in the amount set forth in Section 8 of the Summary, as security for the faithful performance by Tenant of all of its obligations under this Lease. If Tenant defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Landlord may, without notice to Tenant, but shall not be required to apply all or any part of the Security Deposit for the payment of any Rent or any other sum in default and Tenant shall, upon demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby irrevocably waives and relinquishes any and all rights, benefits, or protections, if any, Tenant now has, or in the future may have, under Section 1950.7 of the California Civil Code, any successor statute, and all

other provisions of law, now or hereafter in effect, including, but not limited to, any provision of law which (i) establishes the time frame by which a landlord must refund a security deposit under a lease, and/or (ii) provides that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the subject premises. Tenant acknowledges and agrees that (a) any statutory time frames for the return of a security deposit are superseded by the express period identified in this Section 21.1, above, and (b) rather than be so limited, Landlord may claim from the Security Deposit (1) any and all sums expressly identified in this Section 21.1, above, and (2) any additional sums reasonably necessary to compensate Landlord for any and all losses or damages caused by Tenant's default of this Lease, including, but not limited to, all damages or rent due upon termination of Lease pursuant to Section 1951.2 of the California Civil Code.

21.2 **Delivery of Letter of Credit.** In lieu of a cash Security Deposit, Tenant may deliver to Landlord, concurrently with Tenant's execution of this Lease, an unconditional, clean, irrevocable letter of credit (the "**L-C**") in the amount set forth in Section 8 of the Lease Summary (the "**L-C Amount**"), which L-C shall be issued by a money-center, solvent and nationally recognized bank (a bank which accepts deposits, maintains accounts, has a local San Francisco Bay Area office which will negotiate a letter of credit, and whose deposits are insured by the FDIC) reasonably acceptable to Landlord (such approved, issuing bank being referred to herein as the "**Bank**"), which Bank must have a rating from Standard and Poors Corporation of A- or better (or any equivalent rating thereto from any successor or substitute rating service selected by Lessor) and a letter of credit issuer rating from Moody's Investor Service of A3 or better (or any equivalent rating thereto from any successor rating agency thereto)) (collectively, the "**Bank's Credit Rating Threshold**"), and which L-C shall be in the form of Exhibit E, attached hereto. Notwithstanding the foregoing, Landlord hereby approves Silicon Valley Bank as the Bank. Tenant shall pay all expenses, points and/or fees incurred by Tenant in obtaining the L-C. The L-C shall (i) be "callable" at sight, irrevocable and unconditional, (ii) be maintained in effect, whether through renewal or extension, for the period commencing on the date of this Lease and continuing until the date (the "**L-C Expiration Date**") that is no less than sixty (60) days after the expiration of the Lease Term as the same may be extended, and Tenant shall deliver a new L-C or certificate of renewal or extension to Landlord at least thirty (30) days prior to the expiration of the L-C then held by Landlord, without any action whatsoever on the part of Landlord, (iii) be fully assignable by Landlord, its successors and assigns, (iv) permit partial draws and multiple presentations and drawings, and (v) be otherwise subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev), International Chamber of Commerce Publication #500, or the International Standby Practices-ISP 98, International Chamber of Commerce Publication #590. Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the L-C if any of the following shall have occurred or be applicable: (A) such amount is due to Landlord under the terms and conditions of this Lease, and has not been paid within applicable notice and cure periods (or, if Landlord is prevented by law from providing notice, within the period for payment set forth in the Lease), or (B) Tenant has filed a voluntary petition under the U. S. Bankruptcy Code or any state bankruptcy code (collectively, "**Bankruptcy Code**"), or (C) an involuntary petition has been filed against Tenant under the Bankruptcy Code that is not dismissed within thirty (30) days, or (D) the Lease has been rejected, or is deemed rejected, under Section 365 of the U.S. Bankruptcy Code, following the filing of a voluntary petition by Tenant under the Bankruptcy Code, or the filing of an involuntary petition against Tenant under the Bankruptcy Code, or (E) the Bank has notified Landlord that the L-C will not be renewed or extended through the L-C Expiration Date, and Tenant has not provided a replacement L-C that satisfies the requirements of this Lease at least thirty (30) days prior to such expiration, or (F) Tenant is placed into receivership or conservatorship, or becomes subject to similar proceedings under Federal or State law, or (G) Tenant executes an assignment for the benefit of creditors, or (H) if (1) any of the Bank's (other than Silicon Valley Bank) Fitch Ratings (or other comparable ratings to the extent the Fitch Ratings are no longer available) have been reduced below the Bank's Credit Rating Threshold, or (2) there is otherwise a material adverse change in the financial condition of the Bank, and Tenant has failed to provide Landlord with a replacement letter of credit, conforming in all respects to the requirements of this Section 21.2 (including, but not limited to, the requirements placed on the issuing Bank more particularly set forth in this Section 21.2 above), in the amount of the applicable L-C Amount, within ten (10) days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) (each of the foregoing being an "**L-C Draw Event**"). The L-C shall be honored by the Bank regardless of whether Tenant disputes Landlord's right to draw upon the L-C. In addition, in the event the Bank is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said L-C shall be deemed to fail to meet the requirements of this Section 21.2, and, within ten (10) days following Landlord's notice to Tenant of such receivership or conservatorship (the "**L-C FDIC Replacement Notice**"), Tenant shall replace such L-C with a substitute letter of credit from a different issuer

(which issuer shall meet or exceed the Bank's Credit Rating Threshold and shall otherwise be acceptable to Landlord in its reasonable discretion) and that complies in all respects with the requirements of this Section 21.2. If Tenant fails to replace such L-C with such conforming, substitute letter of credit pursuant to the terms and conditions of this Section 21.2, then, notwithstanding anything in this Lease to the contrary, Landlord shall have the right to declare Tenant in default of this Lease for which there shall be no notice or grace or cure periods being applicable thereto (other than the aforesaid ten (10) day period). Tenant shall be responsible for the payment of any and all Tenant's and Bank's costs incurred with the review of any replacement L-C, which replacement is required pursuant to this Section or is otherwise requested by Tenant. In the event of an assignment by Tenant of its interest in the Lease (and irrespective of whether Landlord's consent is required for such assignment), the acceptance of any replacement or substitute letter of credit by Landlord from the assignee shall be subject to Landlord's prior written approval, in Landlord's reasonable discretion, and the actual and reasonable attorney's fees incurred by Landlord in connection with such determination shall be payable by Tenant to Landlord within ten (10) days of billing.

21.3 **Application of L-C.** Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the L-C upon the occurrence of any L-C Draw Event. In the event of any L-C Draw Event, Landlord may, but without obligation to do so, and without notice to Tenant (except in connection with an L-C Draw Event under Section 21.2(H) above), draw upon the L-C, in part or in whole, in the amount necessary to cure any such L-C Draw Event and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant's breach or default of the Lease or other L-C Draw Event and/or to compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by any applicable law, it being intended that Landlord shall not first be required to proceed against the L-C, and such L-C shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Tenant agrees and acknowledges that (i) the L-C constitutes a separate and independent contract between Landlord and the Bank, (ii) Tenant is not a third party beneficiary of such contract, (iii) Tenant has no property interest whatsoever in the L-C or the proceeds thereof, and (iv) in the event Tenant becomes a debtor under any chapter of the Bankruptcy Code, Tenant is placed into receivership or conservatorship, and/or there is an event of a receivership, conservatorship or a bankruptcy filing by, or on behalf of, Tenant, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the L-C and/or the proceeds thereof by application of Section 502(b)(6) of the U. S. Bankruptcy Code or otherwise.

21.4 **Maintenance of L-C by Tenant.** If, as a result of any drawing by Landlord of all or any portion of the L-C, the amount of the L-C shall be less than the L-C Amount, Tenant shall, within five (5) days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency, and any such additional letter(s) of credit shall comply with all of the provisions of this Section 21.2. Tenant further covenants and warrants that it will neither assign nor encumber the L-C or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the L-C expires earlier than the L-C Expiration Date, Landlord will accept a renewal thereof (such renewal letter of credit to be in effect and delivered to Landlord, as applicable, not later than thirty (30) days prior to the expiration of the L-C), which shall be irrevocable and automatically renewable as above provided through the L-C Expiration Date upon the same terms as the expiring L-C or such other terms as may be acceptable to Landlord in its sole discretion. If Tenant exercises its option to extend the Lease Term pursuant to Section 2.2 of this Lease then, not later than thirty (30) days prior to the commencement of the Option Term, Tenant shall deliver to Landlord a new L C or certificate of renewal or extension evidencing the L-C Expiration Date as thirty (30) days after the expiration of the Option Term. However, if the L-C is not timely renewed, or if Tenant fails to maintain the L-C in the amount and in accordance with the terms set forth in this Section 21.2, Landlord shall have the right to present the L-C to the Bank in accordance with the terms of this Section 21.2, and the proceeds of the L-C may be applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach or default by Tenant under this Lease. In the event Landlord elects to exercise its rights as provided above, (I) any unused proceeds shall constitute the property of Landlord (and not Tenant's property or, in the event of a receivership, conservatorship, or a bankruptcy filing by, or on behalf of, Tenant, property of such receivership, conservatorship or Tenant's bankruptcy estate) and need not be segregated from Landlord's other assets, and (II) Landlord agrees to pay to Tenant within thirty (30) days after the L-C Expiration Date the amount of any proceeds

of the L-C received by Landlord and not applied against any Rent payable by Tenant under this Lease that was not paid when due or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any breach or default by Tenant under this Lease; provided, however, that if prior to the L-C Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused L-C proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed. Notwithstanding anything to the contrary herein, if Landlord draws on the L-C due to Tenant's violation of this Lease beyond applicable notice and cure periods, such draw shall be in the amount required to cure such default. In addition, if Landlord draws on the L-C due to Tenant's failure to timely renew or provide a replacement L-C, such failure shall not be considered a default under this Lease and Landlord shall return such cash proceeds upon Tenant's presentation of a replacement L-C that satisfies the requirements of this Lease, subject to reasonable satisfaction of any preference risk to Landlord.

21.5 **Transfer and Encumbrance.** The L-C shall also provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer (one or more times) all or any portion of its interest in and to the L-C to another party, person or entity, regardless of whether or not such transfer is from or as a part of the assignment by Landlord of its rights and interests in and to this Lease. In the event of a transfer of Landlord's interest in under this Lease, Landlord shall transfer the L-C, in whole or in part, to the transferee and thereupon Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole of said L-C to a new landlord. In connection with any such transfer of the L-C by Landlord, Tenant shall, at Tenant's sole cost and expense, execute and submit to the Bank such applications, documents and instruments as may be necessary to effectuate such transfer and, Tenant shall be responsible for paying the Bank's transfer and processing fees in connection therewith; provided that, Landlord shall have the right (in its sole discretion), but not the obligation, to pay such fees on behalf of Tenant, in which case Tenant shall reimburse Landlord within ten (10) days after Tenant's receipt of an invoice from Landlord therefor.

21.6 **L-C Not a Security Deposit.** Landlord and Tenant (1) acknowledge and agree that in no event or circumstance shall the L-C or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including, but not limited to, Section 1950.7 of the California Civil Code, as such Section now exists or as it may be hereafter amended or succeeded (the "**Security Deposit Laws**"), (2) acknowledge and agree that the L-C (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (3) waive any and all rights, duties and obligations that any such party may now, or in the future will, have relating to or arising from the Security Deposit Laws. Tenant hereby irrevocably waives and relinquishes the provisions of Section 1950.7 of the California Civil Code and any successor statute, and all other provisions of law, now or hereafter in effect, which (x) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (y) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Landlord may, in addition, claim those sums specified in this Section 21.2 and/or those sums reasonably necessary to (a) compensate Landlord for any loss or damage caused by Tenant's breach of this Lease, including any damages Landlord suffers following termination of this Lease, and/or (b) compensate Landlord for any and all damages arising out of, or incurred in connection with, the termination of this Lease, including, without limitation, those specifically identified in Section 1951.2 of the California Civil Code. Tenant agrees not to interfere in any way with any payment to Landlord of the proceeds of the L-C, either prior to or following a "draw" by Landlord of all or any portion of the L-C, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw down all or any portion of the L-C. No condition or term of this Lease shall be deemed to render the L-C conditional and thereby afford the Bank a justification for failing to honor a drawing upon such L-C in a timely manner. Tenant shall not request or instruct the Bank of any L-C to refrain from paying sight draft(s) drawn under such L-C.

21.7 **Remedy for Improper Drafts.** Tenant's sole remedy in connection with the improper presentment or payment of sight drafts drawn under any L-C shall be the right to obtain from Landlord a refund of the amount of any sight draft(s) that were improperly presented or the proceeds of which were misapplied, and reasonable actual out-of-pocket attorneys' fees, provided that at the time of such refund, Tenant increases the amount of such L-C to the

amount (if any) then required under the applicable provisions of this Lease. Tenant acknowledges that the presentment of sight drafts drawn under any L-C, or the Bank's payment of sight drafts drawn under such L-C, could not under any circumstances cause Tenant injury that could not be remedied by an award of money damages, and that the recovery of money damages would be an adequate remedy therefor. In the event Tenant shall be entitled to a refund as aforesaid and Landlord shall fail to make such payment within ten (10) business days after demand, Tenant shall have the right to deduct the amount thereof from the next installment(s) of Base Rent.

22. COMMUNICATIONS AND COMPUTER LINE Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "**Lines**"), provided that Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of Articles 7 and 8 of this Lease. Tenant shall pay all costs in connection therewith. Landlord reserves the right, upon notice to Tenant prior to the expiration or earlier termination of this Lease, to require that Tenant, at Tenant's sole cost and expense, remove any Lines located in or serving the Premises prior to the expiration or earlier termination of this Lease.

23. SIGNS

23.1 Exterior Signage. Subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed, and provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, at its sole cost and expense, may install (i) identification signage on the existing monument sign located at the exterior of the Building, and (ii) at the entrance to the Building (collectively, "**Tenant Signage**"); provided, however, in no event shall Tenant's Signage include an "Objectionable Name," as that term is defined in Section 23.3, of this Lease. All such signage shall be subject to Tenant's obtaining all required governmental approvals. All permitted signs shall be maintained by Tenant at its expense in a first-class and safe condition and appearance. Upon the expiration or earlier termination of this Lease, Tenant shall remove all of its signs at Tenant's sole cost and expense. The graphics, materials, color, design, lettering, lighting, size, illumination, specifications and exact location of Tenant's Signage (collectively, the "**Sign Specifications**") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and shall be consistent and compatible with the quality and nature of the Project. Tenant hereby acknowledges that, notwithstanding Landlord's approval of Tenant's Signage, Landlord has made no representation or warranty to Tenant with respect to the probability of obtaining all necessary governmental approvals and permits for Tenant's Signage. In the event Tenant does not receive the necessary governmental approvals and permits for Tenant's Signage, Tenant's and Landlord's rights and obligations under the remaining TCCs of this Lease shall be unaffected. Except as required by Applicable Law, Landlord shall not install any other signage on the Building. If Landlord elects to install a multi-tenant identification sign at the entrance to the Project, Tenant shall be entitled to install its name on such sign (subject to availability on a pro-rata basis based on the relative square footages leased by the tenants of the Project), at Tenant's sole cost and expense. Landlord shall remove or cause to be removed all existing tenant signage from the Building and surrounding area on or before the Lease Commencement Date.

23.2 Objectionable Name. Tenant's Signage shall not include a name or logo which relates to an entity which is of a character or reputation, or is associated with a political faction or orientation, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of the Comparable Buildings (an "**Objectionable Name**"). The parties hereby agree that the following name, or any reasonable derivation thereof, shall be deemed not to constitute an Objectionable Name: "Pliant Therapeutics."

23.3 Prohibited Signage and Other Items. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion.

24. COMPLIANCE WITH LAW Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated ("**Applicable Laws**"). At its sole cost and expense, Tenant shall promptly comply with all such governmental measures. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body

charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, at its sole cost and expense, to comply promptly with such standards or regulations. Tenant shall be responsible, at its sole cost and expense, to make all alterations to the Building and Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this Article 24. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Project, Building and Premises have not undergone inspection by a Certified Access Specialist (CASP). As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: "A Certified Access Specialist (CASP) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of the foregoing, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant's sole cost and expense, by a CASp approved in advance by Landlord; and (b) pursuant to Article 24 below, but subject to Section 10.2 above, Tenant, at its cost, is responsible for making any repairs within the Premises to correct violations of construction-related accessibility standards; and, if anything done by or for Tenant in its use or occupancy of the Premises shall require repairs to the Building (outside the Premises) to correct violations of construction-related accessibility standards, then Tenant shall, at Landlord's option, either perform such repairs at Tenant's sole cost and expense or reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such repairs. Tenant's obligations under this Article 24 are subject to the limitation in Section 10.2 above.

25. LATE CHARGES If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after Tenant's receipt of written notice from Landlord that said amount is delinquent then Tenant shall pay to Landlord a late charge equal to five percent (5%) of the overdue amount plus any reasonable attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within ten (10) days after Tenant's receipt of written notice that said amount is delinquent shall bear interest from the date when due until paid at a rate per annum equal to the lesser of (i) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus four (4) percentage points, and (ii) the highest rate permitted by applicable law.

26. LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 Landlord's Cure. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's part without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 Tenant's Reimbursement. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with the remedying by Landlord of Tenant's defaults pursuant to the provisions of Section 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 10 of this Lease; and (iii) subject to Section 29.21, sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all reasonable legal fees and other amounts so expended. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

27. ENTRY BY LANDLORD Landlord reserves the right at all reasonable times and upon reasonable notice to Tenant (except in the case of an Emergency) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, or to current or prospective mortgagees, ground or underlying lessors or insurers or, during the last nine (9) months of the Lease Term, to prospective tenants; (iii) post notices of nonresponsibility (to the extent applicable pursuant to then applicable law); or (iv) repair the Premises or the Building, or for structural repairs to the Building or the Building's systems and equipment as provided under the Lease. Landlord may make any such entries without the abatement of Rent, except as otherwise provided in this Lease, and may take such reasonable steps as required to accomplish the stated purposes. In an Emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's use of or access to the Premises in connection with any such entry, and shall comply with Tenant's reasonable security measures. Landlord shall hold confidential any information regarding Tenant's business that it may learn as a result of such entry.

28. TENANT PARKING Tenant shall have the right, without the payment of any parking charge or fee (other than as a reimbursement of operating expenses to the extent allowed pursuant to the terms or Article 4 of this Lease, above), commencing on the Lease Commencement Date, to use the amount of parking set forth in Section 9 of the Summary, in the on-site parking lot and garage which serves the Building. Tenant shall abide by all reasonable rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the parking facilities), and shall cooperate in seeing that Tenant's employees and visitors also comply with such rules and regulations. Tenant's use of the Project parking facility shall be at Tenant's sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant, its employees and/or visitors, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant's, its employees' and/or visitors' use of the parking facilities. Landlord shall not oversubscribe parking. Landlord shall use commercially reasonable efforts to prevent the occupants of neighboring buildings from parking in the lot serving the Building.

29. MISCELLANEOUS PROVISIONS

29.1 **Terms; Captions.** The words "**Landlord**" and "**Tenant**" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.2 **Binding Effect.** Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

29.3 **No Air Rights.** No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease.

29.4 **Modification of Lease.** Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder or interfere with Tenant's use of the Premises, then and in such event, Tenant agrees that this Lease may be so modified

and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Landlord within ten (10) business days following a request therefor. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute a short form of Lease and deliver the same to Landlord within ten (10) business days following the request therefor.

29.5 **Transfer of Landlord's Interest.** Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder accruing after the date of transfer provided such transferee shall have fully assumed and agreed in writing to be liable for all obligations of this Lease to be performed by Landlord, including the return of any security deposit or L-C, and Tenant shall attorn to such transferee.

29.6 **Prohibition Against Recording.** Except as provided in Section 29.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 **Landlord's Title.** Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 **Relationship of Parties.** Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 **Payment under Protest.** If Tenant in good faith disputes any amounts billed by Landlord, other than (i) Base Rent, (ii) Tenant's Share of Direct Expenses (as to which Tenant may exercise its rights under Section 4.6, above), Tenant may make payment of such amounts under protest, and reserve all of its rights with respect to such amounts (the "**Disputed Amounts**"). Landlord and Tenant shall meet and confer to discuss the Disputed Amounts and attempt, in good faith, to resolve the particular dispute. If, despite such good faith efforts, Landlord and Tenant are unable to reach agreement regarding the Disputed Amounts, either party may submit the matter to binding arbitration under the JAMS Streamlined Arbitration Rules & Procedures. The non-prevailing party, as determined by JAMS, will be responsible to pay all fees and costs incurred in connection with the JAMS procedure, as well as all other costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party. This Section 29.9 shall not apply to claims relating to Landlord's exercise of any unlawful detainer rights pursuant to California law or rights or remedies used by Landlord to gain possession of the Premises or terminate Lessee's right of possession to the Premises.

29.10 **Time of Essence.** Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 **Partial Invalidity.** If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

29.12 **No Warranty.** In executing and delivering this Lease, Tenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 **Landlord Exculpation.** The liability of Landlord or the Landlord Parties to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises shall be limited solely and

exclusively to an amount which is equal to the lesser of (a) the interest of Landlord in the Project or (b) the equity interest Landlord would have in the Project if the Project were encumbered by third-party debt in an amount equal to eighty percent (80%) of the value of the Project (as such value is determined by Landlord), including any rental, condemnation, sales and insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises. No Landlord Parties (other than Landlord) shall have any personal liability therefor, and Tenant hereby expressly waives and releases such liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this [Section 29.13](#) shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring, or loss to inventory, scientific research, scientific experiments, laboratory animals, products, specimens, samples, and/or scientific, business, accounting and other records of every kind and description kept at the premises and any and all income derived or derivable therefrom.

29.14 **Entire Agreement.** It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 **Right to Lease.** Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 **Force Majeure.** Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a "**Force Majeure**"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure, provided, however, the foregoing delays shall not apply to Tenant's termination rights hereunder.

29.17 **Intentionally Omitted.**

29.18 **Notices.** All notices, demands, statements, designations, approvals or other communications (collectively, "**Notices**") given or required to be given by either party to the other hereunder or by law shall be in writing, shall be (A) sent by United States certified or registered mail, postage prepaid, return receipt requested ("**Mail**"), (B) delivered by a nationally recognized overnight courier, or (C) delivered personally. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Tenant at the appropriate address set forth in [Section 10](#) of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord, or to Landlord at the addresses set forth below, or to such other places as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (i) three (3) business days after the date it is posted if sent by Mail, (ii) the date the overnight courier delivery is made, or (iii) the date personal delivery is made. As of the date of this Lease, any Notices to Landlord must be sent, transmitted, or delivered, as the case may be, to the following addresses:

c/o HCP, Inc.
1920 Main Street, Suite 1200
Irvine, CA 92614
Attn: Legal Department

and

HCP Life Science Estates
950 Tower Lane, Suite 1650
Foster City, CA 94404

and

Allen Matkins Leck Gamble Mallory & Natsis LLP
1901 Avenue of the Stars, Suite 1800
Los Angeles, California 90067
Attention: Anton N. Natsis, Esq.

29.19 **Joint and Several.** If there is more than one tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20 **Authority.** If Tenant is a corporation, trust or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the State of California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so.

29.21 **Attorneys' Fees.** In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22 **Governing Law; WAIVER OF TRIAL BY JURY.** This Lease shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

29.23 **Submission of Lease.** Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 **Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the "**Brokers**"), and that they know of no other real estate broker

or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under the indemnifying party. The terms of this Section 29.24 shall survive the expiration or earlier termination of the Lease Term.

29.25 **Independent Covenants.** This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 **Project or Building Name, Address and Signage.** Landlord shall have the right at any time to change the name and/or address of the Project or Building (and Landlord shall reimburse Tenant its actual, reasonable costs incurred as a result of such change, if any) and, subject to Section 23.1, to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord.

29.27 **Counterparts.** This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 **Good Faith.** Except (i) for matters for which there is a standard of consent or discretion specifically set forth in this Lease; (ii) matters which could have an adverse effect on the Building Structure or the Building Systems, or which could affect the exterior appearance of the Building, or (iii) matters covered by Article 4 (Additional Rent), or Article 19 (Defaults; Remedies) of this Lease (collectively, the "**Excepted Matters**"), any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld or delayed, and, except with regard to the Excepted Matters, whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

29.29 **Development of the Project.**

29.29.1 **Subdivision.** Landlord reserves the right to subdivide all or a portion of the buildings and Common Areas, so long as the same does not interfere with Tenant's use of or access to the Premises or Tenant's parking rights. Tenant agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents needed to conform this Lease to the circumstances resulting from a subdivision and any all maps in connection therewith, so long as the same does not increase Tenant's obligations or decrease Tenant's rights under this Lease. Notwithstanding anything to the contrary set forth in this Lease, the separate ownership of any buildings and/or Common Areas by an entity other than Landlord shall not affect the calculation of Direct Expenses or Tenant's payment of Tenant's Share of Direct Expenses.

29.29.2 **Construction of Property and Other Improvements.** Tenant acknowledges that portions of the Project may be under construction following Tenant's occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Tenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction, so long as the same does not interfere with Tenant's use of or access to the Premises or Tenant's parking rights.

29.30 **No Violation.** Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.31 **Transportation Management.** Tenant shall fully comply with all present or future programs required by applicable laws intended to manage parking, transportation or traffic in and around the Project and/or the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. Such programs may include, without limitation: (i) restrictions on the number of peak-hour vehicle trips generated by Tenant; (ii) increased vehicle occupancy; (iii) implementation of an in-house ridesharing program and an employee transportation coordinator; (iv) working with employees and any Project, Building or area-wide ridesharing program manager; (v) instituting employer-sponsored incentives (financial or in-kind) to encourage employees to rideshare; and (vi) utilizing flexible work shifts for employees.

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

LANDLORD:

HCP, INC.,
a Maryland corporation

By: /s/ Scott Bohn
Name: Scott Bohn
Its: Vice President

TENANT:

PLIANT THERAPEUTICS, INC.,
a Delaware corporation

By: /s/ Bernard Coulie
Bernard Coulie
Print Name

Its: Chief Executive Officer

By: _____
Print Name

Its: _____

EXHIBIT A

EDGEWATER BUSINESS PARK

OUTLINE OF PREMISES



EXHIBIT A

-1-

[Edgewater Business Park]
[Pliant Therapeutics]

EXHIBIT A-1

EDGEWATER BUSINESS PARK

PROJECT SITE PLAN



EXHIBIT A-1

-1-

[Edgewater Business Park]
[Pliant Therapeutics]

EXHIBIT B

EDGEWATER BUSINESS PARK

TENANT WORK LETTER

1. **Defined Terms.** As used in this Tenant Work Letter, the following capitalized terms have the following meanings:

(a) **Approved Plans:** Plans and specifications prepared by the applicable Architect for the respective Tenant Improvements and approved by Landlord and Tenant in accordance with Paragraph 2 of this Tenant Work Letter, subject to further modification from time to time to the extent provided in and in accordance with such Paragraph 2.

(b) **Architect:** DES Architects/Engineers, or any other architect selected by Landlord in its reasonable discretion, with respect to any Tenant Improvements which Landlord is to cause to be constructed pursuant to this Tenant Work Letter.

(c) **Tenant Change Request:** See definition in Paragraph 2(c)(ii) hereof.

(d) **Landlord's Final Working Drawings:** See definition in Paragraph 2(a) hereof.

(e) **General Contractor:** Hathaway Dinwiddie Construction Company, or any other general contractor reasonably selected by Landlord with respect to Landlord's TI Work. Tenant shall have no right to direct or control such General Contractor.

(f) **Landlord's TI Work:** Any Tenant Improvements which Landlord is to construct or install pursuant to this Tenant Work Letter or by mutual agreement of Landlord and Tenant from time to time.

(g) **Project Manager:** Project Management Advisors, Inc., or any other project manager designated by Landlord in its reasonable discretion from time to time to act in a supervisory, oversight, project management or other similar capacity on behalf of Landlord in connection with the design and/or construction of the Tenant Improvements.

(h) **Punch List Work:** Minor corrections of construction or decoration details, and minor mechanical adjustments, that are required in order to cause any applicable portion of the Tenant Improvements as constructed to conform to the Approved Plans in all material respects and that do not materially interfere with Tenant's use or occupancy of the Building and the Premises.

(i) **Substantial Completion Certificate:** See definition in Paragraph 3(a) hereof.

(j) **Tenant Delay:** Any of the following types of delay in the completion of construction of Landlord's TI Work (but in each instance, only to the extent that any of the following has actually and proximately caused substantial completion of Landlord's TI Work to be delayed):

(i) Any delay resulting from Tenant's failure to furnish, in a timely manner, information reasonably requested by Landlord or by Landlord's Project Manager in connection with the design or construction of Landlord's TI Work, or from Tenant's failure to approve in a timely manner any matters requiring approval by Tenant;

(ii) Any delay resulting from Tenant Change Requests initiated by Tenant, including any delay resulting from the need to revise any drawings or obtain further governmental approvals as a result of any such Tenant Change Request; or

(iii) Any delay caused by Tenant (or Tenant's contractors, agents or employees) materially interfering with the performance of Landlord's TI Work, provided that Landlord shall have given Tenant prompt notice of such material interference and, before the first time a Tenant Delay is deemed to have occurred as a result of such delay, such interference has continued for more than twenty-four (24) hours after Tenant's receipt of such notice.

(k) **Tenant Improvements:** The improvements to or within the Building shown on the Approved Plans from time to time and to be constructed by Landlord pursuant to the Lease and this Tenant Work Letter. The term "Tenant Improvements" does not include the improvements existing in the Building and Premises at the date of execution of the Lease.

(l) **Unavoidable Delays:** Delays due to acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, inability (despite the exercise of due diligence) to obtain supplies, materials, fuels or permits, or other causes or contingencies (excluding financial inability) beyond the reasonable control of Landlord or Tenant, as applicable. Landlord shall use commercially reasonable efforts to provide Tenant with prompt notice of any Unavoidable Delays.

(m) Capitalized terms not otherwise defined in this Tenant Work Letter shall have the definitions set forth in the Lease.

2. **Plans and Construction.** Landlord and Tenant shall comply with the procedures set forth in this Paragraph 2 in preparing, delivering and approving matters relating to the Tenant Improvements.

(a) **Approved Plans and Working Drawings for Landlord's TI Work.** Landlord's Architect and project manager has prepared, and Landlord and Tenant have approved, preliminary plans and specifications and a scope of work for the Premises. The mutually approved version of such preliminary plans and specifications and scope of work, which shall include the work described in the alternates shown on Schedule 2 hereof (the "Landlord's Preliminary Plan") is attached hereto as Schedule 1 and incorporated herein by this reference. Any items listed on the Landlord's Preliminary Plan as being "tenant items", or "tenant furnished" or "tenant installed" shall be provided, if at all, by Tenant at Tenant's sole cost and expense (subject to reimbursement out of the Additional TI Allowance), and Landlord shall have no obligations with respect thereto. Landlord shall prepare or cause to be prepared (assuming timely delivery by Tenant of all information and decisions reasonably required to be furnished or made by Tenant in order to permit preparation of Landlord's Final Working Drawings, and subject to Tenant Delays and Unavoidable Delays), final detailed working drawings and specifications for the Tenant Improvements constituting Landlord's TI Work, including (as applicable) structural, fire protection, life safety, mechanical and electrical working drawings and final architectural drawings (collectively, "Landlord's Final Working Drawings"). Landlord's Final Working Drawings shall be based on and consistent with the Landlord's Preliminary Plan in all material respects (except as otherwise mutually approved by the parties in their respective discretion). Landlord shall deliver copies of Landlord's Final Working Drawings to Tenant for Tenant's approval and information, and to assist Tenant in preparing plans, specifications and drawings for Tenant's Work as hereinafter set forth. Tenant shall promptly and diligently either approve the proposed Landlord's Final Working Drawings, or set forth in writing with particularity any changes necessary to bring the aspects of such proposed plans and specifications or proposed Landlord's Final Working Drawings into a form which will be reasonably acceptable to Tenant. Notwithstanding any other provisions of this paragraph, if Tenant objects to any aspect of the Landlord's Final Working Drawings (including, but not limited to, any subsequently proposed changes therein from time to time) that is (i) materially consistent with the Landlord's Preliminary Plan, (ii) necessitated by applicable law or as a condition of any governmental or other third-party approvals or consents that are required to be obtained in connection with Landlord's TI Work but that do not materially change the design or configuration thereof or materially affect Tenant's use of the Premises, or (iii) that is required as a result of unanticipated conditions encountered in the course of construction of Landlord's TI Work that do not materially change the design or configuration thereof or materially affect Tenant's use of the Premises, then any delays in the completion of the Landlord's TI Work resulting from such objection, or from changes to the Landlord's Final Working Drawings resulting from such objection shall be a Tenant Delay. To the extent Tenant identifies to Landlord any concerns arising out of any such requirements or conditions described in this sentence, Landlord and Tenant shall cooperate reasonably, diligently and in good faith to discuss possible changes in the nature or scope of the Tenant Improvements that might minimize or avoid the effects of such requirements or conditions. Failure of Tenant to deliver to Landlord written notice of disapproval and specification of required changes on or before any deadline reasonably specified by Landlord (which shall not be less than three (3) days after delivery thereof to Tenant) in delivering an applicable set of plans, specifications and/or drawings to Tenant shall constitute and be deemed to be a Tenant Delay.

(b) **Construction of Landlord's TI Work.** Following completion of Landlord's Final Working Drawings, Landlord shall apply for and use reasonable efforts to obtain the necessary permits and approvals to allow construction of all Tenant Improvements constituting Landlord's TI Work. Upon receipt of such permits and approvals, Landlord shall, at Landlord's expense (subject to Tenant's obligations to pay for the increased cost of any Tenant required changes to the Landlord's Preliminary Plan or Landlord's Final Working Drawings that were previously approved by Landlord and Tenant), construct and complete the Tenant Improvements constituting Landlord's TI Work substantially in accordance with the Landlord's Approved Plans, subject to Unavoidable Delays and Tenant Delays (if any). Such construction shall be performed in a neat, good and workmanlike manner and shall materially conform to all applicable laws, rules, regulations, codes, ordinances, requirements, covenants, conditions and restrictions applicable thereto in force at the time such work is completed.

(c) **Changes.**

(i) If Landlord determines at any time that changes in Landlord's Final Working Drawings or in any other aspect of the Landlord's Approved Plans relating to any item of Landlord's TI Work are required as a result of applicable law or governmental requirements, or are required at the insistence of any other third party whose approval may be required with respect to the Tenant Improvements, or are required as a result of unanticipated conditions encountered in the course of construction, then Landlord shall promptly (A) advise Tenant of such circumstances and (B) at Landlord's sole cost and expense, cause revised Landlord's Final Working Drawings to be prepared by Landlord's Architect and submitted to Tenant, for Tenant's approval, which shall not be unreasonably withheld. Failure of Tenant to deliver to Landlord written notice of disapproval and specification of such required changes on or before any deadline reasonably specified by Landlord (which shall not be less than three (3) business days after delivery thereof to Tenant) shall constitute and be deemed to be a Tenant Delay to the extent Landlord is delayed in completing Landlord's TI Work.

(ii) If Tenant at any time desires any changes, alterations or additions to the Landlord's Final Working Drawings or material changes to the Landlord's Preliminary Plan with respect to any of Landlord's TI Work, Tenant shall submit a detailed written request to Landlord specifying such changes, alterations or additions (a "Tenant Change Request"). Upon receipt of any such request, Landlord shall promptly notify Tenant of (A) whether the matters proposed in the Tenant Change Request are approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed by Landlord), (B) Landlord's estimate of the number of days of delay, if any, which shall be caused in Landlord's TI Work by such Tenant Change Request if implemented (including, without limitation, delays due to the need to obtain any revised plans or drawings and any governmental approvals), and (C) Landlord's estimate of the increase, if any, which shall occur in the cost of construction of the Landlord's TI Work affected by such Tenant Change Request if such Tenant Change Request is implemented (including, but not limited to, any costs of compliance with laws or governmental regulations that become applicable because of the implementation of the Tenant Change Request). If Landlord approves the Tenant Change Request and Tenant notifies Landlord in writing, within three (3) business days after receipt of such notice from Landlord, of Tenant's approval of the Tenant Change Request (including the estimated delays and cost increases, if any, described in Landlord's notice), then Landlord shall cause such Tenant Change Request to be implemented and Tenant shall be responsible for all actual costs or cost increases resulting from or attributable to the implementation of the Tenant Change Request (subject to application of the Additional TI Allowance in item (iii) below), and any delays resulting therefrom shall be deemed to be a Tenant Delay. If Tenant fails to notify Landlord in writing of Tenant's approval of such Tenant Change Request within said three (3) business day period, then such Tenant Change Request shall be deemed to be withdrawn and shall be of no further effect.

(iii) In connection with Tenant Change Requests set forth in item (ii) above or other costs for which Tenant may be responsible under this Tenant Work Letter, Tenant shall have the right to request Landlord contribute up to an additional \$30.00 per RSF of the Premises (i.e., up to \$989,220.00) (the "**Additional TI Allowance**") towards the payment of the costs of Tenant Change Requests. In the event Tenant exercises its right to use all or any portion of the Additional TI Allowance, Tenant shall be required

to pay Landlord, commencing on the date the Tenant Improvements are completed (the “**Additional Payment Commencement Date**”), the “Additional TI Allowance Payment,” as that term is defined below, in consideration of Landlord provision of the Additional TI Allowance. The “**Additional TI Allowance Payment**” shall be determined as the missing component of an annuity, which annuity shall have (i) the amount of the Additional TI Allowance utilized by Tenant as the present value amount, (ii) a number equal to the number of full calendar months then remaining in the Lease Term as the number of payments, (iii) a monthly interest factor equal to eighty-three one-hundredths percent (0.83%), which is equal to ten percent (10%) divided by twelve (12) months per year, and (iv) the Additional TI Allowance Payment as the missing component of the annuity. Following the calculation of the Additional TI Allowance Payment, Landlord and Tenant will enter into a lease amendment to confirm the amount thereof. In addition, to the extent Tenant does not use the entire Additional TI Allowance for costs under this Tenant Work Letter, Tenant may use such unused portion of the Additional TI Allowance for the performance of “**Alterations**” in accordance with the terms of Article 8. If Tenant elects to use any such portion of the Additional TI Allowance for Alterations, Tenant shall provide written notice thereof to Landlord, together with invoices marked paid or other reasonable evidence of costs expended by Tenant on the Alterations, and with applicable lien releases (the “**Disbursement Request**”). All Disbursement Requests must be made, if at all, on or before twenty-four (24) months after the Lease Commencement Date. Tenant shall have no right to access any portion of the Additional TI Allowance after such date. Landlord shall pay the applicable portion of the Additional TI Allowance to Tenant within forty-five (45) days after receipt of a Disbursement Request. If Tenant elects to use any portion of the Alterations Allowance, then the Additional TI Payment shall be adjusted after each such disbursement as described in the third sentence of this Section 2(c)(iii) to reflect the full amount of the Additional TI Allowance that was disbursed. Notwithstanding the foregoing, the parties acknowledge and agree that a portion of the Additional TI Allowance shall be used for the cost of certain agreed upon alternates listed on Schedule 2 and an Additional TI Allowance Payment with respect to such amount shall be due commencing on the Additional Payment Commencement Date. If the cost of any such alternates will exceed the previous cost estimate for such alternate, Landlord shall provide Tenant with prior written notice of such increased cost and obtain Tenant’s approval thereof before performing such work. The Tenant shall provide the Landlord with either (i) a purchase order for cost increases or (ii) a request to apply the Additional TI Allowance for cost increases, with Tenant’s approval of the Tenant Change Request. Tenant Change Requests with cost increases beyond the Additional TI Allowance will not be implemented until a purchase order for the cost increases is received by the Landlord. If Tenant fails to provide such approval within three (3) business days, Landlord shall not perform the alternate in question and the Tenant Improvements shall exclude such work.

(d) **Project Management.** Unless and until revoked by Landlord by written notice delivered to Tenant, Landlord hereby (i) delegates to Project Manager the authority to exercise all approval rights, supervisory rights and other rights or powers of Landlord under this Tenant Work Letter with respect to the design and construction of the Tenant Improvements, and (ii) requests that Tenant work with Project Manager with respect to any logistical or other coordination matters arising in the course of construction of the Tenant Improvements, including monitoring Tenant’s compliance with its obligations under this Tenant Work Letter and under the Lease with respect to the design and construction of the Tenant Improvements. Tenant acknowledges the foregoing delegation and request, and agrees to cooperate reasonably with Project Manager as Landlord’s representative pursuant to such delegation and request. Fees and charges of Project Manager for such services shall be at Landlord’s sole expense except to the extent otherwise expressly provided in this Tenant Work Letter.

3. **Completion.**

(a) When Landlord receives written certification from Architect that construction of the Tenant Improvements constituting Landlord’s TI Work in the Building has been completed in accordance with the Landlord’s Approved Plans (except for Punch List Work), Landlord shall prepare and deliver to Tenant a certificate signed by both Landlord and Architect (the “Substantial Completion Certificate”) (i) certifying that the construction of the Tenant Improvements constituting Landlord’s TI Work in the Building has been substantially completed in a good and workmanlike manner in accordance with the Landlord’s Approved Plans in all material respects, subject only to completion of Punch List Work, and specifying the date of that completion, and (ii) certifying that Landlord’s TI Work complies in all material respects with all laws, rules, regulations, codes, ordinances, requirements, covenants, conditions and restrictions applicable thereto at the time of such delivery. Upon receipt by Tenant of the Substantial

Completion Certificate and tender of possession of the Premises by Landlord to Tenant, and receipt of any certificate of occupancy or its legal equivalent, or other required sign-offs from any applicable governmental authority, allowing the legal occupancy of the Premises, the Tenant Improvements constituting Landlord's TI Work in the Building will be deemed delivered to Tenant and "Ready for Occupancy" for all purposes of the Lease (subject to Landlord's continuing obligations with respect to any Punch List Work, and to any other express obligations of Landlord under the Lease or this Tenant Work Letter with respect to such Tenant Improvements).

(b) Promptly following delivery of the Substantial Completion Certificate for Landlord's TI Work in the Building, Project Manager or other representatives of Landlord shall conduct one or more "walkthroughs" of the Building with Tenant and Tenant's representatives, to identify any items of Punch List Work that may require correction and to prepare a joint punch list reflecting any such items, following which Landlord shall diligently complete the Punch List Work reflected in such joint punch list. At any time within thirty (30) days after delivery of such Substantial Completion Certificate, Tenant shall be entitled to submit one or more lists to Landlord supplementing such joint punch list by specifying any additional items of Punch List Work to be performed on the applicable Tenant Improvements constituting Landlord's TI Work in the Building, and upon receipt of such list(s), Landlord shall diligently complete such additional Punch List Work. Promptly after Landlord provides Tenant with the Substantial Completion Certificate and completes all applicable Punch List Work for the Building, Landlord shall cause the recordation of a Notice of Completion (as defined in Section 3093 of the California Civil Code or applicable successor statute) with respect to Landlord's TI Work in the Building.

(c) All construction, product and equipment warranties and guaranties obtained by Landlord with respect to Landlord's TI Work shall, to the extent reasonably obtainable, include a provision that such warranties and guaranties shall also run to the benefit of Tenant, and Landlord shall cooperate with Tenant in a commercially reasonable manner to assist in enforcing all such warranties and guaranties for the benefit of Tenant.

(d) Notwithstanding any other provisions of this Tenant Work Letter or of the Lease, if Landlord is delayed in substantially completing any of Landlord's TI Work as a result of any Tenant Delay, and if the Lease Commencement Date is being determined under clause (i) of Section 3.2 of the Lease Summary, then notwithstanding any other provisions of the Lease to the contrary, the Premises shall be deemed to have been Ready for Occupancy on the date the Premises would have been Ready for Occupancy absent such Tenant Delay.

4. **Payment of Costs.** Except as otherwise expressly provided in this Tenant Work Letter or in the Lease or by mutual written agreement of Landlord and Tenant, the cost of construction of the Tenant Improvements shall be paid by Landlord at Landlord's sole expense. The Tenant shall provide purchase orders for all cost increases except those to which the Additional TI Allowance is applied, as described in Section 2 of this Work Letter. The Landlord will bill the tenant for all such cost increases during project closeout.

5. **No Agency.** Nothing contained in this Tenant Work Letter shall make or constitute Tenant as the agent of Landlord.

6. **Tenant Access.** Provided that Tenant and its agents do not interfere with Contractor's work in the Building and the Premises, Contractor and Landlord shall allow Tenant access to the Premises on approximately April 1, 2018 for the purpose of Tenant planning and installing furniture and equipment or fixtures (including Tenant's data and telephone equipment) in the Premises and doing business. Prior to Tenant's entry into the Premises as permitted by the terms of this Section 6, Tenant shall submit a schedule to Landlord and Contractor, for their approval, which schedule shall detail the timing and purpose of Tenant's entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Building or Premises and against injury to any persons caused by Tenant's actions pursuant to this Section 6.

7. **Miscellaneous.** All references in this Tenant Work Letter to a number of days shall be construed to refer to calendar days, unless otherwise specified herein. If any item requiring approval is disapproved by Landlord or Tenant (as applicable) in a timely manner, the procedure for preparation of that item and approval shall be repeated.

8. **Landlord Work.** Landlord shall, at Landlord's sole cost and expense, prior to the Lease Commencement Date, utilizing Building standard methods, materials, components, and finishes in good and workmanlike manner and in compliance with all Applicable Laws, (i) perform any work necessary to cause the

plumbing, electrical systems, fire sprinkler system, lighting, and all other building systems serving the Premises to be in good operating condition and repair, (ii) provided that Tenant continues to utilize existing entrances for required means of egress from the Building, Landlord will be responsible for making modifications to the exterior of the Building, the existing Building entrances, and all exterior Common Areas (including required striping and handicapped spaces in the parking areas) as required to cause such areas to be in compliance with ADA and parking requirements, to the extent required to allow the legal occupancy of the Premises or completion of the Tenant Improvements and (iii) replace the following four (4) HVAC units serving the Premises: AC-12 York – Package Unit, AC-13 York – Package Unit, and AC-14 York – Package Unit and perform the other work described on the survey attached hereto as Schedule 3 (collectively, the “**Landlord’s Work**”).

9. **Removal of Tenant Improvements.** Landlord hereby acknowledges that that Tenant Improvements constructed pursuant to the terms of this Tenant Work Letter shall not be subject to removal upon the expiration or earlier termination of this Lease.

EXHIBIT B

-6-

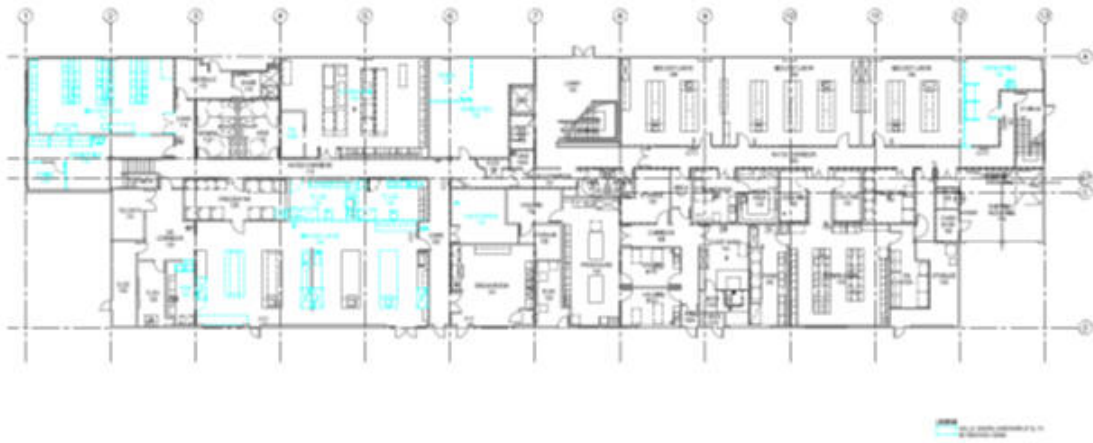
[Edgewater Business Park]

[Pliant Therapeutics]

SCHEDULE 1

LANDLORD'S PRELIMINARY PLAN

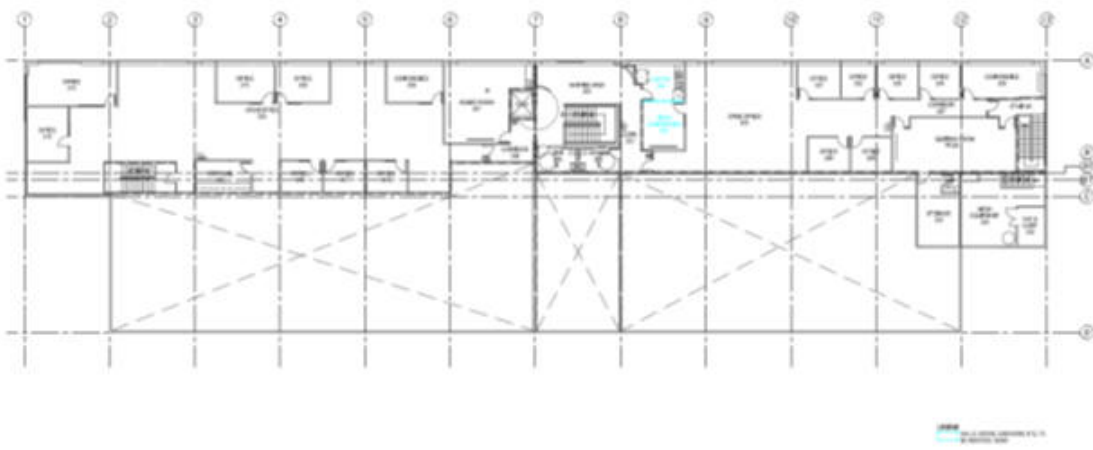




PLIANT TEST FIT - DEMO PLAN
260 LITTLEFIELD

LEVEL 1

11030017
1/16" = 1'-0"



PLIANT TEST FIT - DEMO PLAN
260 LITTLEFIELD

LEVEL 2

11030017
1/16" = 1'-0"

SCHEDULE 1
-2-

[Edgewater Business Park]
[Pliant Therapeutics]

Pliant Scope List

December 1, 2017 – Kick-Off Meeting

Based on floor and demo plans by DGA dated 11/03/2017.

A. Level 1

1. Office Areas

- a. Convert existing Biology Lab into Open Office 117.
 - i. Open Office will have 6 workstations, 8 open desking stations, and a small team collaboration area (furniture by Tenant).
 - ii. New paint, carpet and base.
 - iii. New light fixtures and 15/16" grid with 769 Cortega Acoustical Ceiling Tiles to match existing.
 - iv. Power and data to workstations, desking stations, and collaboration area.
- b. Convert existing Open Office into a Conference Room 118 and Corridor.
 - i. New paint, carpet and base.
 - ii. Existing ceiling tile, patch as required.
 - iii. New door with sidelite into from the Open Office into the new Corridor.
 - iv. Add a hold open onto an existing door from main corridor into new corridor.
- c. Convert Office and Open Office into an All-Hands Room 107
 - i. New paint, carpet and base.
 - ii. Existing ceiling tile, patch as required.
 - iii. New 8' project screen
 - iv. Use existing power locations (Tenant may use existing data locations as well if they are suitable for their needs).
- d. Break Room 103
 - i. New paint, Luxury Vinyl Tile (LVT) and base.
- e. Holding Room 142
 - i. Repair damaged gyp ceiling
- f. Stairwell adjacent to shipping and receiving to be connected to HVAC system.

2. Lab Area

- a. Chemistry Support Lab 109
 - i. Add one combination Emergency Eyewash/Shower (EEWS)
- b. Existing TC Labs 127 and 128
 - i. Demo rooms, and remove all perimeter doors, and internal walls to expand into Lab 126.
 - ii. Remove pass through and patch wall between rooms 125 and Lab 127.
 - iii. Patch walls, floors and ceilings to match existing adjacent finishes.
- c. Lab Support 124
 - i. Remove existing door into Lab 126.
 - ii. Remove portion of existing casework to add door into Corridor 120.
 - iii. Patch walls, floors and ceilings to match existing adjacent finishes.
 - iv. Patch and infill casework where portion removed.
 - v. HVAC scope includes for proper ventilation of the Labs and Chemical Fume Hoods.
- d. Corridor 130
 - i. Remove EEWS and relocate into Lab 126.
 - ii. Patch walls and ceilings to match existing adjacent finishes.
- e. Chemistry Lab 126
 - i. Remove (4) 6' Chemical Fume Hoods (CFH)
 - ii. Remove 4 benches.

- iii. Add (16) 8' CFH with 24" inside depth clearance, each with (2) duplexes and plumbed with house Vacuum and CDA on each side. All MEP and fixtures included.
 - iv. Cylinder racks on sides of CFH for local N2 tanks – N.I.C. (by Tenant).
 - v. 36" Flammable and (2) 30" Corrosive Cabinets below each CFH. Need for vacuum pump cabinets TBD.
 - vi. (2) infill Wall benches with undercounter base cabinets
 - vii. (2) new island benches with undercounter base cabinets and umbilical to match existing. (Existing, removed casework will be reused where possible). Each bench to have a new sink in center of cabinet.
 - viii. Power at new benches.
 - ix. Rough in for Data.
 - x. Snorkel and associate exhaust
 - xi. Remove and cap existing floor sink (FS).
 - xii. Sinks & Eye Wash Stations: (2) new sinks and (3) existing sinks, (3) total eyewash stations.
- f. Equipment Corridor 120
 - i. Power for equipment to be verified if existing.
 - ii. New recessed eyewash.
 - g. NMR Room 133
 - i. Convert Lab Storage into NMR Room
 - ii. Cap existing floor drain
 - iii. CDA, Power and data for NMR's
 - iv. O2 Monitoring
 - v. Structural support for bracing NMR to beams above and anchoring to floor (assumes new, lighter-weight NMR).
 - h. Tissue Culture 162
 - i. Convert Open Office into Tissue Culture Lab
 - ii. New wall between Lab 164 and Tissue Culture Lab 162.
 - iii. New paint and welded sheet vinyl with integral coved base
 - iv. New vinyl rock ceiling tile and light fixtures.
 - v. CO2 for incubators (4 stacked units) and Vacuum to (4) BSC, power for equipment.
 - vi. New bench (metal base cabinets with epoxy top) with epoxy sink. (Existing, removed casework will be reused where possible).
 - vii. Power at new bench
 - viii. Rough in for Data
 - ix. New combination Emergency Eyewash/Shower (EEWS)
 - x. New rated door with 1/2 lite into room.
 - xi. Demo existing door and sidelite.
 - i. Biology Lab 164
 - i. Patch flooring, base and ceiling at new wall between 164 and 162.
 - ii. Paint wall to match existing.
 - j. HVAC scope to allow for proper ventilation of lab and fumehoods.
 - k. Two (2) snorkels with blast gates in chemistry labs (excludes drop down exhaust, by Tenant during fit up of their equipment).
- B. Level 2
- 1. Office Area
 - a. Remove wall between Coffee 204 and Video Conference 203 to create large Break Room 203
 - b. New LVT and base in new Break Room 203.
 - c. Patch ceiling and walls to match existing. (15/16" grid with 769 Cortega Acoustical Ceiling Tiles).

d. New paint, carpet and base.

C. General

1. D.I. Water to Labs – N.I.C.
2. Automatic fire sprinkler system will be modified to accommodate all revisions, this includes sprinklers in new CFH.
3. Accessibility Upgrades – The site has not been field verified for code compliance. Upgrades to the site and base building are included if required.
4. New carpet and tile in first floor lab and office areas.
5. New vapor barrier where required for VCT and LVT flooring (required at all 1st floor carpeted areas).
6. Replacement of old, damaged and/or stained ceiling tiles where there is evidence of past roof leaks throughout space.
7. Demolition of all non-compliant eye washes at sinks – includes epoxy patch and capping of plumbing.
8. Relocate water closets at restrooms 103, 110 and 111 – includes ceramic tile and wall patch.
9. Paint all interior walls / doors not included in Base bid – excludes shipping / receiving, electrical rooms, stair #1 & #3, storage 153.
10. Rework existing non-compliant eyewashes (per code). Includes wall patch.
11. Demo & dispose of office furniture @ rooms 107, 108, 162.
12. Removal of blocking at Automation lab 109
13. Repair of Exterior Window Film
14. 1st floor Bio Labs Existing Door Relocation (ADA upgrades)

SCHEDULE 1

-5-

[Edgewater Business Park]

[Pliant Therapeutics]

SCHEDULE 2

ALTERNATES

CSI CODE	CSI CODE DESCRIPTION	COST	ITEM DESCRIPTION
ALT #22	Repair / Replace Damaged Lobby 100 Floor Tiles	\$5,313	\$5k allowance to replace damaged lobby tiles; assumes existing tile is available
ALT #23	Remove Existing Stair / Railing Finishes & Provide New	\$18,795	includes new stair treads / risers and paint on rails; excludes any ADA upgrades to the handrails
ALT #28	Breakroom 131 Modifications	\$89,645	includes demo of existing doors, walls, millwork and ceiling; new upper and base cabinets per plans w/ solid surface countertop; full height glazing w/ new half light double doors at breakroom and new door at NMR; new walls and ceilings; includes power for new monitor (monitor furnished by tenant); excludes any new appliances
ALT #30	Cased Opening Between Labs 164 & 165	\$5,791	frame new cased opening; includes new SS corner guards and relocation of utilities as required
ALT #31	TC 162 - Pegboard & Shelving	\$1,201	new peg board and shelving per plans
ALT #32	Demo Dark Room	\$2,077	demo walls and door; includes patching demo scars and paint touch-up
ALT #33	Ice Machine Water / Condensate	\$6,678	relocate emergency outlet and install new pump floor-drain for condensate; includes patching of existing outlet
ALT #34	Tissue Culture 150	\$34,881	demo scullery sink, casework and unistrut; drywall patch; install new sink, VAC to (4) BSCs, CO2 to (2) Incubators; (3) RSR Hepa Filters (\$8,500 allowance); excludes hard lid ceiling
ALT #35	New Conference Room 118	-\$1,615	credit to delete (1) aluminum frame and wood door
ALT #36	DMPK Lab 117	\$25,130	provide new exhaust, N2 and electrical for LCMS equipment; add to replace VCT w/ new including a moisture barrier; includes credits to leave room as a lab in lieu of converting to office
ALT #37	Storage 124	\$4,586	includes additional casework demo, wall patch, plumbing and electrical safe-off and credit to delete new door from scope
ALT #45	Provide Utilities Above Ceiling @ Open Office 107 for Future Furniture	\$6,142	
ALT #46	Break Room 203	\$27,828	furnish and install new upper and lower cabinets w/ solid surface countertops, wide set of double doors on hold opens, door infill and sink replacement, excludes new appliances
ALT #47	Add Sidelites @ Offices 221 - 225, 228, 229	\$44,767	demo existing doors and walls as needed, re-frame opening, install new / reused doors w/ new sidelites; includes ceiling patch and relocation of light switches (existing lighting to remain)
ALT #48	Training Room 228 - Door Hardware	\$489	remove existing door hardware and blank off to serve as exit only door
ALT #49	Training Room 228 - Window on Sill w/ Wood Door	\$13,867	demo existing wall and re-frame for new aluminum frame and wood door; includes relocation of light switch
ALT #56	Additional Power For Equipment @ Labs 109, 164, 165, 166	\$17,533	
ALT #57	New Shower @ Rm 104	\$59,727	demo existing finishes in room (excluding epoxy); sawcut for new drain line and install new 8'-0" door; includes new ceramic tile, ADA shower bench and grab bars, fire sprinkler, plumbing fixtures, exhaust and power / lighting
ALT #67	Infill Gap Between Drywall and Glass @ Offices 221-225	\$5,579	
TOTAL OF ACCEPTED ALTS		\$368,415	This cost total, and the individual costs above, are reflective of Hard Costs ONLY.

SCHEDULE 3

MECHANICAL SURVEY



**WESTERN
ALLIED
MECHANICAL, INC**

1880 Clinton Drive • Menlo Park, CA
94025-5424 • www.westernallied.com
Licence No. 823762

January 19, 2018

Bid No. 27951A

**Landmark
352 Piercy Road
San Jose, CA 95138**

Attn: Matt Morales
Email: mmorales@binc.com

Re: 260 Littlefield Road, South San Francisco – Due Diligence.

Western Allied Mechanical is pleased to propose the following scope of work per your request:

Item #1: Boiler 1 – Raypack M# H3-0260 S# 0610257246

- This unit is operational.
- Disassemble and remove the boiler access covers.
- Disconnect, remove and clean the burners and rack assy.
- Clean and check the firebox.
- Clean and check the heat exchanger.
- Reinstall the burners and rack assy.
- Clean and check the combustion air inlet screens.
- Check the integrity of the refractory and patch minor cracks.
- Reassemble the boiler casing.
- Clean the make-up water valve strainer screen and verify proper pressure adjustment and operation.
- Check and verify proper hot water loop expansion tank integrity and pressure.
- Check and verify proper hot water pump operation.
- Clean and check the low water cut out safety control.
- Check and calibrate the boiler operating and safety controls.
- Check and verify proper inlet and leaving manifold gas pressures.
- Start up and verify proper boiler and hot water loop operation.

Item #2: CU-1 York - M# H1DB036S06B S# EDFM116723

- This unit is operational.

Item #3: CU-2 Trane - M# 2TWA3036A4000AA S# 7242WE12F

- This unit is operational.

Item #4: CU-3 Trane - M# 2TTA3036A3000AA S# 9322NPW3F

- This unit is operational.

Item #5: CU-4 BDP - M# 538ANX018000A S#2996X00317

- This unit is shutoff; not in use.

STATE CONTRACTOR LICENSE NO. 823762

SCHEDULE 3

-1-

[Edgewater Business Park]
[Pliant Therapeutics]

Item #6: FC-2 Trane - M# 2TEC3F36B1000AA S#7252KTT6V

- This unit is operational.
- Remove and replace the fouled prefilter with new.
- Remove and replace the fouled box filter with new.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Start up and verify proper operation.

Item #7: Vacuum Pump Travaini - M# PVLB200 S# 94040366

- This unit is operational.
- Remove and replace the dirty intake filters with new.
- Remove and replace the dirty oil with new.
- Properly dispose of old oil.
- Verify all safeties and controls.
- Start up and check unit for proper operation

Item #8: HP-3 Trane – M# WSC060E4ROAONA000000000B0C S# 947100054L

- This unit is operational.

Item #9: EF-X (tag illegible) Carnes – M# VEBK06K4A1NA20SPC1 S# 282371.001

- This unit is operational.

Item #10: EF-1 Loren Cook – M# LCC CPV S# 28004719040100007010597

- This unit is operational.
- Unit is off at disconnect, looks unused for some time.

Item #11: EF-2 Loren Cook – M# LCC CPV S# 28004719040100007020597

- This unit is operational.
- Unit is off at disconnect, looks unused for some time.

Item #12: EF-3 Loren Cook – M# LCC CPV S# 28004719040100022010597

- This unit is operational.
- Unit is off at disconnect, looks unused for some time.

Item #13: EF-4 Loren Cook – M# LCC CPV S# 28004719040100057010597

- This unit is operational.
- Unit starter was tripped, looks unused for some time.

Item #14: EF-5 - Info illegible

- Unit is non-operational, recommend replacement.

Item #15: EF-6 - Info illegible

- Unit is non-operational, seized motor and fan, bad isolation pads; recommend replacement.
- Unit is capped at power switch, seems to be abandoned in place.

Item #16: EF-7 - Info illegible

- Unit is non-operational, recommend replacement.

27951 A- 260 Littlefield (Landmark) Due diligence - 110317 ecv.doc

STATE CONTRACTOR LICENSE NO. 212875

SCHEDULE 3

-2-

[Edgewater Business Park]
[Pliant Therapeutics]

Item #17: EF-9 - Info illegible

- This unit is operational.

Item #18: EF-10 - Info illegible

- This unit is operational.

Item #19: EF-12 Greenheck M# G-100-BX-QD S# 93J04366

- Unit is non-operational, recommend replacement.

Item #20: EF-13 Greenheck M# G-24-15X-OD S# 88K00957

- This unit is operational.
- Remove and replace the worn drive sheave with new.
- Remove and replace the worn pulley with new.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Furnish a spare belt for future use.
- Start up and verify proper operation.

Item #21: EF-20 Central Blower – M# 20BI S# 59124

- Unit is off at disconnect, looks unused for some time.
- This fan is unused, should the disuse continue, the motor probably will seize up due to moisture getting inside the bearings.

Item #22: EF-21 Central Blower – M# 10BI S# 59136

- Unit is off at disconnect, looks unused for some time.
- This fan is unused, should the disuse continue, the motor probably will seize up due to moisture getting inside the bearings.

Item #23: EF-22 – Cranes M# VEBK08K3A1NA20SPC1 S# 328711.001

- This unit is operational.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Furnish a spare belt for future use.
- Start up and verify proper operation.

Item #24: EF-22B Central Blower M# 10BI S# 59135

- This unit is operational.
- Remove and replace the worn drive sheave with new.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Furnish a spare belt for future use.
- Start up and verify proper operation.

.00.

Item #25: EF-23 Central Blower M# 10BI S# 59137

- This unit is operational.

Item #26: AC-1 Trane M# WCD150B400GB S# 642101038D

- This unit is operational.

Item #27: AC-2 Trane M# WSC060A4ROA270000000000 S# 643102417L

- This unit is operational.
- Reclaim the refrigerant from the unit.
- Remove and replace the defective reversing valve and coil with new.
- Remove and replace the existing liquid line filter drier with new.
- Evacuate and recharge the system with refrigerant.
- Start system and verify proper operation.

Item #28: AC-3 Trane M# WSC060A4ROA270000000000 S# 643102417L

- This unit is operational.
- Reclaim the refrigerant from circuit #2.
- Pressurize circuit #2 with dry nitrogen.
- Perform an electronic refrigerant leak check and repair of circuit 2.
- Remove and replace the existing liquid line filter drier with new.
- Evacuate and recharge the system with refrigerant.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Start system and verify proper operation.

Item #29: AC-4 Trane M# YSC090A4RLA2T0000000000 S# 644101865L

- This unit is operational.
- Lubricate and exercise linkages
- Start system and verify proper operation.

Item #30: AC-5 Trane M# YCD150D4LOBB S# 626101286D

- Troubleshoot economizer.

Item #31: AC-6 Trane M# YSC060A4RLA2T00000000000A S# 644101200L

- This unit is operational.

Item #32: AC-7 Trane M# YCD150D4LOBB S# 614100181D

- This unit is operational.

Item #33: AC-8 Trane M# YCD210C4LOEA S# 644100173D

- This unit is operational.
- Lubricate and exercise economizer.
- Start system and verify proper operation.

Item #34: AC-9 Trane M# DF090COON4AAA4A S# NOL6094155

- This unit is operational.

Item #35: AC-10 Trane M# YSC120 4RLA2R00000000000D S# 637101933L

- This unit is operational.

27951 A- 260 Littlefield (Landmark) Due diligence - 110317 cov.doc

STATE CONTRACTOR LICENSE NO. 31537E

SCHEDULE 3

-4-

[Edgewater Business Park]
[Pliant Therapeutics]

Item #36: AC-11 Trane M# YSC060A4RLA2T0000000000 S# 644101422L

- This unit is operational.

Item #37: AC-12 York M# D3CG090N13046ECG S# NEFM058868

- Unit is operational, recommend replacement due to age and poor condition of internals.

Item #38: AC-13 York M# D2CG180N24046E S# NEFM064640

- This unit is operational.

Note: The condensing coil is flaking and very deteriorated. The unit is working, but this will need to be addressed in the future.

Item #39: AC-14 York M# D2CG240N2406E S# NEFM063655

- Unit is operational, recommend replacement due to age and poor condition of internals.

Item #40: AC-15 York M# D6CG036N07946C S# NAFM004819

- This unit is operational.

Note: The condensing coil is flaking and very deteriorated. There is considerable rust on the supply fan housing and condenser fan motor. The unit is working, but these issues will need to be addressed in the future.

Item #41: AC-17 Trane M# YSC060A4RLA2T0000000000 S# 644101275L

- This unit is operational.

Item #42: AC-18 Trane M# YSC060A4RLA2T0000000000 S# 644101348L

- This unit is operational.
- Remove and replace the (2) fouled bag filters with new.
- Start system and verify proper operation.

Item #43: AC-19 Trane M# YSC090A4RLA2T0000000000 S# 636102484L

- This unit is operational.
- Remove and replace the (2) fouled bag filters with new.
- Remove and replace the worn motor sheave with new.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Start system and verify proper operation.

Item #44: AC-20 Trane M# TCD180B40 CHB S# 644100201D

- This unit is operational.
- Remove and replace the defective economizer with new.
- Start system and verify proper operation.

Item #45: AC-21 Trane M# YSC036A4RLA2H0000000000 S#644101426L

- This unit is operational.

Item #46: AC-22 Trane M# YSC036A4RLA2H0000000000 S#644101352L

- This unit is operational.

Item #47: Clean condenser coils on (14) units.

- Clean indoor (evaporator) coil(s).
- Rinse the coil(s) with clear water.
- Comb the coil fins if necessary.

Item #48: Replace belts and leave spares.

- Remove and replace the (25) worn belts with new.
- Verify proper belt tension and alignment.
- Start system and verify proper operation.
- Leave (25) new belts for future use.

Item #49: Replace filters.

- Remove and replace the (90) fouled prefilters on (22) units with new.

A Summary of Life Expectancy is shown below in red.

Items 1 – 8: 7 to 10 year life
Items 26 – 46: 6 to 9 year life
Items 9 – 25: N/A.
Items 37 – 40: Replace now
Items 41 – 46: 6 to 9 year life

Note: Item 5 is shut down at this time

All work will be performed during our normal service hours, Monday through Friday, 8:00 am to 4:30 p.m.

Note: 1) The above includes reclaiming the units refrigerant in accordance with the E.P.A. regulations (Sec. 608), also any additional refrigerant used, will be charged as an extra.

Any further labor and material found to be needed in the course of performing this proposal will be brought to your attention. We will, upon your decision and approval, either perform the additional work on a time and material basis or quote an addendum to this proposal.

The above price **excludes** all work associated with hazardous materials (lead, asbestos, etc.).

Please sign this proposal and return the original to us. We will schedule the work upon receipt of the signed contract.

Date: _____ Acknowledgment: _____

From _____
Robert E. Monaghan
Mark Edwards

EXHIBIT C

EDGEWATER BUSINESS PARK

NOTICE OF LEASE TERM DATES

To: _____

Re: Lease dated _____, 20____ between _____, a _____ (“**Landlord**”), and _____, a _____ (“**Tenant**”) concerning Suite _____ on floor(s) _____ of the building located at _____, California.

Gentlemen:

In accordance with the Lease (the “**Lease**”), we wish to advise you and/or confirm as follows:

1. The Lease Term shall commence on or has commenced on _____ for a term of _____ ending on _____.
2. Rent commenced to accrue on _____, in the amount of _____.
3. If the Lease Commencement Date is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter, with the exception of the final billing, shall be for the full amount of the monthly installment as provided for in the Lease.
4. Your rent checks should be made payable to _____ at _____.
5. The exact number of rentable/usable square feet within the Premises is _____ square feet.
6. Tenant’s Share as adjusted based upon the exact number of usable square feet within the Premises is ____%.

“Landlord”:

_____,
a _____

By: _____
Its: _____

Agreed to and Accepted as of _____, 20____.

“Tenant”:

a _____

By: _____

Its: _____

EXHIBIT C

-2-

[Edgewater Business Park]

[Pliant Therapeutics]

EXHIBIT D

EDGEWATER BUSINESS PARK

FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Lease (the "**Lease**") made and entered into as of _____, 20____ by and between _____ as Landlord, and the undersigned as Tenant, for Premises consisting of the entire building located at _____, California, certifies as follows:

1. Attached hereto as **Exhibit A** is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in **Exhibit A** represent the entire agreement between the parties as to the Premises.
2. The undersigned currently occupies the Premises described in the Lease, the Lease Term commenced on _____, and the Lease Term expires on _____, and the undersigned has no option to terminate or cancel the Lease or to purchase all or any part of the Premises, the Building and/or the Project, except as expressly set forth in the Lease.
3. Base Rent became payable on _____.
4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in **Exhibit A**.
5. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:
6. Tenant shall not modify the documents contained in **Exhibit A** without the prior written consent of Landlord's mortgagee.
7. All monthly installments of Base Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through _____. The current monthly installment of Base Rent is \$_____.
8. To Tenant's actual knowledge, without inquiry, all conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, the undersigned has not delivered any notice to Landlord regarding a default by Landlord thereunder. The Lease does not require Landlord to provide any rental concessions or to pay any leasing brokerage commissions except as expressly set forth therein.
9. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease. Neither Landlord, nor its successors or assigns, shall in any event be liable or responsible for, or with respect to, the retention, application and/or return to Tenant of any security deposit paid to any prior landlord of the Premises, whether or not still held by any such prior landlord, unless and until the party from whom the security deposit is being sought, whether it be a lender, or any of its successors or assigns, has actually received for its own account, as landlord, the full amount of such security deposit.

10. To Tenant's actual knowledge, without inquiry, as of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Landlord.

11. If Tenant is a corporation or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

12. There are no actions pending against the undersigned under the bankruptcy or similar laws of the United States or any state.

13. Tenant is in full compliance with all federal, state and local laws, ordinances, rules and regulations affecting its use of the Premises, including, but not limited to, those laws, ordinances, rules or regulations relating to hazardous or toxic materials. Tenant has never permitted its agents, employees or contractors to engage in the generation, manufacture, treatment, use, storage, disposal or discharge of any hazardous, toxic or dangerous waste, substance or material in, on, under or about the Project or the Premises or any adjacent premises or property in violation of any federal, state or local law, ordinance, rule or regulation.

14. To the undersigned's knowledge, all tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any tenant improvement work have been paid in full. All work (if any) in the common areas required by the Lease to be completed by Landlord has been completed and all parking spaces required by the Lease have been furnished and/or all parking ratios required by the Lease have been met.

The undersigned acknowledges that this Estoppel Certificate may be delivered to Landlord or to a prospective mortgagee or prospective purchaser, and acknowledges that said prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Executed at _____ on the ____ day of _____, 20____.

“Tenant”:

a _____

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT D

-2-

[Edgewater Business Park]

[Pliant Therapeutics]

EXHIBIT E

EDGEWATER BUSINESS PARK

ENVIRONMENTAL QUESTIONNAIRE

**ENVIRONMENTAL QUESTIONNAIRE
FOR COMMERCIAL AND INDUSTRIAL PROPERTIES**

Tenant Name:

Lease Address:

Lease Type (check correct box – right click to properties):

Primary Lease/Lessee

Sublease from: _____

Instructions: The following questionnaire is to be completed by the Lessee representative with knowledge of the planned operations for the specified building/location. Please print clearly and attach additional sheets as necessary.

1.0 PROCESS INFORMATION

Describe planned site use, including a brief description of manufacturing processes and/or pilot plants planned for this site, if any.

2.0 HAZARDOUS MATERIALS – OTHER THAN WASTE

Will (or are) non-waste hazardous materials be/being used or stored at this site? If so, continue with the next question. If not, go to Section 3.0.

2.1 Are any of the following materials handled on the Property? Yes No

[A material is handled if it is used, generated, processed, produced, packaged, treated, stored, emitted, discharged, or disposed.] If YES, check (right click to properties) the applicable correct Fire Code hazard categories below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Combustible dusts/fibers | <input type="checkbox"/> Explosives | <input type="checkbox"/> Flammable liquids |
| <input type="checkbox"/> Combustible liquids (e.g., oils) | <input type="checkbox"/> Compressed gas - inert | <input type="checkbox"/> Flammable solids/pyrophorics |
| <input type="checkbox"/> Cryogenic liquids - inert | <input type="checkbox"/> Compressed gas - flammable/pyrophoric | <input type="checkbox"/> Organic peroxides |
| <input type="checkbox"/> Cryogenic liquids - flammable | <input type="checkbox"/> Compressed gas - oxidizing | <input type="checkbox"/> Oxidizers - solid or liquid |
| <input type="checkbox"/> Cryogenic liquids - oxidizing | <input type="checkbox"/> Compressed gas - toxic | <input type="checkbox"/> Reactives - unstable or water reactive |
| <input type="checkbox"/> Corrosives - solid or liquid | <input type="checkbox"/> Compressed gas - corrosive | <input type="checkbox"/> Toxics - solid or liquid |

2-2. For all materials checked in Section 2.1 above, please list the specific material(s), use(s), and quantities of each used or stored on the site in the table below; or attach a separate inventory. *NOTE: If proprietary, the constituents need not be named but the hazard information and volumes are required.*

2-4. Other hazardous materials. Check below (right click to properties) if applicable. *NOTE: If either of the latter two are checked (BSL-3 and/or radioisotope/radiation), be advised that not all lease locations/cities or lease agreements allow these hazards; and if either of these hazards are planned, additional information will be required with copies of oversight agency authorizations/licenses as they become available.*

- Risk Group 2/Biosafety Level-2 Biohazards
 Risk Group 3/Biosafety Level-3 Biohazards
 Radioisotopes/Radiation

3.0 HAZARDOUS WASTE (i.e., REGULATED CHEMICAL WASTE)

Are (or will) hazardous wastes (be) generated? Yes No

If YES, continue with the next question. If not, skip this section and go to section 4.0.

3.1 Are or will any of the following hazardous (CHEMICAL) wastes generated, handled, or disposed of (where applicable and allowed) on the property?

- Liquids Process sludges PCBs
 Solids Metals wastewater

3-2. List and estimate the quantities of hazardous waste identified in Question 3-1 above.

HAZARDOUS (CHEMICAL) WASTE GENERATED	SOURCE	WASTE TYPE			DISPOSITION [e.g., off-site landfill, incineration, fuel blending scrap metal; wastewater neutralization (onsite or off-site)]
		RCRA listed (federal)	Non-RCRA (California ONLY or recycle)	APPROX. MONTHLY QUANTITY with units	
		<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>		
		<input type="checkbox"/>	<input type="checkbox"/>		

3-3. Waste characterization by: Process knowledge EPA lab analysis Both

3-4. Please include name, location, and permit number (e.g. EPA ID No.) for transporter and disposal facility if applicable. Attach separate pages as necessary. *If not yet known, write "TBD."*

Hazardous Waste Transporter/Disposal Facility Name	Facility Location	Transporter (T) or Disposal (D) Facility	Permit Number

3-5. Are pollution controls or monitoring employed in the process to prevent or minimize the release of wastes into the environment? *NOTE: This does NOT mean fume hoods; examples include air scrubbers, cyclones, carbon or HEPA filters at building exhaust fans, sedimentation tanks, pH neutralization systems for wastewater, etc.*

Yes No

If YES, please list/describe:

4.0 OTHER REGULATED WASTE (i.e., REGULATED BIOLOGICAL WASTE, referred to as “Medical Waste” in California)

4-1. Will (or do) you generate medical waste? Yes No If NO, skip to Section 5.0.

4-2. Check the types of waste that will be generated, all of which fall under the California Medical Waste Act:

- | | | |
|--|---|--|
| <input type="checkbox"/> Contaminated sharps (i.e., if contaminated with ³ Risk Group 2 materials) | <input type="checkbox"/> Animal carcasses | <input type="checkbox"/> Pathology waste known or suspected to be contaminated with ³ Risk Group 2 pathogens) |
| <input type="checkbox"/> Red bag biohazardous waste (i.e., with ³ Risk Group 2 materials) for autoclaving | <input type="checkbox"/> Human or non-human primate blood, tissues, etc. (e.g., clinical specimens) | <input type="checkbox"/> Trace Chemotherapeutic Waste and/or Pharmaceutical waste NOT otherwise regulated as RCRA chemical waste |

4-3. What vendor will be used for off-site autoclaving and/or incineration?

4-5. Do you have a Medical Waste Permit for this site? Yes No, not required.
 No, but an application will be submitted.

5.0 UNDERGROUND STORAGE TANKS (USTS) & ABOVEGROUND STORAGE TANKS (ASTS)

5-1. Are underground storage tanks (USTs), aboveground storage tanks (ASTs), or associated pipelines used for the storage of petroleum products, chemicals, or liquid wastes present on site (lease renewals) or required for planned operations (new tenants)? Yes No

NOTE: If you will have your own diesel emergency power generator, then you will have at least one AST! [NOTE: If a backup generator services multiple tenants, then the landlord usually handles the permits.]

If NO, skip to section 6.0. If YES, please describe capacity, contents, age, type of the USTs or ASTs, as well any associated leak detection/spill prevention measures. Please attach additional pages if necessary.

UST or AST	Capacity (gallons)	Contents	Year Installed	Type (Steel, Fiberglass, etc.)	Associated Leak Detection / Spill Prevention Measures*

*NOTE: The following are examples of leak detection / spill prevention measures: integrity testing, inventory reconciliation, leak detection system, overfill spill protection, secondary containment, cathodic protection.

5-2. Please provide copies of written tank integrity test results and/or monitoring documentation, if available.

5-3. Is the UST/AST registered and permitted with the appropriate regulatory agencies? Yes No, not yet

If YES, please attach a copy of the required permit(s). See Section 7-1 for the oversight agencies that issue permits, with the exception of those for diesel emergency power generators which are permitted by the local Air Quality District (Bay Area Air Quality Management District = BAAQMD; or San Diego Air Pollution Control District = San Diego APCD).

5-4. If this Questionnaire is being completed for a lease renewal, and if any of the USTs/ASTs have leaked, please state the substance released, the media(s) impacted (e.g., soil, water, asphalt, etc.), the actions taken, and all remedial responses to the incident.

5-5. If this Questionnaire is being completed for a lease renewal, have USTs/ASTs been removed from the Property?

Yes No

If YES, please provide any official closure letters or reports and supporting documentation (e.g., analytical test results, remediation report results, etc.).

5-6. For Lease renewals, are there any above or below ground pipelines on site used to transfer chemicals or wastes?

Yes No

For new tenants, are installations of this type required for the planned operations? Yes No

If YES to either question in this section 5-6, please describe.

6.0 **ASBESTOS CONTAINING BUILDING MATERIALS**

Please be advised that an asbestos survey may have been performed at the Property. If provided, please review the information that identifies the locations of known asbestos containing material or presumed asbestos containing material. All personnel and appropriate subcontractors should be notified of the presence of these materials, and informed not to disturb these materials. Any activity that involves the disturbance or removal of these materials must be done by an appropriately trained individual/contractor.

7.0 **OTHER REGULATORY PERMITS/REQUIREMENTS**

7-1. Does the operation have or require an industrial wastewater permit to discharge into the local National Pollutant Discharge Elimination System (NPDES)? *[Example: This applies when wastewater from equipment cleaning is routed through a pH neutralization system prior to discharge into the sanitary or lab sewer for certain pharmaceutical manufacturing wastewater; etc.]* Permits are obtained from the regional sanitation district that is treating wastewater.

Yes No No, but one will be prepared and submitted to the Landlord property management company.

If so, please attach a copy of this permit or provide it later when it has been prepared.

7-2. Has a Hazardous Materials Business Plan (HMBP) been developed for the site and submitted via the State of California Electronic Reporting System (CERS)? *[NOTE: The trigger limits for having to do this are ³ 200 cubic feet if any one type of compressed gas (except for carbon dioxide and inert simple asphyxiant gases, which have a higher trigger limit of ³ 1,000 cubic feet); ³ 55 gallons if any one type of hazardous chemical liquid; and ³ 500 pounds of any one type of hazardous chemical solid. So a full-size gas cylinder and a 260-liter of liquid nitrogen are triggers! Don't forget the diesel fuel in a backup emergency generator if the diesel tank size is ³ 55 gallons and it is permitted under the tenant (rather than under the landlord).]* NOTE: Each local Certified Unified Program Agency (CUPA) in California governs the HMBP process so start there. Examples: the CUPA for cities in San Mateo County is the County Environmental Health Department; the CUPA for the City of Hayward, CA is the Hayward Fire Department; the CUPA for Mountain View is the Mountain View Fire Department; and, the CUPA for San Diego is the County of San Diego Hazardous Materials Division (HMD),

Yes No, not required. No, but one will be prepared and submitted, and a copy will be provided to the landlord property management company.

If one has been completed, please attach a copy. Continue to provide updated versions as they are completed. This is a legal requirement in that State law requires that the owner/operator of a business located on leased or rented real property shall notify, in writing, the owner of the property that the business is subject to and is in compliance with the Hazardous Materials Business Plan requirements (Health and Safety Code Chapter 6.95 Section 25505.1).

- 7-3. **NOTE:** Please be advised that if you are involved in any tenant improvements that require a construction permit, you will be asked to provide the local city with a Hazardous Materials Inventory Statement (HMIS) to ensure that your hazardous chemicals fall within the applicable Fire Code fire control area limits for the applicable construction occupancy of the particular building. The HMIS will include much of the information listed in Section 2-2. Neither the landlord nor the landlord's property management company expressly warrants that the inventory provided in Section 2-2 will necessarily meet the applicable California Fire Code fire control area limits for building occupancy, especially in shared tenant occupancy situations. It is the responsibility of the tenant to ensure that a facility and site can legally handle the intended operations and hazardous materials desired/ needed for its operations, but the landlord is happy to assist in this determination when possible.

CERTIFICATION

I am familiar with the real property described in this questionnaire. By signing below, I represent and warrant that the answers to the above questions are complete and accurate to the best of my knowledge. I also understand that Lessor will rely on the completeness and accuracy of my answers in assessing any environmental liability risks associated with the property.

Signature: _____

Name: _____

Title: _____

Date: _____

Telephone: _____

EXHIBIT E

-6-

[Edgewater Business Park]
[Pliant Therapeutics]

EXHIBIT F

FORM OF LETTER OF CREDIT

**(Letterhead of a money center bank
acceptable to the Landlord)**

FAX NO. [() -]
SWIFT: [Insert No., if any]

BENEFICIARY:
[Insert Beneficiary Name And Address]

EXPIRATION _____ AT OUR COUNTERS

DATE:

[Insert Bank Name And Address]

DATE OF ISSUE: _____

APPLICANT:

[Insert Applicant Name And Address]

LETTER OF CREDIT NO. _____

AMOUNT

USD[Insert Dollar Amount]

(U.S. DOLLARS [Insert Dollar Amount])

AVAILABLE:

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ IN YOUR FAVOR FOR THE ACCOUNT OF [Insert Tenant's Name], A [Insert Entity Type], UP TO THE AGGREGATE AMOUNT OF USD[Insert Dollar Amount] ([Insert Dollar Amount] U.S. DOLLARS) EFFECTIVE IMMEDIATELY AND EXPIRING ON _____ (Expiration Date) AVAILABLE BY PAYMENT UPON PRESENTATION OF YOUR DRAFT AT SIGHT DRAWN ON [Insert Bank Name] WHEN ACCOMPANIED BY THE FOLLOWING DOCUMENT(S):

- 1. THE ORIGINAL OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND AMENDMENT(S), IF ANY.**
- 2. BENEFICIARY'S SIGNED STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF [Insert Landlord's Name], A [Insert Entity Type] ("LANDLORD") STATING THE FOLLOWING:**

"THE UNDERSIGNED HEREBY CERTIFIES THAT THE LANDLORD, EITHER (A) UNDER THE LEASE (DEFINED BELOW), OR (B) AS A RESULT OF THE TERMINATION OF SUCH LEASE, HAS THE RIGHT TO DRAW DOWN THE AMOUNT OF USD _____ IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED (COLLECTIVELY, THE "LEASE")."

OR

"THE UNDERSIGNED HEREBY CERTIFIES THAT WE HAVE RECEIVED A WRITTEN NOTICE OF [Insert Bank Name]'S ELECTION NOT TO EXTEND ITS STANDBY LETTER OF CREDIT NO. _____ AND HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT WITHIN AT LEAST THIRTY (30) DAYS PRIOR TO THE PRESENT EXPIRATION DATE."

OR

EXHIBIT F

-1-

[Edgewater Business Park]
[Pliant Therapeutics]

“THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF THE FILING OF A VOLUNTARY PETITION UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE BY THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED (COLLECTIVELY, THE “LEASE”), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING.”

OR

“THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF AN INVOLUNTARY PETITION HAVING BEEN FILED UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE AGAINST THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED (COLLECTIVELY, THE “LEASE”), WHICH FILING HAS NOT BEEN DISMISSED WITHIN THIRTY (30) DAYS.”

OR

“THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF THE REJECTION, OR DEEMED REJECTION, OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS AMENDED, UNDER SECTION 365 OF THE U.S. BANKRUPTCY CODE.”

SPECIAL CONDITIONS:

PARTIAL DRAWINGS AND MULTIPLE PRESENTATIONS MAY BE MADE UNDER THIS STANDBY LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS STANDBY LETTER OF CREDIT.

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING. [Please Provide The Required Forms For Review, And Attach As Schedules To The Letter Of Credit.]

ALL SIGNATURES MUST BE MANUALLY EXECUTED IN ORIGINALS.

ALL BANKING CHARGES ARE FOR THE APPLICANT’S ACCOUNT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR A PERIOD OF ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE EXPIRATION DATE WE SEND YOU NOTICE BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. SAID NOTICE WILL BE SENT TO THE ADDRESS INDICATED ABOVE, UNLESS A CHANGE OF ADDRESS IS OTHERWISE NOTIFIED BY YOU TO US IN WRITING BY RECEIPTED MAIL OR COURIER. ANY NOTICE TO US WILL BE DEEMED EFFECTIVE ONLY UPON ACTUAL RECEIPT BY US AT OUR DESIGNATED OFFICE. IN NO EVENT, AND WITHOUT FURTHER NOTICE FROM OURSELVES, SHALL THE EXPIRATION DATE BE EXTENDED BEYOND A FINAL EXPIRATION DATE OF _____ (60 days from the Lease Expiration Date).

THIS LETTER OF CREDIT MAY BE TRANSFERRED SUCCESSIVELY IN WHOLE OR IN PART ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF A NOMINATED TRANSFEREE (“TRANSFEREE”), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH ALL APPLICABLE U.S. LAWS AND REGULATIONS. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND

EXHIBIT F

-2-

[Edgewater Business Park]
[Pliant Therapeutics]

ORIGINAL AMENDMENT(S) IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM (AVAILABLE UPON REQUEST) AND PAYMENT OF OUR CUSTOMARY TRANSFER FEES, WHICH FEES SHALL BE PAYABLE BY APPLICANT (PROVIDED THAT BENEFICIARY MAY, BUT SHALL NOT BE OBLIGATED TO, PAY SUCH FEES TO US ON BEHALF OF APPLICANT, AND SEEK REIMBURSEMENT THEREOF FROM APPLICANT). IN CASE OF ANY TRANSFER UNDER THIS LETTER OF CREDIT, THE DRAFT AND ANY REQUIRED STATEMENT MUST BE EXECUTED BY THE TRANSFEREE AND WHERE THE BENEFICIARY'S NAME APPEARS WITHIN THIS STANDBY LETTER OF CREDIT, THE TRANSFEREE'S NAME IS AUTOMATICALLY SUBSTITUTED THEREFOR.

ALL DRAFTS REQUIRED UNDER THIS STANDBY LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER [Insert Bank Name] STANDBY LETTER OF CREDIT NO. _____."

WE HEREBY AGREE WITH YOU THAT IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AT OR PRIOR TO [Insert Time – (e.g., 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS PRESENTED CONFORM TO THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SUCCEEDING BUSINESS DAY. IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AFTER [Insert Time – (e.g., 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS CONFORM WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SECOND SUCCEEDING BUSINESS DAY. AS USED IN THIS LETTER OF CREDIT, "BUSINESS DAY" SHALL MEAN ANY DAY OTHER THAN A SATURDAY, SUNDAY OR A DAY ON WHICH BANKING INSTITUTIONS IN THE STATE OF CALIFORNIA ARE AUTHORIZED OR REQUIRED BY LAW TO CLOSE. IF THE EXPIRATION DATE FOR THIS LETTER OF CREDIT SHALL EVER FALL ON A DAY WHICH IS NOT A BUSINESS DAY THEN SUCH EXPIRATION DATE SHALL AUTOMATICALLY BE EXTENDED TO THE DATE WHICH IS THE NEXT BUSINESS DAY.

PRESENTATION OF A DRAWING UNDER THIS LETTER OF CREDIT MAY BE MADE ON OR PRIOR TO THE THEN CURRENT EXPIRATION DATE HEREOF BY HAND DELIVERY, COURIER SERVICE, OVERNIGHT MAIL, OR FACSIMILE. PRESENTATION BY FACSIMILE TRANSMISSION SHALL BE BY TRANSMISSION OF THE ABOVE REQUIRED SIGHT DRAFT DRAWN ON US TOGETHER WITH THIS LETTER OF CREDIT TO OUR FACSIMILE NUMBER, [Insert Fax Number – (____) ____-____], ATTENTION: [Insert Appropriate Recipient], WITH TELEPHONIC CONFIRMATION OF OUR RECEIPT OF SUCH FACSIMILE TRANSMISSION AT OUR TELEPHONE NUMBER [Insert Telephone Number – (____) ____-____] OR TO SUCH OTHER FACSIMILE OR TELEPHONE NUMBERS, AS TO WHICH YOU HAVE RECEIVED WRITTEN NOTICE FROM US AS BEING THE APPLICABLE SUCH NUMBER. WE AGREE TO NOTIFY YOU IN WRITING, BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE, OF ANY CHANGE IN SUCH DIRECTION. ANY FACSIMILE PRESENTATION PURSUANT TO THIS PARAGRAPH SHALL ALSO STATE THEREON THAT THE ORIGINAL OF SUCH SIGHT DRAFT AND LETTER OF CREDIT ARE BEING REMITTED, FOR DELIVERY ON THE NEXT BUSINESS DAY, TO [Insert Bank Name] AT THE APPLICABLE ADDRESS FOR PRESENTMENT PURSUANT TO THE PARAGRAPH FOLLOWING THIS ONE.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENT(S) DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS STANDBY LETTER OF CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT OUR OFFICE LOCATED AT [Insert Bank Name], [Insert Bank Address], ATTN: [Insert Appropriate Recipient], ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT, _____ (Expiration Date)_____.

IN THE EVENT THAT THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT IS LOST, STOLEN, MUTILATED, OR OTHERWISE DESTROYED, WE HEREBY AGREE TO ISSUE A DUPLICATE ORIGINAL HEREOF UPON RECEIPT OF A WRITTEN REQUEST FROM YOU AND A CERTIFICATION BY YOU (PURPORTEDLY SIGNED BY YOUR AUTHORIZED REPRESENTATIVE) OF THE LOSS, THEFT, MUTILATION, OR OTHER DESTRUCTION OF THE ORIGINAL HEREOF.

EXHIBIT F

-3-

[Edgewater Business Park]
[Pliant Therapeutics]

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE "INTERNATIONAL STANDBY PRACTICES" (ISP 98) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 590).

Very truly yours,

(Name of Issuing Bank)

By: _____

EXHIBIT F

-4-

[Edgewater Business Park]
[Pliant Therapeutics]

EXHIBIT G

TENANT'S PROPERTY

The following items, to the extent (i) not purchased with the Tenant Improvement Allowance or Additional Improvement Allowance, and (ii) not tied into the Base Building systems, shall be deemed "Tenant's Property":

1. All moveable furniture and equipment that is not "built-in".
2. Moveable lab casework (other than "built-in" lab casework), including moveable lab benches.
3. Servers, server racks and back-up batteries.
4. Furniture.
5. Portable fume hoods.
6. Biosafety cabinets.
7. Stand-alone freezers, ice makers, autoclave, portable glass wash and incubators.
8. NMR.

EXHIBIT G

-1-

[Edgewater Business Park]
[Pliant Therapeutics]

LEASE

EDGEWATER BUSINESS PARK

HCP, INC.,

a Maryland corporation,

as Landlord,

and

PLIANT THERAPEUTICS, INC.,

a Delaware corporation,

as Tenant.

[Edgewater Business Park]
[Pliant Therapeutics]

TABLE OF CONTENTS

	<u>Page</u>
1. PREMISES, BUILDING, PROJECT, AND COMMON AREAS	4
2. LEASE TERM; OPTION TERM	5
3. BASE RENT	7
4. ADDITIONAL RENT	7
5. USE OF PREMISES	13
6. SERVICES AND UTILITIES	17
7. REPAIRS	18
8. ADDITIONS AND ALTERATIONS	20
9. COVENANT AGAINST LIENS	21
10. INSURANCE	22
11. DAMAGE AND DESTRUCTION	23
12. NONWAIVER	24
13. CONDEMNATION	25
14. ASSIGNMENT AND SUBLETTING	25
15. SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES	28
16. HOLDING OVER	29
17. ESTOPPEL CERTIFICATES	29
18. SUBORDINATION	29
19. DEFAULTS; REMEDIES	30
20. COVENANT OF QUIET ENJOYMENT	31
21. SECURITY DEPOSIT	31
22. COMMUNICATIONS AND COMPUTER LINE	35
23. SIGNS	35
24. COMPLIANCE WITH LAW	35
25. LATE CHARGES	36
26. LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT	36
27. ENTRY BY LANDLORD	37
28. TENANT PARKING	37
29. MISCELLANEOUS PROVISIONS	37
 EXHIBITS	
A	OUTLINE OF PREMISES
B	TENANT WORK LETTER
C	FORM OF NOTICE OF LEASE TERM DATES
D	FORM OF TENANT'S ESTOPPEL CERTIFICATE
E	ENVIRONMENTAL QUESTIONNAIRE
F	FORM OF LETTER OF CREDIT
G	TENANT'S PROPERTY

INDEX

	<u>Page(s)</u>
Accountant	12
Advocate Arbitrators	6
Alterations	20
Applicable Laws	35
Base Building	19
Base Rent	7
Brokers	40
Building	4
Closure Letter	16
Common Areas	4
Comparable Buildings	6
Contemplated Effective Date	26
Contemplated Transfer Space	26
Direct Expenses	8
Disputed Amounts	38
Emergency	20
Environmental Assessment	15
Environmental Report	16
Estimate	12
Estimate Statement	12
Estimated Direct Expenses	12
Excepted Matters	41
Expense Year	8
Force Majeure	39
Generator	17
Hazardous Materials	13
Intention to Transfer Notice	26
Landlord	1
Landlord Parties	22
L-C	32
L-C Amount	32
Lease	1
Lease Commencement Date	5
Lease Expiration Date	5
Lease Term	5
Lease Year	5
Lines	35
Mail	39
Net Worth	28
Neutral Arbitrator	6
Nine Month Period	26
Notices	39
Objectionable Name	35
Operating Expenses	8
Option Conditions	5
Option Rent	5
Option Term	5
Outside Agreement Date	6
Permitted Transferee	27
Premises	4

	<u>Page(s)</u>
Project	4
Sign Specifications	35
Statement	11
Subject Space	25
Summary	1
Tax Expenses	10
Tenant	1
Tenant Work Letter	4
Tenant's Accountant	12
Tenant's Property	21
Tenant's Share	11
Transfer Notice	25
Transferee	25
Transfers	25

(iii)

[Edgewater Business Park]
[Pliant Therapeutics]